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# **Renewable Rewards and Risks**

**A look at the impacts of Montana's  
Renewable Portfolio Standard**



A Report to the 64th Legislature  
May 2014

**Energy and Telecommunications Interim Committee  
2013-2014 Interim**

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Before the close of each legislative session, the House and Senate leadership appoint lawmakers to interim committees. The members of the ETIC, like most other interim committees, serve one 20-month term. Members who are reelected to the Legislature, subject to overall term limits and if appointed, may serve again on an interim committee. This information is included in order to comply with 2-15-155, MCA.

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This report is a summary of the work of the Energy and Telecommunications Interim Committee, specific to the ETIC's 2013-2014 renewable portfolio standard review as outlined in the ETIC's 2013-14 work plan and Senate Joint Resolution No. 6. Members received additional information and public testimony on the subject, and this report is an effort to highlight key information and the processes followed by the ETIC in reaching its conclusions. To review additional information, including written minutes, exhibits, and audio minutes, visit the ETIC website:  
[www.leg.mt.gov/etic](http://www.leg.mt.gov/etic)

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In the last decade one of the most significant new policies affecting the energy industry in the United States has involved state initiatives requiring electric utilities and other retail electric providers to supply a specified minimum amount of customer load with electricity from renewable resources. Renewable portfolio standard requirements or renewable portfolio goals had been established in 37 states.<sup>1</sup> The Legislature enacted the Montana Renewable Power Production and Rural Economic Development Act in 2005, with the first compliance requirements beginning in 2008.

The 2013 Montana Legislature passed and approved Senate Joint Resolution No. 6. The resolution, included in **Appendix A**, requested that the appropriate interim committee of the Legislature spend time analyzing the Montana Renewable Power Production and Rural Economic Development Act, focusing on the economic impacts of the renewable portfolio standard, the environmental benefits of the renewable portfolio standard, and the impacts the renewable portfolio standard has had on Montana consumers. In a poll of legislators to gauge interest in the study, SJ 6 ranked third among 17 study resolutions.<sup>2</sup> The Legislative Council assigned the study to the Energy and Telecommunications Interim Committee (ETIC). The information included in this report is intended to provide an overview of the ETIC's investigation of mechanisms related to the administration of the standard and the impact of the standard on utility and supplier portfolios, as well as customer impacts.

The ETIC worked closely with the public and stakeholders to design this report discussing Montana's RPS. Public comment was sought on each portion of the study over the interim. After completing the interim study tasks as outlined in **Appendix B**, ETIC members agreed to issue a draft report and request public comment and suggestions for findings and recommendations on the subject of Montana's RPS.

## Findings and Recommendations

See Request for Comment

## Introduction

### Why an RPS?

The Renewable Power Production and Rural Economic Development Act, often referred to as Montana's Renewable Portfolio Standard (RPS) or the standard, was brought to the Montana Legislature as Senate Bill No. 415 (Chapter 457, Laws 2005), as a request from former, and at the time newly elected, Governor Brian Schweitzer. The proposal aimed to ensure that renewable resources would supply an increased share of Montana's electricity and encourage the view that renewable energy development and use is welcome in Montana. Enactment of the legislation reflected a policy shift from requiring utilities or other suppliers to simply obtain sufficient electricity to meet customer loads at the best price to instead requiring that certain

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<sup>1</sup> <http://www.epa.gov/lmop/publications-tools/funding-guide/state-resources/index.html>

<sup>2</sup> *The Interim* newsletter, <http://leg.mt.gov/content/Publications/Interim-Newsletter/2013-Interim-Newsletters/2013/June/Poll%20Results.pdf>.

types and amounts of electrical generation be developed or purchased by utilities and suppliers serving Montana customers. As oil and natural gas prices increased at the time, there was a growing interest in renewable energy and the supply security, environmental benefits, and economic development goals that accompanied it.

While renewable energy had been used for many years in Montana, proponents of the legislation, as illustrated in the title of the act, argued that additional renewable resources were needed in Montana to diversify electricity supply, reduce greenhouse gases and other air emissions to improve public health, and to support local renewable projects that would bring jobs and revenue to Montana's economy.<sup>3</sup> Montana's RPS includes specific procurement requirements to stimulate rural economic development. In addition, public utilities must enter into contracts that include a preference for Montana workers.

Proponents said that the bill included a number of mechanisms to hold down costs for Montana families and businesses that pay monthly electric bills. Public utilities could seek preapproval from the Montana Public Service Commission (PSC) to protect customers from excessive costs and to protect utilities from the risk of disallowance of the costs of meeting the renewable standard. The legislation also included specific cost caps for the acquisition of renewable resources by public utilities. Utilities would have the ability to petition the PSC for a short-term waiver from full compliance. The cost caps would limit the additional cost utilities must pay for renewable energy and allow cost recovery from ratepayers for contracts preapproved by the PSC.

Testimony in favor of the bill noted that one of the principal barriers facing wind development in Montana had been the absence of established markets. "To remedy this problem, 18 other states have adopted renewable energy standards requiring utilities to incorporate a certain percentage of renewable power into the mix by a certain date."<sup>4</sup> A look at the RPS requirements in other Western states, prepared for the ETIC in September 2013, is included in **Appendix C**.

Utilities largely opposed the legislation. Montana's two largest utilities, NorthWestern Energy and Montana-Dakota Utilities Co. (MDU), however, had differing concerns.

At the time, NorthWestern Energy (formerly Montana Power Company) had sold its generating facilities following electric utility deregulation in Montana. Montana-Dakota did not deregulate, due to an exemption that was included in the 1997 deregulation legislation. Because MDU

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<sup>3</sup> For the text of testimony in support and in opposition, see the committee minutes of Senate Bill No. 415 during the 2005 legislative session.

<sup>4</sup> Testimony provided by the Montana Environmental Information Center on April 11, 2005 before the House Federal Relations Energy and Telecommunications Committee of the Montana Legislature.



owned its own generation, the utility argued that renewable energy would be competing against the cost of running MDU's existing generation stations, which were quite inexpensive. In the NorthWestern Energy portfolio, on the other hand, renewables would be competing, at that point in time, against higher priced wholesale market power. NorthWestern Energy raised specific concerns about "community renewable energy project" requirements (CREPs), or requirements for the integration of smaller locally owned renewable resources. Concerns about arranging sufficient regulating, or load-following resources were also voiced by utilities. Additional reliability concerns, mostly specific to wind, were raised.

Opponents largely argued against a mandate or a static requirement from year to year, noting that tax breaks would encourage more development as opposed to an RPS. The potential cost of mandating certain resources be included in a utility portfolio was a point repeatedly raised. They argued that they felt, "if it didn't cost more, a mandate wouldn't be needed."<sup>5</sup>

With the passage of SB 415, a number of legislators in favor of the legislation noted that an RPS could create jobs, reduce reliance on foreign oil and gas, diversify portfolios, provide environmental benefits, and conserve fossil resources for the future. It was noted that implementation of the standard might be painful to utilities at the time, but that down the road an RPS would provide tangible benefits to Montana citizens.

### **Who meets the Montana standard?**

The bill, as originally passed and approved, required public utilities to obtain a percentage of their retail customer sales from renewable resources. Starting in 2008, public utilities were required to acquire renewable energy equal to 5 percent of its retail sales of electricity in Montana. That percentage bumped up to 10 percent in 2010 and 15 percent beginning in 2015. If a utility or competitive supplier exceeds the standard in any year, it may carry forward the amount by which the standard was exceeded to comply with the standard in either or both of the two subsequent compliance years.

Before diving into the details, it is important to review "who" or what entities are subject to Montana's RPS. The original legislation captured just public utilities and defined those utilities to include any electric utility regulated by the PSC on January 1, 2005 and their successors or assignees. Rural electric cooperatives were specifically exempted from the bill, with one exception. A cooperative that has 5,000 or more customers is responsible for implementing and enforcing a renewable energy standard that "recognizes the intent of the legislature to encourage new renewable energy production and rural economic development".<sup>6</sup>

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<sup>5</sup> Testimony proved by the Montana Large Customer Group on April 11, 2005 before the House Federal Relations Energy and Telecommunications Committee of the Montana Legislature.

<sup>6</sup> 69-3-2008, Montana Code Annotated.

In 2007, the Montana Legislature passed and approved House Bill No. 681 (Chapter 246, Laws 2007) which, in addition to public utilities, required competitive electricity suppliers to meet the standard. Competitive electricity suppliers include any person, corporation, or governmental entity that is selling electricity to small customers at retail rates in the state of Montana and that is not a public utility or cooperative. In 2009, the Legislature once again revisited competitive electricity suppliers. With passage of House Bill No. 179 (Chapter 118, Laws 2009), governmental entities selling electricity produced only by facilities generating less than 250 kilowatts that were in operation prior to 1990 were exempted from the RPS.

In 2013, the Montana Legislature passed and approved two additional pieces of legislation that change what entities are subject to Montana's RPS. Senate Bill No. 164 (Chapter 73, Laws 2013) exempted public utilities serving 50 or fewer retail customers in Montana on December 31, 2012 from Montana's RPS. In addition, Senate Bill No. 327 (Chapter 197, Laws 2013) exempted competitive electricity suppliers serving four or fewer customers from Montana's RPS.

**Appendix D** shows the evolution of the entities subject to the standard from 2008 through 2012. The impact of the 2013 legislation on the entities subject to the RPS is also noted throughout this document.

SB 164, mentioned above, exempted Avista and Black Hills from the RPS. Since 2008, Avista has not met the RPS requirements in Montana. The utility instead has paid a fine for not procuring the necessary renewable energy credits. Montana's RPS requires a public utility or competitive electricity supplier to pay an administrative penalty, assessed by the commission, of \$10 for each megawatt hour of renewable energy credits that the public utility or competitive electricity supplier failed to procure. A public utility may not recover the penalty in electricity rates, and money generated from the penalties is deposited in the universal low-income energy assistance fund. Since 2008, Avista paid a total of \$1,403 in fines. In addition, SB 327 exempted Conoco-Phillips from the Montana RPS.

**As a result of these legislative changes and industry changes, in 2014 two utilities and one competitive electricity supplier are currently subject to Montana's RPS.**

Electric City Power (ECP), the electric utility arm of the City of Great Falls, is no longer operational. ECP, however, previously was subject to the RPS. In 2008 ECP was fined roughly \$23,000 for failure to meet Montana's RPS and in 2010, ECP faced fines of \$99,120 for failure to purchase RECs. In 2009 and 2012, ECP met the standard by acquiring credits from Klondike III wind farm in Sherman County, Oregon. The standard was met in 2011 with credits from Happy Jack wind farm in Laramie County, Wyoming. In December 2013 the Great Falls City Commission repealed ordinances that had been in place to establish and operate an electric utility -- bringing an end to the City of Great Falls experiment as an electricity supplier.

As a result of these legislative changes and industry changes, in 2014 two utilities, MDU and NorthWestern Energy and one competitive electricity supplier, PPL Treasure State, are subject to Montana's RPS.

### **What is renewable?**

To meet the standard, utilities and competitive electricity suppliers are required to procure renewable energy from renewable resources along with renewable energy credits (RECs). Before entering into a long-term contract to purchase RECs, with or without the associated electricity, a utility must petition the PSC to certify that the RECs were produced by an eligible renewable resource. RECs are discussed in more detail later in this report.



The RPS also includes specific requirements for utilities to use CREPs, defined, originally, as renewable energy projects less than or equal to 5 megawatts where local owners had a controlling interest. Beginning in 2010, public utilities would have been required to purchase both the RECs and the electricity from CREPs totaling at least 50 megawatts in nameplate capacity. Beginning 2015, that increases to at least 75 megawatts in nameplate capacity.

In 2009, the definition of a CREP was altered by the passage of House Bill No. 207 (Chapter 30, Laws 2009) which increased the size of CREPs from 5 megawatts to 25 megawatts. House Bill No. 208 (Chapter 31, Laws 2009) also extended the deadline for meeting the CREP requirement from 2010 to 2012. The third change was included in House Bill No. 343 (Chapter 232, Laws 2009), which allowed public utilities to own CREPs.



What is determined to be a renewable resource under Montana law has also changed over time. Originally the legislation included facilities either located within Montana or delivering electricity from another state into Montana that commenced commercial operation after January 1, 2005. Facilities must produce electricity from wind; solar; geothermal; water power, in the case of a hydroelectric project that does not require a new appropriation, diversion, or impoundment of water and that has a nameplate rating of 10 megawatts or less; landfill or farm-based methane gas; gas produced

during the treatment of wastewater; low-emission, nontoxic biomass; hydrogen derived from any of the sources noted above for use in fuel cells; and the renewable energy fraction from the sources identified above of electricity production from a multiple-fuel process with fossil fuels.

**Figure 1: Source: Montana PSC**

Eligible Renewable Resources and Community Renewable Energy Projects (CREPs)							
Project	Type	Size (MW)	Location	Owner	Certified	CREP	QF
Diamond Willow I	Wind	19.5	Fallon County, MT	MDU	2007	Yes	No
Happy Jack	Wind	30	Laramie County, WY	Duke Energy	2009	No	No
Judith Gap	Wind	135	Wheatland County, MT	Invenergy	2009	No	No
Wastewater Treatment Plant	Cogen	.35	Great Falls, MT	City of Great Falls	2009	No	No
Turnbull	Hydro	13	Teton County, MT	Turnbull Hydro, LLC	2010	Yes	No
Klondike III	Wind	200	Sherman County, OR	Klondike Wind Power III, LLC	2010	No	No
Gordon Butte	Wind	9.6	Meagher County, MT	Gordon Butte Wind	2011	Yes	Yes
Spion Kop	Wind	40	Judith Basin County, MT	NorthWestern Energy	2012	No	No
Silver Sage	Wind	42	Laramie County, WY	Silver Sage Wind power	2012	No	No
Cedar Hills	Wind	19.5	Bowman County, ND	MDU	2012	Yes	No
Lower South Fork	Hydro	.455	Carbon County, MT	Lower South Fork Hydro	2012	Yes	Yes
Diamond Willow II	Wind	10.5	Fallon County, MT	MDU	2013	Yes	No
Musselshell 2	Wind	10	Wheatland County, MT	Musselshell Wind Project	2013	No	Yes
Musselshell 1	Wind	10	Wheatland County, MT	Musselshell Wind Project	2013	No	Yes
Flint Creek	Hydro	2	Granite County, MT	Flint Creek Hydroelectric	2013	Yes	Yes

In 2013, the Legislature also revised the definition of a renewable resource. Senate Bill No. 45 (Chapter 361, Laws 2013) was passed and approved, allowing expansions of an existing hydroelectric project that commence construction and increase existing generation capacity after April 2013 to be included in the RPS. Senate Bill No. 106 (Chapter 259, Laws 2013) was passed and approved, adding flywheel storage, hydroelectric pumped storage, and batteries to the mix. Senate Bill No. 325 (Chapter 328, Laws 2013) made one additional change, allowing wood pieces that have been treated with chemical preservatives, such as creosote, pentachlorophenol, or copper-chrome arsenic, and that are used at a facility that has a nameplate capacity of 5 megawatts or less to be included in Montana's RPS.

**Figure 1** captures the renewable resources used by public utilities and competitive electricity suppliers in order to meet the Montana RPS requirements. This report examines the generation resources individually and analyzes their relationship to the specific requirements of Montana's RPS.

This definition first changed in 2009, with the passage of House Bill No. 343 (Chapter 232, Laws 2007) The legislation made a number of changes in the administration of the standard and also revisited the definition of a renewable resource. The legislation allows up to 15 megawatts installed at an existing reservoir or on an existing irrigation system that did not have hydroelectric generation as of April 16, 2009 and compressed air derived from renewable resources and forced into an underground storage reservoir and later released, heated, and passed through a turbine generator to be considered a renewable resource for meeting the RPS.

## Survey

In September 2013, the ETIC approved two surveys to be sent to a number of energy producers and suppliers as part of its study of the RPS. One survey was provided to renewable energy generators certified as resources that can be used to meet Montana's RPS. The second survey was provided to utilities and electricity suppliers required to meet Montana's RPS. The surveys were sent out electronically in September 2013, and most were returned by early January 2014. As directed by SJ 6, the study and associated survey focus on the economic impacts of the RPS, the environmental benefits of the standard, and the impacts the standard has had on Montana consumers.

The first survey was sent to 13 renewable generators. Those generators are all been certified as eligible renewable resources or CREPs by the Montana PSC. With the exception of three renewable generators located out-of-state, all of the renewable generators provided a response to the ETIC. However, while some entities answered all of the questions posed by the committee, most chose to only answer certain questions.

The second survey was sent to eight utilities or competitive electricity suppliers that have in the past, or are currently, subject to the requirements of Montana's RPS. Only one competitive electricity supplier did not respond to the survey. The other seven entities responded, at least in part, to the survey.

The surveys offer a wealth of information from the perspective of both renewable developers and utilities and suppliers required to meet the standard. The results of the comprehensive survey are included in **Appendix E**. With the help of the legislative communications office, staff also has developed an interactive map, so legislators and the public can view the survey results. To view the map, visit the committee's Website at [www.leg.mt.gov/etic](http://www.leg.mt.gov/etic). You can click on a location and view those survey results. For example, by clicking on Butte, the survey response provided by NorthWestern Energy is available. The survey responses are provided throughout this document to provide a snapshot of the responses provided by those entities closest to the requirement.

## Economic Impacts of Montana's RPS

Montana's RPS has created jobs, more notably during construction, and contributed to an increase in the tax-base of a number of Montana counties. As discussed above, the RPS has contributed to new electrical generation in Montana. SJ 6 set out the parameters that the ETIC was to analyze in its review of the economic impacts of the RPS. Those parameters include the standard's contribution to:

- to new electrical generation in Montana;
- short-term and long-term jobs created by the standard;
- industries working in Montana due in part to the standard;
- the use of renewable energy credits by the renewable energy industry; and
- how the standard has been used to leverage Montana's competitive advantages in developing new electric transmission.



ETIC members visit a wind farm in Wheatland County, September 2014.

**Appendix F** provides an overview of at the taxes paid by the generators used to meet the Montana standard. Land leases are also paid to property owners, including the state. Facility impact fees for local government units and school districts in Montana (15-24-3004, MCA) are also paid by some wind farms.

In addition to property taxes, renewable generation, like other electric generation in Montana, in some cases, also pays an electrical energy license tax and a wholesale energy transaction tax. An electrical energy producers tax also is imposed on each person or organization engaged in generating, manufacturing, or producing electrical energy in Montana (15-51-101, MCA). The tax of \$0.0002 per kilowatt-hour (or \$0.20 per megawatt-hour) is levied against all electrical energy produced within the state. A wholesale energy transaction tax is imposed upon electricity transmitted within the state (15-72-104, MCA). The tax is imposed at a rate of 0.015 cent per kilowatt hour of electricity transmitted by a transmission services provider in the state. The revenue from both taxes is paid to the general fund. Those taxes are considered to be confidential by the Montana Department of Revenue. Some producers, however, shared that information, which is included in Appendix F.

**Figure 2** shows the capital investments made by the eligible renewable resources and CREPs certified by the PSC and used to meet the Montana standard. The construction jobs and full-time permanent jobs created are also noted.

As an example of taxes paid, the Judith Gap Wind Energy Center pays about \$1.5 million to Wheatland County in yearly property taxes and more than \$400,000 in annual lease payments to landowners. Judith Gap provides average annual revenue to the Common Schools trust in the amount of \$55,000.<sup>7</sup> Judith Gap also has paid about \$2.4 million in impact fees in Wheatland County. The money is used for road maintenance and other county services. The county has put the money in a trust fund to assist with community development. The interest is awarded in the form of community grants. “As you look around town, keep in mind wind is good for rural counties,” Wheatland County Commissioner Richard Moe told the ETIC in September 2013 during a meeting held in Harlowton.

In another example, Diamond Willow Wind Farms I and II in Fallon County paid about \$167,000 in property taxes, \$11,000 in wholesale energy transaction taxes and \$15,000 in electrical energy transaction taxes.

The ETIC in November 2013 also requested information from the Department of Revenue on taxes paid by wind facilities and coal-fired generation plants. An analysis prepared by the Department of Revenue is included in **Appendix G**. The department notes that the taxes paid by the owner of a power plant would depend on the plant's location, ownership, and financing for the facility. A range of taxes per megawatt-hour of electricity produced by hypothetical new

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<sup>7</sup> [https://dnrc.mt.gov/Trust/Reports/AnnualReport/2013\\_TLMDAnnualReport.pdf](https://dnrc.mt.gov/Trust/Reports/AnnualReport/2013_TLMDAnnualReport.pdf)

wind facilities and coal-fired power plants is included in the analysis. "Applying the same assumptions to both power plants, the coal plant would generally pay about \$3 per megawatt-hour more in state and local taxes," according to the department's analysis.

**Figure 2: Source: ETIC Surveys**

<b>Eligible Renewable Resources and Community Renewable Energy Projects Certified by the PSC in Montana<sup>8</sup></b>			
<b>Economic Impacts</b>			
<b>Project</b>	<b>Project Investment</b>	<b>Construction Jobs (Montana)</b>	<b>Full-time Permanent Jobs (Montana)</b>
Judith Gap	\$184 million	120 <sup>9</sup>	11
Diamond Willow I	\$39.4 million	50	1
Diamond Willow II	\$25.4 million	25	1
Gordon Butte	\$23 million	50	3
Spion Kop	\$84 million	100 <sup>10</sup>	5
Musselshell I & II	\$48 million	100	3
Flint Creek	\$1 million	5	.5
Lower South Fork	\$4 million	12	1
Turnbull	\$13.8 million	20	1
<b>Total:</b>	<b>\$423 million</b>	<b>482</b>	<b>26.5</b>

<sup>8</sup> Information provided to the ETIC by facilities.

<sup>9</sup> Not provided in survey. [http://billingsgazette.com/news/state-and-regional/montana/ropin-the-wind-judith-gap-wind-farm-to-tap-montana/article\\_0bb700b2-db62-52e0-b038-74fc0021a28b.html](http://billingsgazette.com/news/state-and-regional/montana/ropin-the-wind-judith-gap-wind-farm-to-tap-montana/article_0bb700b2-db62-52e0-b038-74fc0021a28b.html)

<sup>10</sup> The survey response provided by NorthWestern Energy indicated 790 construction jobs. The response was based on a breakdown by contractor and by pay period. The maximum number of Montana personnel in one payroll period and by contractor showed a total of 100 Montana workers. The total hours for Montana workers was equivalent to 12 ½ full-time jobs for a period of one year.



### **Survey Says. . .**

Of the 10 generators that responded to the ETIC survey, half indicated that the RPS was a reason for construction. The Judith Gap Wind Energy Center, the largest generator used to meet the standard, did not respond to the question. There have been on-going discussions about the reasons for the project. NorthWestern Energy had signed a contract to purchase power from Judith Gap prior to the enactment of Montana's RPS. However, RPS discussions had been ongoing in the state for a number of years. Regardless, the project is now being used to meet Montana's RPS.

The wind farms used by MDU to meet Montana's RPS, Diamond Willow I and II and Cedar Hills, were not constructed because of the RPS, according to the company's response to the survey. MDU noted, "MDU's addition of 57 MW of renewable generation resources to its portfolio was not made solely in response to the Montana RPS but in conjunction with the company's integrated resource plan, which included the costs and consideration of other forms of generation. The standard probably accelerated the acquisition of renewable generation resources."

Spion Kop and Musselshell Wind I and II both indicated that the RPS contributed to their decision to build. Musselshell wind was awarded a 20-year power purchase agreement by NorthWestern Energy to cover portion of their RPS requirements. When NorthWestern Energy sought approval from the PSC to include Spion Kop as an electric resource, the company noted that without Spion Kop, NorthWestern would fail to comply with the 10 percent RPS requirement in 2013 or 2014. Spion Kop would assist the utility in meeting both the 10 percent requirement and the 15 percent standard, which takes effect in 2015.<sup>11</sup>

The three hydroelectric facilities, which are all CREPs, needed by NorthWestern to meet the standard all indicated that the RPS contributed to their construction. Turnbull, a 13 MW hydroelectric facility in Teton County, was the most outspoken, noting, "We are grateful to the Legislature for passing the program and are hopeful it will continue to allow rural communities to develop small hydro resources associated with irrigation systems."

### **An economic model**

In an effort to extrapolate the economic impact of Montana's RPS, the Department of Commerce Business Resources Division used RPS resources and a model provided by the National Renewable Energy Laboratory (NREL), to evaluate the contributions of RPS certified wind generation in Montana. In 2012 NREL provided estimations for examining the impacts of 100 MW of wind. In general, 100 MW of wind translated into 70-100 construction jobs, 6 to 8

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<sup>11</sup> Montana Public Service Commission, Final Order in the matter of Application for Approval to Purchase and Operate the Spion Kop Wind Project, Docket No. D2011.5.41, Order No. 71591, page 4.

operations and maintenance jobs, \$350,000 to \$500,000 in lease payments, and \$500,000 to \$1 million in local property taxes, based on the NREL model.

**Figure 3: Source: Department of Commerce**

Montana RPS wind farms economic impact using NREL formula					
Project	Capacity (MW)	Construction Jobs	O&M Jobs	Lease Payments	Property tax revenue
Judith Gap	135	95-135	8-11	\$472,500-\$675,000	\$675,000-\$1,350,000
Diamond Willow I & II	30	21-30	2	\$105,000-\$150,000	\$150,000-\$300,000
Gordon Butte	9.6	7-10	.5-1	\$33,600-\$48,000	\$48,000-\$96,000
Spion Kop	40	28-40	2-3	\$140,000-\$200,000	\$200,000-\$400,000
Musselshell I & II	20	14-20	1-2	\$70,000-\$100,000	\$100,000-\$200,000
Two Dot	9.72	7-10	.5-1	\$34,020-\$48,600	\$48,600-\$97,200
<b>Lower Total</b>		<b>172</b>	<b>14</b>	<b>\$855,120</b>	<b>\$1,221,600</b>
<b>Upper Total</b>		<b>245</b>	<b>20</b>	<b>\$1,121,700</b>	<b>\$2,443,200</b>

A direct comparison between NREL’s estimated impact formula and Judith Gap’s actual job and revenue numbers shows that the NREL calculation is conservative compared to the actual contributions the 135 MW Judith Gap has made in Wheatland County. As discussed, Judith Gap indicated 120 to 150 construction jobs, 11 full-time maintenance jobs, \$400,000 in lease payments, and \$1.5 million in property taxes. **Figure 3** provides a look at the economic impacts of wind facilities used to meet the Montana RPS derived from the NREL formula. It also includes a new 9.7 MW wind facility in Two Dot, expected to be used as an RPS resource. A more detailed look at the Department of Commerce analysis, including all completed wind projects in Montana, is included in **Appendix H**.

### **Economic driver**

The title of Montana’s RPS, the Renewable Power Production and Rural Economic Development Act, clearly identifies one of its goals as boosting the economy of rural communities in Montana. The RPS is intended to stimulate the economy in communities where renewable projects are located. “The possibility for economic development has been particularly salient in rural areas of the country where new investment, earnings growth, and employment opportunities have, in many cases, otherwise trended downward for some time.”<sup>12</sup> NREL

<sup>12</sup> “The Impact of Wind Development on County-Level Income and Employment: A Review of Methods and an Empirical Analysis,” U.S. Department of Energy, Energy Efficiency and Renewable Energy, 2012.

continues to develop models to address questions about investments in renewable energy projects and their ability to spur economic growth and employment over the long-term.

NREL joined the Economic Research Service of the U.S. Department of Agriculture, and the Lawrence Berkeley National Laboratory to complete a study that quantifies the annual impact on county-level employment and personal income resulting from wind power development in 130 counties across 12 states. The study included most of the Rocky Mountain region, but focused largely on impacts from 2000 to 2008, prior to the uptick in Montana's wind industry. On average, the study noted that wind power installations resulted in an increase in total county-level personal income of about \$11,000 per megawatt. "On average, the impact of these same wind power installations on total county-level employment was .5 jobs per megawatt. The median increase in county-level employment was estimated at .4 percent."<sup>13</sup>

In many states a RPS also sets the stage to support renewable energy industries.

There are about 550 facilities in 42 states that manufacture components for the wind industry, according to the American Wind Energy Association. Eight of the 10 largest wind turbine manufacturing firms have facilities in the U.S., and in 2011 the domestically sourced content of U.S. wind projects was estimated at 67 percent, up from 35 percent in 2006.<sup>14</sup> According to the American Wind Energy Association there is one facility located in Montana that supplies wind tools. In 2011 Transcat acquired the assets of Wind Turbine Tools Inc. in Lincoln. It is an alternative energy tool supplier. There are a number of businesses that support renewable energy projects throughout Montana. There are more than 40 small-scale renewable energy dealers and installers across the state, according to the Montana Renewable Energy Association.



Members of the ETIC take a look at the Judith Gap Wind Energy Center.

<sup>13</sup> Ibid.

<sup>14</sup> "2011 Wind Technologies Market Report," U.S. Department of Energy, Energy Efficiency and Renewable Energy, August 2012.

### **Central Montana Wins**

The ETIC traveled to the Judith Gap Wind Energy Center in September 2013 to learn first-hand about the impacts of the facility on Wheatland County.

Representatives of the company reported that the Judith Gap Wind Farm has resulted in more than \$28 million of Montana tax and landowner royalty payments since the plant began operation in 2005. The Montana Department of Revenue showed that in 2010 the Judith Gap wind farm paid \$1.4 million in property taxes. By 2015, a new and expanded industry tax credit that was granted to the project will expire and annual Montana property tax payments will increase to approximately \$2.3 million.

The environmental assessments for the project estimated more than \$1 million in local taxes and \$660,000 in state taxes -- for the first year. School trust lands also benefited from a one-time installation fee of \$1,000 per megawatt or about \$20,000 for the 13 turbines on state land. The company now pays an estimated annual rent of about \$55,000.

When construction of Montana's then-largest wind farm began in 2005, contractors and subcontractors set out to dig trenches and pour the foundations for 90 turbines. The project investment was estimated at \$184 million. And many of those millions are estimated to have gone to central Montana counties. At the peak of construction the Judith Gap Wind Farm was estimated to employ about 120 workers. All those workers needed somewhere to eat and somewhere to live. Local newspapers reported workers staying in Lewistown, Judith Gap, Harlowton, Big Timber and even Billings.

The bulk oil dealer in Wheatland County was also one of the contractors on that project. Cement trucks rolled in from Lewistown. The hotels were booked. Vacant houses were rented and the motels were full. During the ETIC's September 2013 visit to Wheatland County a panel that included the Harlowton mayor, a county commissioner, and a business representative all voiced support for the RPS and noted the impacts previously discussed.

At Judith Gap, Brian Goddard, operations and maintenance manager of the wind farm, indicated that 56 different vendors within 50 miles of the wind farm and more than 180 vendors from a 100 mile radius are utilized in support of the operation. Examples included \$80,000 to a farm implement business, another \$80,000 in oil to local vendors, and hefty power bills to the local rural electric cooperative. While the wind farm generates power, it still requires a great deal of electricity to operate. Goddard noted that his motto is to "always use the local vendor."

NorthWestern Energy just bought its first large-scale wind farm in Montana, the 40-megawatt Spion Kop Wind Project near Raynesford. The project began commercial operation in

November. Spion Kop, built by the Colorado-based Compass Wind, assists NorthWestern Energy in meeting its renewable portfolio standards obligations. The project investment is about \$84 million. Spion Kop was responsible for \$255,684 in 2013 property taxes paid in Judith Basin County. NorthWestern is also paying a facility impact fee in the county, which includes \$209,753 in 2013 and \$104,876 in 2014 and 2015. NorthWestern also indicated it donated \$10,000 to the Geyser school for the purchase of iPads.

### **Renewable energy certificates**

The 2011 Montana Legislature passed and approved Senate Bill No. 7 which created a new form of reporting on renewable energy certificates or credits, also known as RECs, in Montana. The law requires public utilities, rural electric cooperatives, competitive electricity suppliers, or owners of a renewable electrical generation facility to file a report with the Department of Revenue each interim concerning the purchase or sale of renewable energy credits within Montana. The ETIC reviews the reports and, if necessary, submits recommendations regarding the use of renewable energy credits in Montana. The 2013 Legislature approved SB 52, which clarified the entities required to report credits. In 2014 only certain public utilities, cooperatives, competitive electricity suppliers, and electrical generators were required to report the purchase of renewable energy credits. The first REC reports were due in March 2013. The 2014 reports are included in **Appendix I**.

Utilities and competitive suppliers meet Montana's RPS by entering into long-term purchase contracts for electricity bundled with RECs, by purchasing the RECs separately, or by a combination of both. For utilities operating in Montana within the geographic boundaries of the Western Electricity Coordinating Council, all RECs used to comply with the standard are tracked and verified through the Western Renewable Energy Generation Information System (WREGIS). For public utilities operating in Montana within the geographic boundaries of Midwest Reliability Organization, all RECs used to comply with the standard must be tracked and verified through the Midwest Renewable Energy Tracking System (MRETS). Montana also allows for two-years of carry-over for the amount a utility or supplier exceeds the standard.

One REC is equivalent to one megawatt hour of electricity generation. A renewable energy certificate can be traded for cash, and the value of certificates fluctuates with market conditions. Basically, a REC is a form of renewable energy currency. Renewable generators create two products: electricity and RECs. Those products can be sold together or separately, often referred to as bundled or unbundled. When electrons enter the grid, "green" electrons can't be tracked. Renewable generators, however, produce, one REC for every megawatt-hour of electricity placed on the grid. If the electricity and its associated REC are sold to different buyers, the electricity portion is no longer considered renewable. The REC conveys the renewable attributes of the electricity, not the electricity itself. The REC is intended to embody the environmental benefits, like a reduction in the need for fossil fuel-based energy, to the owner of the REC.

The price of a REC depends on different factors: the technology used, the year it was generated, the volume of RECs purchased, the region where a REC is located, and whether the REC is purchased to meet a requirement -- like an RPS. The price is largely a matter of negotiation between the buyer and seller. The demand is set by state mandates, like an RPS, and the price is determined by the supply. REC prices are rather difficult to determine, especially using publicly available data. Maryland, Pennsylvania, and the District of Columbia specifically require REC prices be disclosed.

Renewable energy credit reporting in Montana is intended to provide transparency. The Legislature also recognized that REC transactions are often negotiated and potentially proprietary transactions. Montana law notes that, "if a utility, a competitive electricity supplier, or an owner of an electrical generation facility operating in Montana required to file the report pursuant to 69-3-2009 buys or sells a renewable energy credit in a market where the price of a renewable energy credit is not publicly disclosed, the utility, competitive electricity supplier, or owner of an electrical generation facility operating in Montana is not required to disclose the price."

Because in most markets, the price is not disclosed, there is limited opportunity for Montana to gather price information -- specific to a REC that is bought or sold in the state. With that being said the entities that completed the REC reports, in many cases, disclosed the price. Other entities did not disclose the price, citing use of WREGIS and MRETS. MRETS and WREGIS are for tracking and verification of RECS, but they, arguably, are not a platform that makes markets or facilitates the sale of RECs.

The 2012 REC report filed by NorthWestern Energy indicates that credits were purchased as both bundled and unbundled products. The unbundled price listed for RECs purchased was \$12.50. The bundled price for energy and RECS (with no value assigned specifically to the REC) varied from \$24.63 per MWh to \$68.21 per MWh. MDU indicated that in 2012 it sold \$80,000 worth electric energy credits in unbundled transactions. Additional information about those sales is not provided.

Black Hills provided information that it purchased bundled RECs and sold unbundled RECS. The purchase price for the bundled RECs varied from \$43.90 presumably per MWh to \$51.76 per MWh. Unbundled RECs were sold for \$1.45. Because Avista paid a fine as opposed to meeting the RPS, the utility did not acquire RECs and filed a report indicating that no credits were purchased. PPL Treasure State filed a report indicating that it purchased 40,000 unbundled RECs. The price of the RECs was not publicly disclosed and in accordance with 69-3-2010, MCA. PPL Treasure State indicated that they would not disclose the price of the RECs. In filings with the PSC, PPL Treasure State indicated that they were required to purchase 20,406 RECs to meet

the 2012 standard in Montana. Those credits were purchased from MDU's Diamond Willow wind farm.

Electric City Power filed a report indicating that they purchased 9,587 RECs for 95 cents each. Those RECs all came from the Klondike III wind farm. Conoco-Phillips indicated that 41,550 unbundled RECs were purchased. The price of the RECs was privately negotiated and in accordance with 69-3-2010, MCA, Conoco-Phillips indicated that they would not disclose the price of the RECs. In filings with the PSC, Conoco-Phillips indicated that they were required to purchase 12,347 RECS to meet the 2012 RPS requirement and those credits were purchased from Klondike III wind farm.

The ETIC requested the Department of Revenue revise the form used for collecting REC data from suppliers and generators. The revised form should provide for more uniform data collection in 2015. The proposed revisions, along with a series of frequently asked questions to assist suppliers and generators in completing the form, are attached in **Appendix J**.

### **Transmission contributions**

To meet the requirements of Montana's RPS, Montana utilities have largely focused on developing renewable resources close to their service areas. Using resources closer to load hasn't required new high-voltage transmission and has allowed those projects to be incrementally developed since the RPS requirements came online. In-state resources also obviously align more closely with the stated goals of the RPS – to encourage rural economic development. It also may allow for easier siting, quicker cost recover, and shorter timelines for developing projects.

Renewable generators who responded to the ETIC survey indicated that the Montana RPS has not assisted in leveraging Montana's competitive advantage in developing new electric transmission. The RPS, however, has contributed to upgrades and improvements to the electric transmission system in Montana. The upgrades have generally focused on accommodating specific projects, not allowing for additional renewable generation to be tapped or exported, as noted in the survey response provided by Oversight Resources.

MDU indicated that new transmission was not built in conjunction with its projects. Turnbull indicated that it built 4.5 miles of new transmission line to bring that hydroelectric generation online.

In the last 10 years, however, there has been a strong interest in developing additional transmission to export Montana's generation potential to other markets. The Montana Alberta Tie Line (MATL) came online in September 2013. It is the first direct interconnection between the Alberta and Montana balancing areas and is capable of carrying 300 MW in either direction.

In 2008, NorthWestern applied for MFSA certification for the Mountain States Transmission Intertie, (MSTI) which would have been a 500 kV line running from Townsend to Midpoint, Idaho. This line would have been capable of carrying up to 900 MW south to north and 1,500 MW north to south. In 2012, the MSTI line was put on hold.

New lines connecting Montana to the rest of the Western Grid would lead to new generation resources and could potentially increase competition among Montana energy suppliers, but it is difficult to relate this to the current impacts of Montana's RPS requirements.

## **Environmental Impacts of Montana's RPS**

Quantifying the environmental impacts of renewable energy requirements in Montana must be examined in terms of short-term and long-term impacts, perspectives, and goals. SJ 6 set out the parameters that the ETIC was to analyze in its review of the environmental impacts of the RPS. Those parameters include the standard's contribution to:

- diversified generation in Montana and to reduced dependence on fossil fuels,
- the types of renewable energy generation used in meeting the standard, and
- potential contributions to air quality improvements attributable to the standard.

Any widely installed technology can be accompanied by environmental challenges. In Montana wind generation, as an example, brings additional environmental policy matters -- ranging from wildlife and habitat impacts to land use changes. A multitude of studies have been completed weigh the costs and benefits of state renewable portfolio standards, but beyond analysis of carbon reduction costs, studies attempting to quantify the environmental impacts are limited. Environmental impacts can vary depending on the mix of renewable technologies used in meeting a standard, and the proportion of in-state versus out-of-state renewable generation used. Environmental impacts were a source of much ETIC discussion – covered, to some degree, during three meetings. The information provided summarizes those discussions.

### **Survey says . . .**

The ETIC asked utilities and electricity suppliers questions about how the RPS has led to the diversification of their portfolios, reduced dependence on fossil fuels, and assisted in hedging against the volatility of fossil fuel markets. Largely, utilities indicated that Montana's RPS has not led to a reduction in dependence on fossil fuels.

NorthWestern Energy indicated that because of its dependence on market purchases, a reduction in the use of fossil fuels could not precisely be determined. The company added, "On one hand, resources acquired to meet the RPS standards provide a partial hedge against volatility of fossil fuel markets by reducing market purchases, which include a thermal (gas/coal) component. On the other hand, the inclusion of RPS resources caused NWE to invest in additional gas-fired resources to integrate/regulate those resources. These offsetting effects cannot be precisely determined."



Black Hills and Avista also indicated no change in their reliance on fossil fuel resources. PPL Treasure State indicated that the addition of intermittent resources to meet the RPS resulted in operating complexities and additional costs of regulation such as the construction of the Dave Gates Generating Station. "In addition, the market impact of the intermittent resources has resulted in increased cycling of thermal units. This is expected to have long-term effect of higher maintenance costs and lower commercial availability."

MDU, however, indicated that the standard has reduced the utility's dependence on fossil fuels. "To a minor degree. It did not reduce the need for MDU's thermal generation. However, the energy produced by the renewable resources reduced the need to purchase energy from Midcontinent Independent System Operator (MISO), in which thermal resources still dominate."

In terms of diversification of energy portfolios, none of the utilities or electricity suppliers indicated that Montana's RPS contributed to the diversification of their Montana energy portfolio. NorthWestern Energy said the company was already focused on renewable resources prior to enactment of the RPS, noting, "a minimal amount of NorthWestern's resource portfolio can be attributed to the standard." MDU offered a similar response adding that the RPS likely accelerated the company's acquisition of renewable generation resources. Black Hills stated that the company received a waiver from the PSC so it would not have to meet the CREP requirement of the RPS, so it did not add to its renewable portfolio. Avista has simply paid a fine since 2008, as opposed to meeting either the overall RPS or CREP requirement. The idea of diversification, however, was widely disputed. While the utilities stated in the survey that the RPS was not the driving factor in terms of diversification, other entities representing renewables disagreed. Those entities argued that the utilities acquisition of renewable resources, approved by the PSC to be included in the utility mix, demonstrate the power of the RPS in driving diversification.

#### **Diversified generation and reduced dependence on fossil fuels**

In the least complex view of long-term environmental impacts, renewable resources have less of an impact on the environment than nonrenewable resources, simply because they use a renewable fuel rather than fossil fuel.

"The point of an RPS is to replace fossil fuel generation with generation obtained from renewable resources. Therefore, most straightforward measures of RPS effectiveness are the degree to which renewable energy capacity and generation have grown, and the degree to which fossil fuels have declined as a share of the state's electric-generation fuel mix."<sup>15</sup>

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<sup>15</sup> "State Clean Energy Practices: Renewable Portfolio Standards", David Hurlbut, July 2008, National Renewable Energy Laboratory, U.S. Department of Energy.

In Montana wind power generation grew by 34 percent in 2011 and supplied 4.2 percent of the state's net electricity generation.<sup>16</sup> All of the state's renewable energy growth, however, cannot be attributed solely to Montana's RPS. Of the 647 megawatts of wind generated in Montana (operational as of September 2013), about 400 megawatts, or 62 percent, was generated by the Rim Rock and Glacier wind farms in northern Montana. The renewable energy attributes of those wind farms are used to meet California's RPS not Montana's RPS.

Another portion of wind generated in Montana is qualifying facilities (QFs) which in some cases are not used by utilities or suppliers to meet the Montana RPS. (This is decided in the contract agreed to by the generator and utility.) About 234 megawatts of wind, located in Montana, are certified to meet the Montana standard, or about 36 percent of the wind generation total.

In 2009, coal-fired generation made up about 59 percent of Montana's generation capacity. In 2011, coal-fired generation declined to about 50 percent of Montana's capacity. **Figure 4** outlines generation in Montana by fuel type.<sup>17</sup> However, throughout this report it is important to note that Montana is a net exporter of electricity. In general, Montana usage and transmission losses account for slightly more than half of production.

In looking at the big picture, renewable energy generation in Montana has increased, and fossil-fuel-based generation has declined. It is difficult to determine whether the increases and declines are related to changes in state and federal policy, to changes in energy markets and prices, or to new technology development. It is likely that the changes may be attributed to a combination to some degree of all factors. To make the numbers a bit more relevant to Montana's RPS, the portfolios of Montana's two largest regulated electric utilities provide a better look at patterns in energy generation.

**In looking at the big picture, renewable energy generation in Montana has increased, and fossil-fuel-based generation has declined. But it is difficult to determine whether the increases and declines are related to changes in state and federal policy, to changes in energy markets and prices, or to new technology development.**

<sup>16</sup> <http://www.eia.gov/state/?sid=MT>

<sup>17</sup> Montana's RPS, as originally passed and approved, required public utilities starting in 2008, to acquire renewable energy equal to 5% of its retail sales of electricity in Montana.

Every two years, NorthWestern Energy files an Electric Supply Resource Procurement Plan and Montana-Dakota Utilities files an Integrated Resource Plan with the PSC. The plans outline the actions a utility will take to meet its anticipated customer needs. The plans outline the needs of customers, the existing electricity supply resource portfolios of the utility, and options for the future -- including an evaluation of the costs and risks associated with various alternatives.

Because NorthWestern Energy has only been acquiring generation assets since 2007, its portfolio provides a mix of contract power and utility-owned generation. In 2007, NorthWestern Energy's Resource Procurement Plan included 325 megawatts of firm on-peak power and 175 megawatts of off-peak power from PPL Montana under a contract that will expire in June 2014. The contract provided about 37 percent of the total portfolio's energy requirements for 2007.

The plan also included 100 megawatts of QF energy, and of that QF total, hydroelectric supplied 13 percent, wind supplied 4 percent, and the remainder was fossil-fuel based. In 2006 NorthWestern began receiving power from Judith Gap, amounting to 135 megawatts of wind energy. The utility also had a 6 megawatt contract with Tiber Montana, a small hydroelectric facility. Finally, NorthWestern has a contract with Basin Creek Equity Partners for a 52-megawatt gas peaking facility. NorthWestern also entered into a contract with Montana Generation (Colstrip Unit 4) for the purchase of 90 megawatts of unit power.<sup>18</sup> (By the close of 2007, NorthWestern Energy had acquired an interest in 222 megawatts total in Colstrip 4.)

NorthWestern's 2007 report also discussed overall renewable portfolio requirements. "In order to be in compliance with the Renewable Act through 2011, NorthWestern does not anticipate needing any additional renewable resource beyond the quantities necessary to meet the community renewable energy project (CREP) standard."<sup>19</sup>

The 2013 NorthWestern Energy Resource Procurement Plan also outlines a portfolio resource mix that includes coal, natural gas, hydroelectricity, wind and qualifying facilities. "The supply

**Figure 4: Source EIA**

<b>Net Electric Generation by Type of Fuel Unit</b>				
<b>Year</b>	<b>Hydroelectric %</b>	<b>Coal %</b>	<b>Natural Gas Petroleum %</b>	<b>Wind %</b>
2005	34	64	1	0
2006	36	61	1	2
2007	33	64	2	2
2008	34	62	1	2
2009	36	59	2	3
2010	32	63	1	3
2011	42	50	3	4

<sup>18</sup> NorthWestern Energy 2007 Electric Supply Resource Procurement Plan, December 2007, pages 19-25.

<sup>19</sup> NorthWestern Energy 2007 Electric Supply Resource Procurement Plan, December 2007, page 33.

portfolio is evolving and changing in order to continue to satisfy multiple objectives such as low cost, low risk, renewable portfolio standards, demand-side management energy savings, Public Utilities regulatory Policy Act of 1978 (PURPA) contracting obligations, and more.” In the 2013 report, NorthWestern Energy notes it has 361 megawatts of renewable generation by nameplate capacity in its portfolio.

**Figure 5: Source MDU**

In addressing Montana's renewable portfolio standard, the 2013 report includes the addition of the 40 megawatt Spion Kop wind project and several, new qualifying facility projects. In the report, NorthWestern notes that it expects to have adequate RECs to meet RPS requirements through 2028, assuming additional CREPs are acquired. “The projected shortfall in 2013 is about 140,000 mWh, roughly equivalent to the production from a 47 MW wind facility.”<sup>20</sup>

<b>MDU Expected Generation for 2012</b>		
<b>Generation</b>	<b>Megawatts</b>	<b>Percentage</b>
<b><u>Natural Gas/Oil</u></b> Glendive 1 and 2 Miles City Williston	110.8 mW	17%
<b><u>Wind</u></b> Diamond Willow	20 mW	3%
<b><u>Coal</u></b> Heskett 1 and 2 Lewis and Clark Big Stone 1 and 2 Coyote	488.3 mW	77%

In comparing the 2007 and 2013 reports for NorthWestern Energy, the amount of renewable generation in the portfolio has greatly increased. With acquisition of an increased interest in Colstrip and construction of the Dave Gates Generating Station at Mill Creek, the amount of fossil-fuel based generation has also increased in the NorthWestern portfolio. Overall, renewables, however, are contributing a great deal more to the portfolio than in the past. In June 2013 NorthWestern reported about 1,162 megawatts of total nameplate capacity, including contracts. If as noted above, there are 361 megawatts of renewable generation in the portfolio, about 32 percent of the total portfolio is renewable generation. In 2007 renewables likely covered 10 to 15 percent of the total portfolio.

When Montana-Dakota Utilities Co. filed its 2007 Integrated Resource Plan, the company was in the process of constructing the 20-megawatt Diamond Willow Wind Farm near Baker to meet the first two phases of the Montana RPS and announced plans to install an additional 10 megawatts to meet future requirements. The company provided **Figure 5** as a representation of its expectations for 2012, based on the 2007 report.<sup>21</sup>

<sup>20</sup> NorthWestern Energy 20013Electric Supply Resource Procurement Plan, page 2-20.

<sup>21</sup> MDU Integrated Resource Plan 2007, May 2007, executive summary, page iii.

Similar to NorthWestern energy, the 2007 and 2013 MDU plans show an increase in renewable generation as a portion of the portfolio. The plans do not demonstrate a decrease in coal or natural gas generation. In the MDU plan there is a strong commitment to update fossil-fuel based generation and to keep it in the mix.

MDU recently filed its 2013 plan noting that it now has 50 megawatts of installed wind generation capacity at two locations, providing about 7 percent of its customers' electric energy requirements. (MDU is meeting the 10 percent RPS requirement in Montana, but is utilizing additional means to meet the standard.) The report concludes that the optimal resource mix includes the commercial operation of Heskett 3 (natural gas) by 2015, three additional 36.6 megawatt internal combustion engine projects, contracting for 50-to-100 megawatts of wind generation, and adding 200 megawatts of combined cycle unit in 2020.<sup>22</sup>

#### **Types of generation used in meeting the standard**

The PSC has certified about 542 megawatts as eligible renewable resources, some of which are CREPs that can be used to meet Montana's RPS. Utilities and electricity suppliers petition the PSC for certification of eligible renewable resources to verify that the power produced at a facility meets Montana's definition of renewable. At the time of this report's publication, two additional wind projects have petitioned the PSC for certification. Those dockets remain open.

Renewable "electricity", however, is not necessarily used to meet the overall standard. In order to meet the standard, a public utility or competitive electricity supplier may use electricity from an eligible renewable resource in which the associated RECs have not been sold separately, RECs created by an eligible renewable resource purchased separately from the associated electricity, or a combination of the two. In many cases, a utility or supplier is procuring RECs not necessarily procuring energy itself.

In addition, of the total renewable generation, about 292 megawatts of renewable energy projects certified to meet the Montana standard are not located in Montana. A renewable resource can be used to meet Montana's standard if it delivers electricity from another state into Montana and commenced commercial operation after January 1, 2005. At various times since 2010, for example, Klondike III, a 200-megawatt wind farm located in Sherman County, Oregon and owned by Iberdrola Renewables has been used by PPL Treasure State, Electric City Power, and Conoco Phillips in meeting the Montana requirements. Black Hills, which with the passage of Senate Bill No. 164 by the 2013 Legislature, is no longer subject to Montana's RPS or the CREP requirements, has exclusively used renewable energy attributes from the Happy Jack Wind Farm, owned by Duke Energy and located in Laramie County, Wyoming, in meeting the Montana standard. (Only about 2 percent of Black Hills' utility sales are to end users in Montana, and Black Hills has about 35 overall Montana consumers.)

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<sup>22</sup> Ibid, page iv.

The remaining 250 megawatts of certified eligible renewable resources for meeting the Montana standard come from wind, hydroelectric and one cogeneration facility and are located in Montana.

Wind is clearly the predominate resource used in meeting Montana's standard. In September the PSC certified the Flint Creek Hydroelectric Project as an eligible renewable resource that also meets CREP requirements. Flint Creek is a 2-megawatt hydroelectric project in Granite County. With the addition of Flint Creek, there are 15.8 megawatts of non-wind certified as an eligible renewable resource for meeting Montana's renewable portfolio requirements. Of those 15.8 megawatts about 15.5 megawatts are certified as CREPs. A little more than 20 percent of all CREPs are nonwind resources.

Domination by wind is not unexpected. In 2007 the Berkeley National Laboratory study, funded in part by the U.S. Department of Energy, conducted an analysis of 28 state-or utility-level RPS programs in 18 different states. (Montana was not included.) The study found that wind was the dominant technology used in meeting the requirements and that was expected to continue.

"Perhaps not surprisingly, wind is expected to be the dominant technology, representing an aggregate 62 percent of incremental state RPS generation across all of these studies combined."<sup>23</sup>

The definition of a renewable resource under Montana law also has changed over time. In general, facilities must produce electricity from wind; solar; geothermal; water power, in certain cases; landfill or farm-based methane gas; gas produced during the treatment of wastewater; low-emission, nontoxic biomass; hydrogen derived from any of the sources noted above for use in fuel cells; compressed air, flywheel storage, hydroelectric pumped storage, and batteries; and the renewable energy fraction from production from a multiple-fuel process with fossil fuels. Large hydroelectric generation facilities are not included in Montana's RPS. The 2013 Legislature also added certain hydroelectric expansions to the mix.

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<sup>23</sup> "Weighting the Costs and Benefits of State Renewables Portfolio Standards: A Comparative Analysis of State-Level Policy Impact Projections," Cliff Chen, Ryan Wisler, and Mark Bolinger, Environmental Energy Technologies Division, Ernest Orlando Lawrence Berkeley National Laboratory, March 2007, executive summary, page ii.

### **Air quality improvements**

Wind generation, which is primarily used in meeting Montana's RPS, is zero emission generation. Fossil fuel generation contributes to carbon dioxide emissions, nitrogen oxide emissions, sulfur dioxide emissions, mercury emissions, particulates, and volatile organic compounds. For the purposes of this report in evaluating air quality, emissions are discussed using a one-to-one ratio in terms of emissions that are displaced by renewable generation as opposed to emissions that are eliminated by most renewable generation.<sup>24</sup>

"One of the obvious benefits of wind energy is that the production of electricity from this source involves zero direct emissions of air pollutants. In contrast, fossil fuel-fired electric generation from coal, oil, or natural gas results in substantial direct emissions of numerous air pollutants that have adverse impacts on public health and the environment."<sup>25</sup>

In 2006 when Southern Montana Electric Generation and Transmission proposed building a 250-megawatt coal-fired plant, an Environmental Impact Statement (EIS) was completed by the federal Rural Utilities Service and Montana Department of Environmental Quality (DEQ).<sup>26</sup> As the EIS was drafted, it included 29 alternatives to the project, including a 250-megawatt wind farm or a combination of wind, hydroelectric and solar projects.

The alternative concluded, "Overall, with regard to environmental impacts, both variants of this combination alternative would be superior to the proposed action because of the elimination of air emissions, water consumption and waste generation other than minor air quality impacts during construction and storm water impacts."<sup>27</sup>

There are generally air quality improvements when renewable generation reduces fossil fuel combustion at an existing plant or reduces or eliminates the need to build or operate new fossil fueled power plants.<sup>28</sup> Electricity produced by a renewable resource, such as wind, is matched by an equivalent decrease in electricity generation at another resource -- simply because a utility must balance supply with demand at all times. In most cases the generation that is displaced is that of a fossil-fuel plant because of higher fuel costs. Increased renewable generation, in general, means reduced fossil-fuel generation, reduced emissions, and improved air quality. In the larger context that equation is apparent in Montana, but the details deserve a closer look.

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<sup>24</sup> The use of biomass facilities, which are not zero-emission facilities are not included in the calculations. There are no biomass facilities currently certified by the PSC as eligible renewable resources in meeting Montana's RPS.

<sup>25</sup> "Wind Energy and Air Emission Reduction Benefits: A Primer", D. Jacobson, National Renewable Energy Laboratory, February 2008.

<sup>26</sup> Due to environmental and financial pressures, Southern changed Highwood to a two-phase project, with the first phase being a 40-megawatt natural gas project.

<sup>27</sup> Southern Montana, EIS, page 2-47.

<sup>28</sup> "Weighting the Costs and Benefits of State Renewables Portfolio Standards: A Comparative Analysis of State-Level Policy Impact Projections," Cliff Chen, Ryan Wisler, and Mark Bolinger, Environmental Energy Technologies Division, Ernest Orlando Lawrence Berkeley National Laboratory, March 2007, executive summary, page 6.

**Figure 6** quantifies the emissions potentially displaced by certified eligible renewable resources used to meet the Montana RPS based on generation. It also provides some comparisons to existing emissions in Montana.

Montana is also a net exporter of energy -- largely due to the four privately owned coal-fired units at Colstrip, which have a combined capability of 2,100 megawatts. NorthWestern Energy's share of Colstrip accounts for about 6 percent of the total generation in the state. There isn't a direct correlation between Montana's RPS to generation activity at the Colstrip facility -- an important factor when examining air emissions in Montana. The RPS is localized to Montana, whereas Colstrip is an extremely large baseload facility serving a geographically diverse area.

In early 2013 the federal Energy Information Administration (EIA) released a report noting that carbon dioxide emissions in Montana totaled 34.9 million tons in 2010. This translated into about 35 tons per resident and an increase of more than 11 percent over the last decade. It also pegged Montana as having one of the highest per capita greenhouse gas emission rates in the country. The EIA goes on to estimate that carbon dioxide emissions from fossil fuels in the U.S. declined overall by 4 percent in 2012.

In 2007, the Center for Climate Strategies (CCS), a nonprofit organization, prepared a greenhouse gas inventory under a contract with the Department of Environmental Quality (DEQ). The inventory provided a thorough look at emissions in Montana. The findings showed that emissions associated with electricity consumption in Montana were much lower, about half, than those associated with electricity generation. To put air quality issues into perspective then, it is important to make a distinction as to whether the emissions reflect the state's electricity consumption or its generation. In most cases, the emissions reported by the EIA or tracked by the Environmental Protection Agency are based on electricity generated in Montana. The emissions include Colstrip, which again can't be correlated with Montana's RPS.

Concerns also have been raised that reducing the output of a fossil fueled plant in response to the addition of renewable energy to the grid can reduce the efficiency of that fossil-fueled power plant. In September 2013, the National Renewable Energy Laboratory released a report calculating the emissions and costs of power plant cycling needed to accommodate increased renewable generation. The report spells out a "high-wind" scenario, with one-fourth of the energy in the entire Western grid coming from wind and solar resources, reducing the carbon footprint in the Western grid by about one-third.

"The study also finds that the carbon emissions induced by more frequent cycling are negligible (<0.2 percent) compared with the carbon reductions achieved through the wind and solar



power generation evaluated in the study.<sup>29</sup> Sulfur dioxide emissions were found to be 5 percent less than they would be if cycling of fossil-fueled generators wasn't necessary and nitrogen oxide emissions would be 2 percent less.

**Figure 6: Source EPA Emissions Data**

<b>Actual Emissions and Emissions Potentially Displaced by RPS Resources</b>			
<b>Actual Emissions</b>			
<u>Resource</u>	<u>Carbon Dioxide</u>	<u>Sulfur Dioxide</u>	<u>Nitrogen Oxides</u>
Colstrip (2007) <sup>30</sup>	18 million tons <sup>31</sup>	16,992 tons <sup>32</sup>	31,584 tons
Colstrip (2011)	14 million tons	12,225 tons	15,838 tons
Overall in Montana (2010 -- All sources)	34.9 million tons	19,895 tons	21,723 tons
<b>Emissions Displaced by RPS Resources (Natural Gas)<sup>33</sup></b>			
<u>Resource</u>	<u>Carbon Dioxide</u>	<u>Sulfur Dioxide</u>	<u>Nitrogen Oxides</u>
542 megawatts <sup>34</sup>	1.1 million tons	95 tons	1,615 tons
250 megawatts <sup>35</sup>	499,320 tons	43.8 tons	788 tons
<b>Emissions Displaced by RPS Resources (Coal)</b>			
542 megawatts <sup>36</sup>	2.1 million tons	13,300 tons	5,700 tons
250 megawatts <sup>37</sup>	963,600 tons	6,132 tons	2,628 tons

<sup>29</sup> "The Western Wind and Solar Integration Study Phase 2: Executive Summary," National Renewable Energy Laboratory, Debra Lew and Greg Brinkman, September 2013.

<sup>30</sup> Colstrip Steam Electric Station Units 1-4 is a 2,100-megawatt coal-fired power plant.

<sup>31</sup> <http://www.eia.gov/environment/emissions/state/analysis/>. All carbon dioxide emissions were gathered using EIA reports.

<sup>32</sup> <http://ampd.epa.gov/ampd/QueryToolie.html>. All sulfur dioxide and nitrogen oxide emissions were gathered using the EPA's Air Markets Program data.

<sup>33</sup> For an overview of calculations, see **Appendix L**.

<sup>34</sup> This includes all certified eligible renewable resources, located in Montana and delivering electricity into Montana. A 40% capacity factor was used for output. Actual output may be higher or lower than 40%. By way of example, Judith Gap averages 38% capacity, Gordon Butte has averaged 45%, and Klondike III has been estimated at 30% to 34% capacity.

<sup>35</sup> This includes only certified eligible renewable resources located in Montana. A 40% capacity factor was used in determining output.

<sup>36</sup> See footnote 23.

## **Health Impacts**

The health benefits of a renewable portfolio standard are mainly associated with the benefits of avoiding the use of fossil fuel generation which emit regulated air pollutants. Fossil fuel generation contributes to carbon dioxide (CO<sub>2</sub>) emissions, nitrogen oxide (NO<sub>x</sub>) emissions, sulfur dioxide (SO<sub>2</sub>) emissions, mercury emissions, particulates (PM 2.5), and volatile organic compounds. For the purposes of this portion of the ETIC study, emissions are discussed using a one-to-one ratio in terms of emissions that are displaced by renewable generation as opposed to emissions that are eliminated by most renewable generation.<sup>38</sup> Using the one-to-one ratio, the 542 megawatts of renewable energy certified for use in meeting Montana's RPS, offset 542 megawatts of nonrenewable energy.

"Power generation is a significant source of pollutants that can impair human health and the environment, including sulfur dioxide, nitrogen oxide, and mercury. The Clean Air Act has been successful in reducing these emissions, but power generation still contributes approximately 70 percent of SO<sub>2</sub>, 20 percent of NO<sub>x</sub>, and 40 percent of mercury emissions into the environment. These emissions from power generation contribute to a range of human health and environmental problems, and interstate and long range transport of emissions continue to play significant roles in these problems."<sup>39</sup>

According to the Environmental Protection Agency (EPA), the health effects of (PM 2.5) include:

- increased incidence of premature death, primarily in the elderly and those with heart or lung disease;
- Aggravation of respiratory and cardiovascular illness, leading to hospitalization and emergency room visits for children and individuals with heart or lung disease;
- decreased lung function and symptomatic effects, including acute bronchitis, particularly in children and asthmatics;
- new cases of bronchitis; and
- increased work loss days, school absences, and emergency room visits.

Volatile organic compounds and NO<sub>x</sub> also react to form ground-level ozone, a component of smog. According to the EPA, ground-level ozone has been linked to respiratory illness and other health problems including:

- decreases in lung function, resulting in difficulty breathing and other symptoms;
- respiratory symptoms including bronchitis, aggravated coughing, and chest pain;
- increased incidence and severity of respiratory problems; and

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<sup>37</sup> See footnote 24.

<sup>38</sup> The use of biomass facilities, which are not zero-emission facilities are not included in the calculations. There are no biomass facilities currently certified by the PSC as eligible renewable resources in meeting Montana's RPS.

<sup>39</sup> "Human Health and Environmental Effects of Emissions from Power Generation," Environmental Protection Agency, Clean Air Market Programs.

- chronic inflammation and irreversible structural changes in the lungs, that, with repeated exposure, can lead to premature aging of the lungs and other respiratory problems.

Concerns about the health impacts of renewable generation were discussed in some detail by the ETIC members. Some members were concerned with the EPA's findings and the actual experiences of people living near fossil-fuel based electric generation. ETIC members asked for information concerning the impacts on air quality and health, for example, in Colstrip, where a 2,200-megawatt coal-fired power plant is located.

In 2011 the American Lung Association commissioned the Environmental Health and Engineering, Inc. in Boston to analyze the public health and environmental impacts of emissions from coal-fired power plants. The report looked at the impacts of criteria air pollutants including sulfur dioxide, nitrogen oxides, and particulate matter. Emissions rates from coal-fired power plants can vary, depending on the control technologies used at the facility to remove pollutants from exhaust gases. With prevailing winds that generally flow from west to east, emissions travel across state lines and potential health impacts occur on a regional basis.<sup>40</sup> The report goes on to note a 2002 study finding, "Analysis of coal-fired power plants have found that public health damages per person were two to five times greater for communities near the facilities than those for populations living at a greater distance from the plants."<sup>41</sup>

The Montana Department of Public Health and Human Services routinely collects health data and assesses the health status of Montanans—usually down to the county-level. The department has not specifically studied the health status of Rosebud County residents and surrounding counties with regard to the coal-fired power plant in Colstrip. The department noted that the health outcomes, including asthma, heart attacks, stroke, or cancer, that may be attributable to coal-fired power plants also have many other risk factors that cause these diseases. Cigarette smoking, for example, is known to cause up to 90 percent of all lung cancers and 30 percent of all cardiovascular disease. Considering that 1 in 5 adults in Montana still smoke, it is difficult to distinguish the health outcomes that may be attributable to a power plant versus those that would be attributable to smoking, according to Laura Williamson, epidemiologist and program manager for Montana Cancer Control Programs within the department. Other risk factors for these disease to take into consideration are age, race, access to healthcare, tobacco use, and obesity.

The department, however, reviewed data from the death records, hospital discharge data system, and the central tumor registry to provide an idea of the general health status of

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<sup>40</sup> "Emissions of Hazardous air Pollutants from Coal-fired Power Plants," prepared for American Lung Association, Environmental Health and Engineering, Inc., March 7, 2011.

<sup>41</sup> "The importance of population susceptibility for air pollution risk assessment: a case study of power plants near Washington, D.C., Environmental Health Perspectives, 2002.

residents in the counties near the Colstrip plant, including Rosebud, Custer, Powder River, Treasure, and Big Horn counties.

Death record data for two time periods, 1990-1999 and 2000-2009, showed that the age-adjusted death rate due to asthma, cardiovascular disease, lung cancer, and all cancers in the counties noted above was equal to the rest of Montana. Using the Montana Central Tumor Registry for two time periods, 1990-1999 and 2000-2009, cancer diagnosis among residents of the selected counties was equal to the state of Montana. The age-adjusted rate of lung cancer diagnosed among residents of the selected counties was higher than the state of Montana for the time period 1990-1999. However, from 2000-2009 the age-adjusted lung cancer rate among residents of the selected counties was equal to the state of Montana. Historically, there have been zero cancer clusters identified in Rosebud County or the surrounding counties, according to the department.

Hospital discharge data for two time periods, 2000-2004 and 2005-2009 showing inpatient hospitalizations only (the patient has at least one overnight stay in the hospital) showed the age-adjusted rate of hospitalizations due to asthma in the selected counties was equal to the rest of Montana. The age-adjusted hospitalization rate due to heart disease was greater per capita for the selected counties compared to the rest of Montana. It is important to note that duplicate patients are likely included in the data system. Most heart attack patients go first to the local hospital to be stabilized and then are transferred to a higher level hospital. These patients would be counted twice in the data system-- this may contribute to the higher rates.<sup>42</sup>

In national analysis, health impacts also are often linked to climate change activities. The electric power sector accounted for 33 percent of U.S. total greenhouse gas emissions and 60 percent of U.S. stationary source greenhouse gas emissions in 2011. Fossil fuel-fired power plants are the largest source of U.S. CO<sub>2</sub> emissions. Significant changes in climate can create public health risks including increased smog, heat waves and drought, and increasingly intense extreme weather events. This information attempts to focus more directly on the health effects of emissions from power generation and the potential benefits of reducing those emissions.

Health impacts related to renewable energy also are often examined as economic impacts as opposed to environmental impacts. A recent study titled "Economic Value of U.S. Fossil Fuel Electricity Health Impacts", published online in Environment International found that replacing fossil fuels with renewable energy reduces premature mortality and lost workdays, and reduce overall healthcare costs. The aggregate national economic impact associated with these health impacts of fossil fuels is between \$361.7 and \$886.5 billion, or between 2.5 percent and 6

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<sup>42</sup> Montana information provided by Laura L. Williamson, MPH, Epidemiologist and Program Manager, Montana Cancer Control Programs, Montana Department of Public Health and Human Services, April 2014.

percent of gross domestic product (GDP).<sup>43</sup> The economic value was based on premature mortality, lost workdays, and other direct costs to the healthcare system as a result of emissions of PM 2.5, NOx and SO2. Impacts resulting from extraction and transportation of fossil fuels and impacts of climate change and human welfare were not included.

### **Climate Change**

The Environmental Quality Council (EQC) dedicated the largest portion of its time during the 2007-08 interim to a study of issues related to climate change. The study required examination of the overall subject of climate change and how other states, at the time, were addressing the issue. A large portion of the study focused on a review of the Montana Climate Change Advisory Committee (MCCAC) report. The report that was released by the Department of Environmental Quality (DEQ) at the same time the EQC was conducting its review.

The full MCCAC report is available at: <http://deq.mt.gov/ClimateChange/default.mcp>. The EQC's final report to the 2009 Legislature is available here: [http://leg.mt.gov/css/Committees/interim/2007\\_2008/environmental\\_quality\\_council/staff\\_reports/reports.asp#climate](http://leg.mt.gov/css/Committees/interim/2007_2008/environmental_quality_council/staff_reports/reports.asp#climate).

Climate change is a term that includes any significant change in measures of climate, such as temperature, precipitation, or wind that lasts for several decades or longer. Climate change may result from:

- natural factors, such as changes in the sun's intensity or slow changes in the earth's orbit around the sun;
- natural processes within the climate system, such as changes in ocean circulation; and
- human activities that change the atmosphere's composition, including the burning of fossil fuels, or changes to the land surface, such as deforestation, reforestation, urbanization, or desertification.<sup>44</sup>

Although the greenhouse effect is necessary for the planet to be warm enough to be livable, there are concerns that an increasing accumulation of greenhouse gases is causing an increase in global temperatures. Debates about climate change are scientific, economic, political, and rife with complexities. That said, points of contention include to what degree human-produced greenhouse gases are affecting the climate and those effects.

Former Governor Brian Schweitzer in 2005 asked DEQ to form a climate change advisory committee to thoroughly study the impact of climate change in Montana. The MCCAC was formed and included 18 members who represented industry, the environment, local and tribal governments, transportation, and agriculture. The DEQ also contracted with the Center for

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<sup>43</sup> Economic Value of U.S. fossil fuel electricity health impacts, Machol, Rizk, 2013, Clean Energy and Climate Change Office, U.S. Environmental Protection Agency Region 9, San Francisco, CA, pages 75-80.

<sup>44</sup> Environmental Protection Agency. [www.epa.gov/climatechange/basicinfo.html](http://www.epa.gov/climatechange/basicinfo.html)

Climate Strategies (CCS), a nonprofit organization discussed more in-depth below, to develop a comprehensive inventory and forecast of greenhouse gas emissions in Montana from 1990 to 2020, as well as to develop policy options for reducing greenhouse emissions.

The CCS is a nonprofit organization that works with groups like the MCCAC to design and implement policies that address climate mitigation. The inventory provides a thorough look at emissions in Montana and was offered to the MCCAC to assist the group in its efforts.

The inventory included carbon dioxide, methane, nitrous oxide, hydrofluorocarbons, perfluorocarbons, and sulfur hexafluoride. Aerosol emissions, including "black carbon" from fossil fuel combustion, also were included. Emissions inventoried in the report do not solely include carbon dioxide but instead include a common metric, CO2 equivalent.

Montana's gross greenhouse gas emissions are rising at about the same rate as the nation's on the whole.<sup>45</sup> Montana's emissions per capita are higher, primarily because of the state's fossil fuel production industry, agricultural industry, large distances for transportation, and low population density. Forestry activities are estimated to be net sinks for emissions, and agricultural soils are estimated to sequester additional gases.

The inventory showed that activities in Montana account for about 37 million metric tons of carbon dioxide equivalent emissions or 0.6 percent of all greenhouse gas emissions in the United States. Electricity use, transportation, and agriculture are the principal emissions sources. The combustion of fossil fuels for generating electricity used in Montana combined with the transportation sector accounted for about 50 percent of the gross greenhouse gas emissions in the state.<sup>46</sup> Agricultural emissions are primarily methane and nitrous oxide from manure management, fertilizer use, and livestock. Other types of emissions are from households, large industry, commercial business, wastewater treatment operations, and the oil and gas industry. A look at greenhouse gas emissions by sector is included in **Figure 7**.

The inventory included projections that show reference case emissions increasing to 42 million metric tons by 2020, about 30 percent above 1990 levels. The majority of the increase is expected to come from the transportation sector. The report also reviewed carbon sinks or sequestration, like forests and soil, decreasing the gross estimates annually by about 25 million metric tons of CO2 equivalent. With the sinks calculation, the net increase by 2020 is estimated at 16.3 million metric tons, in the reference case projections. The CCAC unanimously recommended that Montana extend the existing RPS to include requirements for 2020 and 2025. Using that data, the CCS assisted the MCCAC in identifying a range of greenhouse gas mitigation options, using a combination of more than 250 existing state actions from across the

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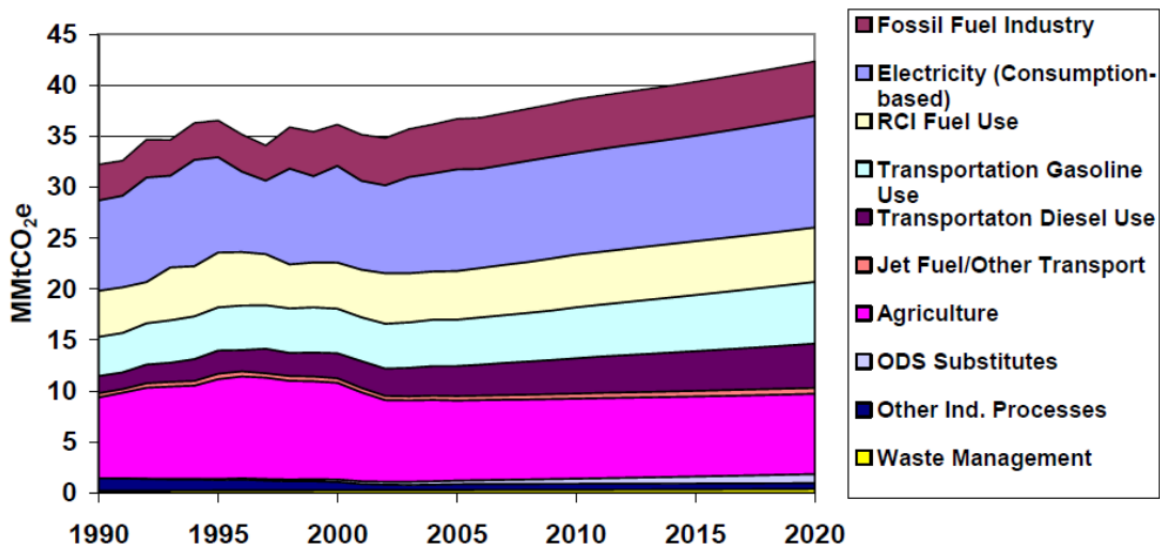
<sup>45</sup> *Montana GHG Inventory and Reference Case Projections 1990-2020*, Center for Climate Strategies, principal authors: Alison Bailie, Stephen Roe, Holly Lindquist, and Alison Jamison, page 4, September 2007.

<sup>46</sup> *Ibid.* page 5.

country and Montana-specific actions, as determined by the MCCAC. The MCCAC concluded its work in 2007, and final recommendations were released in November 2007. The MCCAC offered 54 recommendations. In the report, the 54 recommendations were broken down into five categories: Residential, Commercial, Institutional, and Industrial (RCII); Energy Supply (ES); Transportation and Land Use (TLU); Agriculture, Forestry, and Waste Management (AFW); and Cross-Cutting Issues (CC).

**Figure 7: Source: Center for Climate Strategies**

**Figure 2-3. Montana gross GHG emissions by sector, 1990–2020: historical and projected under reference case assumptions**



The CCAC’s overall recommendations document the opportunities for the state to continue strong economic growth by being more energy efficient, using more renewable energy sources, and increasing the use of cleaner transportation modes, technologies, and fuels. Some of the recommendations would have been implemented administratively, and some would have required legislation. Since the report was published, there has been limited action in implementing the recommendations, with a general focus on the need for legislation.

The 54 MCCAC policy recommendations also did not reduce greenhouse gas emissions from electricity that is generated in Montana and exported out of state. The focus was based on consumption. Reductions in greenhouse gases based on consumption show the following reductions:

- 34.5 percent would come from the energy supply sector;
- 29 percent would come from the residential, commercial, industrial, and institutional sector;
- 26.9 percent would come from the agriculture, forestry, and waste sector; and

- 9.6 percent would come from the transportation and land use sector.<sup>47</sup>

This summary focuses on the MCCAC recommendations related to electricity supply and renewable energy requirements. The report noted that in addition to an RPS, Montana provides tax incentives and financing mechanisms for conservation and renewable energy and the opportunity for consumers to purchase “green power” from utility companies. The report, again focusing on the consumption not production scenario notes, “Fortunately, there are significant opportunities to reduce GHG emissions growth attributable to energy production and supply. The GHG emissions of electricity generation can be addressed through: greater use of renewable energy; recapture of waste energy through combined heat and power; carbon capture and storage; and other technologies.” The Energy Supply (ES) recommendations included efforts to increase the supply of renewable energy (ES-1 and ES-2), decrease the emission intensity of fossil-fuel-generated electricity (ES-5), reduce the average emissions of new utility resource acquisitions (ES-10), increase distributed generation (ES-4), and reduce demand. If all of the CCAC’s recommendations were fully implemented, the ES recommendations could result in cumulative GHG emissions reductions of about 16 MMtCO<sub>2</sub>e through 2020 at a cumulative net present value cost of about \$270 million.<sup>48</sup>

The CCAC unanimously recommended that Montana extend the existing RPS to include requirements for 2020 and 2025 and require utilities to pursue cost-effective end-use energy conservation (both electricity and natural gas). The CCAC report found that each investor-owned and public utility (including member-owned electric cooperatives) should:

- meet 20 percent of its load using renewable energy resources by 2020, increasing to 25 percent by 2025;
- implement a plan to obtain 100 percent of achievable cost-effective energy conservation by 2025;
- by 2010, identify its achievable cost-effective energy conservation for the subsequent 10 years; and
- update these energy efficiency assessments and plans regularly, possibly every 2 years.

As part of its interim work, the EQC reviewed all 54 recommendations included in the Montana Climate Change Action Plan: Final Report of the Governor’s Climate Change Advisory Committee. In conducting its 2007-08 study and gathering public opinion on the subject, the EQC hosted a climate change survey, inviting the public to rank and comment on the MCCAC’s 54 recommendations. The survey garnered nearly 2,000 responses, and using that information, the EQC selected 15 of the recommendations for further study and discussion.

The 15 recommendations further reviewed by the EQC did not include any energy supply recommendations from the report. The committee did look at an RCII recommendation (RCII-8)

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<sup>47</sup> Ibid, page EX-4.

<sup>48</sup> Ibid, page 4-5.



to support renewable energy applications. The recommendation would have provided for 470 MW of Combined Heat and Power, 4.5 MW of solar PV, and 30 MW of small wind by 2020. It included improving incentives and removing barriers to Interconnection Rules and Net Metering Arrangements) for Combined Heat and Power and Clean Distributed Energy

After a thorough review of the 15 recommendations, EQC members reached a consensus on a series of topics to review even more in-depth, but those topics did not include a focus on renewable energy or small renewable applications. EQC members focused on topics that included enhancing solid waste recovery or recycling opportunities; promoting local food and fiber; improving transportation system management or efforts to enhance mass transit and ensure adequate transportation planning; providing additional opportunities for low-income and rental housing energy efficiency and weatherization; expanding biomass opportunities; and reviewing requirements that new state buildings exceed current building codes or standards.

### **Environmental disadvantages**

All energy generation has some impact on the environment, including wind generation. Because wind is the predominate resource used in meeting Montana's standard with about 234 megawatts of wind, located in Montana, used to meet the RPS, the information in this overview focuses on wind. Additional wind resources outside the state, including Klondike III, a 200-megawatt wind farm located in Sherman County, Oregon and owned by Iberdrola Renewables are also used to meet the standard.

One environmental concern is bird and bat mortality. Flight patterns may take birds and bats into wind turbines and towers. For example, when birds are hunting they keep their eyes on the ground and don't see the turbines. Most bats migrate at night increasing potential collisions with wind turbines. Bats, in some cases, have also shown to be attracted to the moving blade of a wind turbine. "Wildlife mortality from collisions with wind turbines is the most direct, visible, and well-documented impact of wind energy development. However, conclusions about rates and impacts of collisions on bird populations are tentative because most of the mortality data is in industry reports that are not subjected to scientific peer review or available to the public."<sup>49</sup>

Studies estimate between 10,000 and 573,000 annual fatal bird collisions with wind turbines in the United States. A 2013 study conducted by researchers at the Migratory Bird Center and U.S. Fish and Wildlife Service estimates that between 140,000 and 328,000 birds are killed annually by collisions with monopole turbines in the contiguous United States.<sup>50</sup>

Earlier this year Duke Energy Renewables pleaded guilty to the deaths of more than 15 protected birds at two of its wind farms in Wyoming. The company faces \$1 million in fines. It

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<sup>49</sup> "Estimates of bird collision mortality at wind facilities in the contiguous United States," Loss, Will, and Marra, *Biological Conservation* 168 (2013) 201-209.

<sup>50</sup> *Ibid.*

was the first time a wind company was prosecuted under the Migratory Bird Treaty Act. The eagle deaths are a violation of the federal Bald and Golden Eagle Protection Act. Between 2008 and 2012, 14 golden eagles and 149 other birds, including hawks, larks, sparrows, wrens, and blackbirds were killed at two Wyoming facilities.<sup>51</sup>

In September 2013 a report published in the Journal of Raptor Research found that since 1997 wind farms in 10 states have killed at least 85 eagles. The majority of the deaths occurred between 2008 and 2013 in 10 states. Montana was not included. The study was conducted by U.S. Fish and Wildlife Service researchers.

“Our findings of the reported mortalities likely underestimate, perhaps substantially, the number of eagles killed at wind facilities in the United States. Given the projected growth in wind resource development in habitat frequented by bald eagles and golden eagles, estimation of total mortality and better understanding of factors associated with injury and death at wind facilities through robust and peer-reviewed research and monitoring should be a high priority.”<sup>52</sup>

The Interior Department has recently proposed a rule that would grant wind farms 30-year permits to take golden and bald eagles, if companies take additional steps to protect raptors. Permit holders are exempt from prosecution under the Bald and Golden Eagle Protection Act. The rule previously allowed for 5-year permits.

A 2007 study prepared by TRC Solutions in Laramie, Wyoming, found that 1,206 bats and 406 birds were killed by the turbines at Judith Gap.<sup>53</sup> It was the first post-construction avian and bat fatality monitoring and grassland bird displacement surveys conducted at the site. The study indicated that there were between 7 and 13 bat fatalities per turbine per year. Environmental studies done before construction predicted 4 bat fatalities per turbine per year. The higher than expected findings were followed by a study released in 2010 by West, Inc. The earlier study focused on fatalities over a seven month period in late summer and fall and again in spring. The later study was conducted during five months in summer and fall. During the 2006-2007 study bat fatalities were estimated at 8.9/MW/study period and in the 2009 study, the fatality rate was at 4.80 fatalities/MW/year. "The estimated bird fatality rate was 3.01/MW/period of study in 2006-2007 and 2.22/MW/period of study in 2009. These bird fatality rates are similar to other wind energy facilities in the Plains states and Midwest."<sup>54</sup>

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<sup>51</sup> <http://www.duke-energy.com/news/releases/2013112203.asp>.

<sup>52</sup> "Bald Eagle and Golden Eagle Mortalities at Wind Energy Facilities in the Contiguous United States," Pagel, Kritz, Millsap, Murphy, Kershner, and Covington, *Journal of Raptor Research*, 47(3):311-315, 2013.

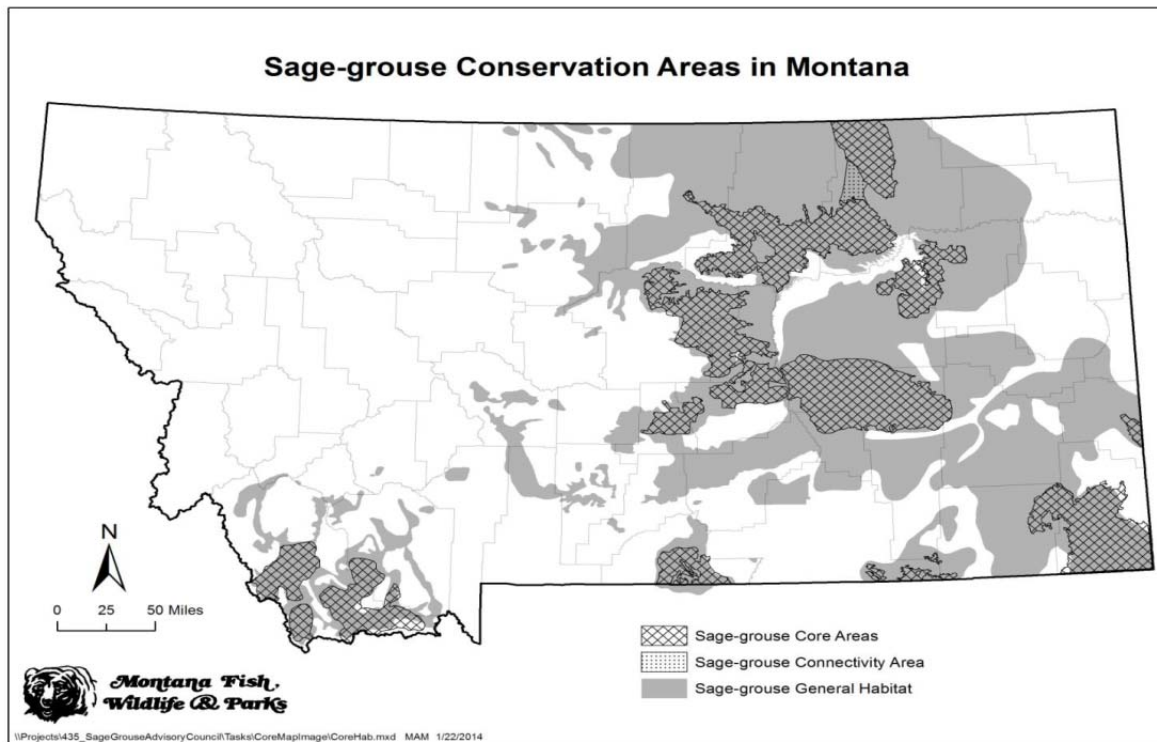
<sup>53</sup> "Post-Construction Avian and Bat Fatality Monitoring and Grassland Bird Displacement Surveys at the Judith Gap Wind Energy Project, Wheatland County, Montana", TRC Environmental Corporation, January 2008.

<sup>54</sup> "Post-Construction Bat and Bird Fatality Study Judith Gap Wind Farm Wheatland County, Montana", West, Inc., March 2010.

Wind development has been a consideration as Montana examines Greater Sage-grouse habitat. In 2013 Governor Bullock established the Greater Sage-grouse Habitat Conservation Advisory Council. The council was created “to gather information, furnish advice, and provide to the Governor recommendations on policies and actions for a statewide strategy to preclude the need to list the Greater Sage-grouse under the Endangered Species Act”. There are two statements specific to wind development in the strategy prepared by the council and submitted to the Governor in January.

- In sage-grouse habitat identified as core areas, wind energy development would not be allowed. The strategy states that this provision would be reevaluated on a continuous basis as new science, information, and data emerges. The core areas were delineated by the Department of Fish, Wildlife and Parks in cooperation with federal and non-governmental partners to include areas with the greatest number of displaying male sage-grouse and their associated habitat.
  - In general habitat, new wind energy facilities would not be recommended within 4 miles of the perimeter of active sage-grouse leks. The strategy states the following efforts should be undertaken in these areas:
    - work cooperatively with agencies, utilities, and landowners to use topography, vegetative cover, site distance, etc. to protect identified sage-grouse habitat.
    - adhere to the U.S. Fish and Wildlife Service land-based wind energy guidelines.
- For non-regulated activities, such as wind development, the strategy says “state agencies shall adhere to the stipulations and management recommendations outlined in this strategy when providing consultation, technical, financial, or other assistance for those non-regulated activities.” **Figure 8** provides additional detail.

**Figure 8: Source Fish, Wildlife, and Parks**



Environmental concerns can also include different aspects of land use, including aesthetics, location, and size. The National Renewable Energy Laboratory examined the land use associated with modern large wind power plants constructed after 2000. "Continued growth is anticipated due to renewable portfolio standards and expected constrains on carbon emissions in the electric sector. One of the concerns regarding large-scale deployment of wind energy is its potentially significant land use."<sup>55</sup> They evaluated 172 existing or proposed projects, representing about 26 gigawatts of capacity. The study looked at both direct impact area, or the land disturbed due to plant construction and infrastructure, and the total area of the wind power plant.

The study found direct impacts were mostly caused by road development, as opposed to the turbine pads and electrical support equipment. A total direct impact area (both temporary and permanently disturbed land) was found to be about 1 to 0.7 hectare/MW, but with a wide variation depending on the project. The average value for the total project area was about 34 to 22 hectares/MW.<sup>56</sup> This translates to between 30 and 141 acres per megawatt of power output capacity, with, less than 1 acre per megawatt disturbed permanently.

<sup>55</sup> "Land-Use Requirements of Modern Wind Power Plants in the United States," Denholm, Hand, Jackson, and Ong, National Renewable Energy Laboratory, August 2009, page 1.

<sup>56</sup> Ibid, page 22.

The results also provided some caveats, "A wind plant in an agricultural area with low population and minimum avian impacts would have a much lower damage function than an area mined for coal or flooded by a hydropower project, for example. As a result, using the total area metric with qualifications may significantly overstate the land impacts of wind power compared to other sources. Alternatively, wind power projects should consider the impacts associated with habitat disruption, avian impacts, and aesthetics. Ultimately, the actual quality of impacts, captured in a damage function, is needed to compare the land impacts of wind to other sources."<sup>57</sup>

A similar study conducted by Rutgers University researchers took a closer look at alternative energy sources and land use. They examined an overall footprint that would include transportation routes, including transmission, mined resources, and waste depositories. They looked at how much land would be needed to generate all of the world's current energy demand with one type of energy source and how much land would be needed to meet 10 percent. They then placed energy resources into three categories.

They found that geothermal and solar thermal belong in the same "small-footprint" impact category as nuclear, coal, and natural gas. The "medium-footprint" land impact category included petroleum, hydropower, solar photovoltaics, and wind. The report notes, "wind needs twice as much land area to generate the same amount of energy as solar photovoltaics and varies even more by location. . . In sum, rooftop solar panels can make a contribution to the global energy supply, but both solar and wind technologies will more often be deployed in remote locates where the resources are better, more land is available, and siting conflicts are less severe. Getting the energy back to consumers is the looming challenge." The third category with the greatest footprint was bioenergy.<sup>58</sup>

As noted in the examples above, it is difficult to compare land-use, in terms of acres per megawatt, for different types of energy generation. Land requirements go far beyond just on-site infrastructure. In determining land use, it is important to consider geographic variations, land suitability, extraction activities, potential for conflicts, distances between energy supply and demand, and the long-lasting footprint.

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<sup>57</sup> Ibid, page 4.

<sup>58</sup> "Climate Change and Land Policies", proceedings of the 2010 Land Policy Conference, Lincoln Institute of Land Policy, "Alternative Energy Sources and Land Use", Andrews, Dewey-Mattia, Schechtman, and Mayr, pages 91-100.

## Consumer Impacts of Montana's RPS

Montana's renewable portfolio standard (RPS) has had a minimal impact on retail customer rates, according to information provided by Montana's largest utilities. Utilities, however, raise concerns about their ability to maintain a balance between customer needs and available resources, if the standard is increased. NorthWestern Energy also notes that its highest cost RPS resources are currently more costly, on a \$/MWh basis, than the market purchases that they displace. SJ 6 sets out the parameters that the ETIC was to analyze in its review of the consumer impacts of the RPS. Those parameters include the standard's contribution to:

- mitigation or contribution to higher energy costs for consumers;
- hedging against volatility in fossil fuel prices; and
- other efforts to help consumers.

Anecdotal evidence suggests limited rate impacts for most Montana customers. A detailed determination of the overall customer cost of Montana's RPS varies depending on the parameters used to arrive at a specific cost. Those parameters are highly flexible and can include federal production tax credits, fossil fuel and wholesale market price uncertainty, the value of reducing carbon dioxide emissions, resource eligibility, treatment of renewable power and credits imported from other states, load growth, integration needs, and portfolio risks. With such a wide range of parameters, it is difficult to reach a conclusion about the overall impact of each of those parameters.

### Survey says . . .

The ETIC asked utilities and competitive electricity suppliers subject to Montana's RPS a series of questions based on SJ 6 related to customer impacts. Those questions covered whether the standard has increased or decreased customer rates and whether the standard has been beneficial to or a drawback for customers.

Only one competitive electricity supplier, in responding to the survey, stated that Montana's RPS has increased customer costs. As with most cost questions in the electricity industry, however, the survey responses came with a number of caveats. Because of those caveats and because there are only a limited number of utilities and suppliers required to meet Montana's RPS, it is most useful to look at the unique circumstances of each entity and its response.

MDU indicated the impact to customers to be neutral. MDU added that the renewable resources acquired by the company were cost competitive with other forms of electric generation available at the time of their investment. The company did not identify any benefits or drawbacks to the standard. "However, the introduction of renewables into Montana-Dakota's generation portfolio has reduced the cost of fuel and purchased power for its customers. This has also reduced the amount of market purchases from others and/or reduced the amount of generation from other higher cost resources that the company has available to

it. The introduction of renewables into MDU's generation portfolio has also diversified the types of resources that the company utilizes to meet its customers' requirements."

NorthWestern Energy also said customer impacts were neutral. "However, NWE's highest cost RPS resources are currently much more costly, on a \$/MWh basis, than the market purchases that they displace." The company also said both benefits and drawbacks were minimal. Black Hills indicated that if the company had not been granted a waiver by the PSC compliance with the CREP requirement would have resulted in higher costs to our customers. "We do not believe the standard is beneficial to our Montana customers, given the economics associated with our small number of customers."

PPL Treasure State indicated that the standard contributed to higher costs for its customers. "The RPS has resulted in higher costs to customers due to both the cost of the RECs and the increased regulation cost from the transmission provider." PPL Treasure State noted no benefits and stated that the requirement is a drawback due to the additional costs.

### **Cost caps**

Most RPS requirements include "cost-caps" to protect consumers from rate spikes and unfair utility bills. Montana is no exception. The cost-caps for Montana's RPS are included in 69-3-2007, MCA. As discussed previously, the caps also are unique to different operations in Montana and include three different options. Montana's cost-caps are as follows:

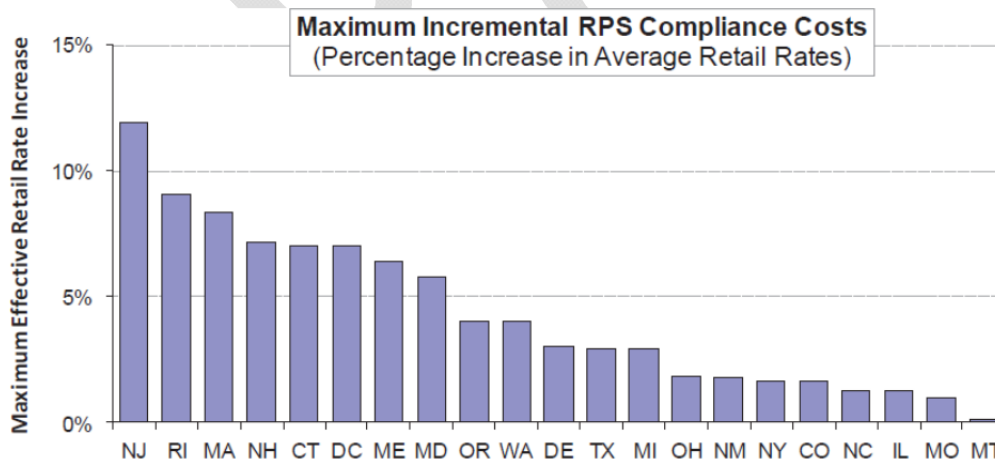
- A utility, like NorthWestern Energy, that restructured does not have to take renewable energy to meet the standard unless, using a competitive bidding process, the total cost of electricity from the renewable resource, including the cost of ancillary services needed to "firm" that power, is less than or equal to bids for the equivalent quantity of power over the same contract term from other electricity suppliers.
- A public utility, like MDU, that has not restructured, does not have to take renewable energy to meet the standard unless the cost per kilowatt hour of the generation from the renewable resource does not exceed the cost of power from any other alternate generating resource available to the utility by 15 percent.
- A competitive electricity supplier, like PPL Treasure State, does not have to take electricity from a renewable energy to meet the standard unless the total cost of electricity from the renewable resource, including the cost of ancillary services needed to firm that power, is less than or equal to the cost of alternate power supplies available to the supplier and the cost caps applicable to other utilities.

While cost caps are in place, regulatory requirements can translate into additional costs. An RPS often has multiple goals of promoting renewable technologies and reducing air emissions and, in the case of Montana, promoting economic development. There are numerous studies that examine the overall costs and benefits of state renewable portfolio standards in the United States and most recognize that each RPS is unique as are the multiple goals of an RPS.

One of the largest reviews of renewable portfolio standards was completed by the Lawrence Berkeley National Laboratory and published in 2007. The study looked at data from 28 state or utility-level renewable policies enacted since 1998. The estimated impact on electricity rates varied by state, but 70 percent of the state RPS cost studies in the sample projected a base-case retail electricity rate increase that was no greater than 1 percent in the year that each RPS policy reached its peak percentage requirement.<sup>59</sup> The median bill impact across all of the studies in the sample was an increase of \$0.38 per month. The study also indicated that the cost factors are particularly sensitive to the availability of the federal production tax credit, renewable technology costs, fossil fuel prices, and wholesale market price uncertainty. "The large diversity of modeling methodologies and assumptions used to estimate state RPS costs demonstrates that state RPS cost analysis is still an evolving process, and that a standard template has not yet emerged."<sup>60</sup>

In 2012, the Lawrence Berkeley National Laboratory study was revisited. A status update indicated that RPS' requirements applied to about 54 percent of total retail electricity sales in 2012 in the United States. In Montana about 62 percent of total customers are part of a utility that is or has been subject to the RPS. Most states have capped rate impacts well below 10 percent, and in 13 states, including Montana, the impacts are capped below 5 percent. The graph in **Figure 9** indicates impacts in Montana to be on the lowest end of the spectrum.<sup>61</sup>

**Figure 9: Source: Lawrence Berkeley National Laboratory and National Renewable Energy Laboratory**



<sup>59</sup> "Weighing the Costs and Benefits of State Renewables Portfolio Standards: A Comparative Analysis of State-Level Policy Impact Projections," Chen, Wisler, and Bolinger. Environmental Energy Technologies Division, Ernest Orlando Lawrence Berkeley National Laboratory, March 2007.

<sup>60</sup> Ibid, page v.

<sup>61</sup> <http://www.cleanenergystates.org/assets/2012-Files/RPS/RPS-SummitDec2012Barbose.pdf>



The U.S. Energy Information Administration also completed a study in 2009 that examined the potential impact of a 25 percent nationwide renewable electricity standard. "Electricity price impacts vary from region to region, with renewable–resource-rich regions like the northern Great Plains States and the northwest states potentially seeing prices decline from reference case levels, while other regions see price increases ranging from 1 percent to 6 percent above reference case levels between 2025 and 2030."<sup>62</sup>

Other studies reach very different conclusions about Montana's RPS. The Beacon Hill Institute at Suffolk University was commissioned by the American Tradition Institute and the Montana Policy Institute to estimate the costs of the RPS and its impact on the economy. Beacon Hill used its State Tax Analysis Modeling Program to reach its conclusions. It found that "In the aggregate, the state's electricity consumers will pay \$225 million in 2015, within a range of \$141 million and \$348 million, because of the RPS. Montana's electricity prices will increase by an average of 1.33 cents per kilowatt-hour (kWh), or by 18 percent in 2015, within a range of \$0.83 cents per kWh, or by 11 percent, and 2.06 cents per kWh, or by 28 percent." Similar studies were completed by Beacon Hill in a number of other states. Some concerns were raised in other states about the use of a model that was based on analyzing city taxes and the failure of the model to adequately recognize cost caps.

### **Consumer Counsel analysis**

Such disparities in determining the impacts of an RPS on customers are not unique to Montana. "Little consensus has emerged among analyses of policies for renewable energy, particularly with respect to consumer impacts."<sup>63</sup> In an effort to take a closer look at customer impacts, the ETIC requested the Montana Consumer Counsel to conduct an analysis of RPS, including the CREP, impacts to Montana ratepayers. The analysis is included in **Appendix K**. The Consumer Counsel examined the impacts of the RPS, CREPS, and QFs. While QFs aren't specifically part of the ETIC's study, the Consumer Counsel notes, "any analysis of rate impacts that are attributable to the RPS and the CREP standard must account for QFs and remove them from the impact because even though they may help satisfy the RPS and CREP standards, Federal law requires Montana utilities to purchase from them if they fall below the 3 MW threshold."

The analysis also discusses regulation costs and the difference between NorthWestern Energy and Montana-Dakota Utilities in meeting the standard. In its examination, the analysis reviews various projects and specific impacts. For example, at Turnbull the rate for electricity paid by NorthWestern Energy is \$65.75/MWh, with bundled RECs. The estimated additional cost to ratepayers, compared with the spot market, was estimated at \$1,352,872 for the 2012-2013 tracking year. Using a 50/50 assumption, a mix of Mid-C market prices and a surrogate measure of long-term contracts, the analysis noted additional cost for Turnbull at \$1,020,813.

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<sup>62</sup> [http://www.eia.gov/oiaf/servicerpt/acesa/pdf/sroiaf\(2009\)04.pdf](http://www.eia.gov/oiaf/servicerpt/acesa/pdf/sroiaf(2009)04.pdf).

<sup>63</sup> "Renewable Portfolio Standards: When do the lower energy prices?", Fischer, International Association for Energy Economics, The Energy Journal, Vol. 31, No. 1, 2010.

Ultimately in its review, the Consumer Counsel study notes, “The RPS and accompanying CREP legislation in Montana has had relatively minimal rate impact on NorthWestern Energy’s customers. This is mainly due to the fact that almost all the resources that NorthWestern uses to comply with both standards were either purchased before the implementation of the RPS (Judith Gap), or they are QFs that can take advantage of the standard offer rate which NorthWestern is required to extend to them under federal law.”

Other states have conducted in-depth analysis and hired consultants in an effort to pin down the exact costs of a statewide RPS. Minnesota requires each electric utility to submit a report containing an estimation of the rate impact of activities of the electric utility necessary to comply with an RPS to the PSC and to the legislative committees with primary jurisdiction over energy policy. The report must be updated with a utility's biennial resource plans and must discuss the costs incurred from complying with Minnesota's RPS, which requires 25 percent of electricity to come from renewable sources by 2025.<sup>64</sup> The Wisconsin Legislature requires its PSC to biannually submit a report that evaluates the impact of the RPS on the rates and revenue requirements of electric providers and compare that impact with the impact that would have occurred if renewable energy practices were subject to market forces in the absence of an RPS.<sup>65</sup>

#### **Case Study: Spion Kop**

In February 2012, the PSC approved NorthWestern Energy's request to purchase and operate the Spion Kop Wind farm in Judith Basin County. The 40 MW wind farm is certified as an eligible renewable resource that can be used to meet Montana's RPS. The application provides details on the cost of the facility and Montana's RPS. Spion Kop had a total capital cost of about \$86 million, including about \$7 million for an associated substation and transmission facilities. Spion Kop was selected as the result of a competitive bidding process conducted by NorthWestern in 2009. In testimony before the PSC, NorthWestern Energy indicated that Spion Kop's \$53.78/MWh, 25-year levelized cost was \$11/MWh less than the next best offer NorthWestern received in response to its market solicitation.<sup>66</sup>

NorthWestern Energy indicated that without additional renewable resources, the utility would not comply with the 10 percent renewable standard sometime in 2013 and 2014.

NorthWestern provided further testimony that Spion Kop's effect on electricity supply tracker costs would be a decrease of \$0.70/MWh in market purchase costs, no change in Colstrip 4 fixed and variable costs, no change in fixed costs at Dave Gates, and an increase of \$0.03/MWh in variable costs at Dave Gates to integrate Spion Kop.<sup>67</sup>

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<sup>64</sup> Minnesota Statute 216B.1691 subd.2e.

<sup>65</sup> Wisconsin Statute 196.378 (4r).

<sup>66</sup> Montana Public Service Commission, Final Order in the matter of Application for Approval to Purchase and Operate the Spion Kop Wind Project, Docket No. D2011.5.41, Order No. 71591, page 4.

<sup>67</sup> Ibid, page 12.

Ultimately, the PSC found that "the rates resulting from the procurement of Spion Kop will be just and reasonable."

The Consumer Counsel estimated the first year of production at Spion Kop at a cost of \$43.92/MWh and at \$45.22/MWh, including the cost of regulation. The additional cost attributable to the RPS, compared with the spot market alternative was at \$2,739,714 for the 2012-13 tracking year and \$1,156,405 using the 50/50 spot market and long-term contract comparison.

### **Question of Integration**

Wind's variability can increase the day-to-day operating costs of a utility system. Concerns abound that large, utility-grade wind turbines can't be installed on the distribution grid without upgrades, resulting in higher costs being passed on to ratepayers. The cost of wind integration also can grow as the percentage of wind increases on the interconnected system. Overall, however, the economics of wind energy are largely a function of a project's size, the wind resource, policy incentives, and financing. Cost recovery can be a threshold issue that varies among areas and utilities.

Integration is a term used in describing the economic impact wind has on a utility because of variability and uncertainty. Wind integration can lead to additional utility costs because additional generation capacity that is controllable is added to manage the incremental variability of wind. The uncertainty is attributed to operations planning required to accommodate wind. Utilities purchase regulatory reserves to balance out the variability of wind. The Federal Energy Regulatory Commission (FERC) sets generation integration rules that require a utility to balance supply and demand.

Wind integration costs are often driven by the need to "secure additional operating flexibility on several time scales to balance fluctuations and uncertainties in wind output."<sup>68</sup> A 2007 study by the Department of Energy, Energy Efficiency and Renewable Energy division found that wind integration costs were about \$5/MWh, or less, for wind capacity penetrations up to 15 percent of the peak load where the power is delivered.<sup>69</sup>

NorthWestern Energy in a July 2006 presentation to the Northwest Power and Conservation Council identified wind integration issues including: within-hour regulation issues, forecast issues, forced outage notification issues, increased regulation cost, and increased penetration levels for wind generation. Limited resource availability for regulation services and concern that present regulation resources may not be available in the future due to increased penetration of

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<sup>68</sup> *The Northwest Wind Integration Action Plan*, March 2007, page 27.

<sup>69</sup> *Annual Report on U.S. Wind Power Installation, Cost, and Performance Trends: 2006*, U.S. Department of Energy, Energy Efficiency and Renewable Energy, May 2007, page 20.

wind in other control areas also were raised.<sup>70</sup> In addition, transmission issues relative to load following services when purchased outside the control area were pointed out by NorthWestern.

NorthWestern encountered some challenges in integrating the 135-MW Judith Gap Wind farm which came online in late 2005. For example, in April 2006, the Western Electricity Coordinating Council notified NorthWestern that its transmission system may have fallen 3 percent short of minimum control performance standards of 90 percent. The lapse did not bring sanctions, but illustrate some of the difficulty associated with managing the ups and downs of wind -- particularly when it is new to a system.

In January 2011, the Dave Gates Generation Station started operating and is used by NorthWestern to provide regulation services for balancing authority, including regulation for wind projects in the supply portfolio. In approving NorthWestern's request to construct Dave Gates, the PSC noted, "The NorthWestern balancing authority requires 60 MW of traditional regulation service, used by both retail and wholesale customers, to comply with reliability standards...An additional 45 MW of Dave Gates' capacity is allocated to the integration of wind and borne by retail ratepayers exclusively."<sup>71</sup> There was much discussion at the PSC level concerning how much of the costs of Dave Gates to attribute to wind. NorthWestern, in filling out the ETIC survey, indicated that both renewable and integration resources would have been added to their portfolio even if there was not a standard in Montana. However, they did note that the company would have acquired and constructed those resources at a different size. The company also attributed about 50 percent of the cost of Dave Gates to the Montana RPS.

While Dave Gates has assisted with integration issues, it has not resolved all issues. In August 2012 NorthWestern issued a Request for Proposals for up to 45 MW of CREPs. NorthWestern received 30 responses, including 24 wind projects. The scoring of projects included transmission criteria based on project location, because NorthWestern was concerned that individual CREP proposals might require transmission upgrades which could increase customer costs. Ultimately, NorthWestern wasn't able to move forward with any of the proposals -- largely because of concerns about transmission and integration issues. The concerns were based on Western Area Power Administration's decision not to integrate those into their system, but still fall into the category of integration issues.

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<sup>70</sup> NorthWestern Energy Wind Integration, Northwest Power and Conservation Council Meeting, PowerPoint presentation, July 11, 2006.

<sup>71</sup> Public Service Commission, Application of NorthWestern Energy for Approval to Construct and Operate the Dave Gates Generating Station, Docket No. D2008.8.95 Order No. 6943e, page 32.

In NorthWestern Energy's 2013 Resource Procurement Plan, existing wind resources are shown in the resource stack at their average annual energy production, which is equal to about 38 percent of generation at full capacity. However, NorthWestern notes that in any one hour cumulative wind may vary between 0 percent and 91 percent of total installed capacity. "This band of variability represents uncertainty that NorthWestern must manage when procuring resources to serve loads."

The costs of regulation from Dave Gates remain a topic of much discussion. The Consumer Counsel in its analysis found, "We do not have an unambiguous estimate of the cost of regulation from Dave Gates." Costs were originally set at \$13/MWh by NorthWestern, charging load and transmission regulation with almost all the capital costs of the facility and treating wind as an incremental user of regulation services. "A fully allocated cost of regulation from Dave Gates would be much higher." The Federal Energy Regulatory Commission in April 2014 also issued a decision on how much transmission customers may be charged by NorthWestern, creating additional uncertainty about cost recovery at the facility.

### **The CREP question**

As discussed previously, Montana's RPS includes provisions for CREPs, defined as renewable energy projects under 25 megawatts where local owners have a controlling interest. For compliance years 2012 through 2014, utilities must purchase both the renewable energy credits (RECs) and the electricity output from CREPs totaling at least 50 MW in nameplate capacity. For compliance year 2015 and each following year, utilities must purchase both the RECs and the electricity output from CREPs totaling at least 75 MW in nameplate capacity.

CREPS have been an ongoing topic of discussion for NorthWestern Energy and PSC. In 2011 NorthWestern Energy filed a petition with the PSC requesting a waiver from full compliance with the CREP requirement. NorthWestern requested a waiver for compliance years 2012 through 2014 and any associated penalties. NorthWestern Energy asserted it took all reasonable steps, as required by law, to meet the requirement but "sufficient CREPs do not exist to enable NorthWestern to achieve full compliance with the CREP purchase obligation, and the cost of any of the proposed CREPS, other than those acquired by NorthWestern, would have exceeded the cost caps."<sup>72</sup> The Montana Consumer Counsel also recommended that the PSC grant the waiver because NorthWestern had taken reasonable steps. The PSC found that NorthWestern took reasonable

**The PSC, at the time of this report's publication, is contemplating bringing legislation before the 2015 Legislature in an effort to clarify or even repeal CREP requirements.**

<sup>72</sup> NorthWestern petition for short-term waiver from full compliance with CREP requirement, D2011.6.53, Order No. 7177b.

steps to acquire CREPs in 2008 and 2009. However, the PSC determined that NorthWestern failed to show that CREPs were not available and did not demonstrate the cost of CREPs exceeded the cost of the equivalent quantity of power over the equivalent contract term. The commission ultimately granted the waiver for 2012 but denied the request for 2013 and 2014.

The waiver, however, continues to generate much discussion before the PSC. The provisions in Montana law that require a utility to prove it has “undertaken all reasonable steps” in an effort to comply with the CREP has raised concerns about the burden of proof for a utility. The PSC, at the time of this report’s publication, is contemplating bringing legislation before the 2015 Legislature in an effort to clarify or even repeal CREP requirements.

NorthWestern Energy is currently seeking a waiver from for CREP compliance in 2013. The company has five CREP qualified resources. The projects account for about 33 megawatts, about 12 megawatts short of the 2012 obligation and 35 megawatts short of its 2015 obligation.

#### **Case study: Request for rate increase**

In August 2010 MDU filed an application for authority to increase its electric service rates in Montana. Reasons for the increase were listed as:

- increased investment in facilities, including expansion of wind generation in the Cedar Hills and Diamond Willow projects;
- a decline in MDU's total company wholesale sales margin; and
- recovery of the deferred generation costs associated with the proposed Big Stone II, Gascoyne and Milton Young III generation projects. (Plants that were never built.)<sup>73</sup>

Since 2007, MDU made several new generating resource additions including: a 19.5 MW Wind Project named Diamond Willow which began generating electricity in December 2007, a 5.3 MW heat recovery generating station named Glen Ullin Station #6 which commenced commercial operation on June 2010, and a 10.5 MW expansion to the Diamond Willow Wind Project which commenced commercial operation on June 2010.

The Diamond Willow and Cedar Hills wind projects are used to meet customer energy requirements that MDU would otherwise potentially have purchased from the Midwest ISO Energy Market or generated from available company generation. The offsetting benefits of the renewable investments are passed through to the customer under the fuel and purchased power tracking adjustment or directly, according to testimony provided to the PSC. Transmission investments and tariff costs can provide direct benefits to customers in the form of congestion relief which reduces the amount of fuel and purchased power that MDU would

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<sup>73</sup> Montana Public Service Commission, Application for Authority to Establish Increased Rates for Electric Service, Docket No. D2010.8.82, Order No. 7115d, page 4.

otherwise have to purchase. The corresponding savings flow back through the fuel and purchased power tracking adjustment.<sup>74</sup>

In July 2011, the PSC approved a 6 percent increase in electric rates for MDU's Montana customers. With the increase, a homeowner using 800 KWh a month saw a bill increase by about \$3. North Dakota's Public Service Commission in 2011 approved a rate increase for MDU's 75,000 customers. The North Dakota Commission approved the increase in a split decision with commissioners disagreeing on the impact of Montana's RPS on North Dakota rates.

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<sup>74</sup> Ibid, page 47.



A JOINT RESOLUTION OF THE SENATE AND THE HOUSE OF REPRESENTATIVES OF THE STATE OF MONTANA REQUESTING AN INTERIM STUDY TO ANALYZE THE IMPACTS OF THE MONTANA RENEWABLE POWER PRODUCTION AND RURAL ECONOMIC DEVELOPMENT ACT; AND REQUIRING THAT THE FINAL RESULTS OF THE STUDY BE REPORTED TO THE 64TH LEGISLATURE.

WHEREAS, the Montana Renewable Power Production and Rural Economic Development Act, Title 69, chapter 3, part 20, has required certain utilities to procure a percentage of their resources from renewable resources since 2008; and

WHEREAS, beginning in 2015, and in each succeeding year, a public utility and competitive electricity supplier are required to procure a minimum of 15% of its retail sales of electrical energy in Montana from renewable resources; and

WHEREAS, there are ongoing discussions about increasing the renewable portfolio standard or abolishing the requirement; and

WHEREAS, there has been limited analysis of the impact the Renewable Power Production and Rural Economic Development Act has had in Montana.

NOW, THEREFORE, BE IT RESOLVED BY THE SENATE AND THE HOUSE OF REPRESENTATIVES OF THE STATE OF MONTANA:

That the Legislative Council be requested to designate an appropriate interim committee, pursuant to section 5-5-217, MCA, or direct sufficient staff resources to:

- (1) review the economic impacts of the renewable portfolio standard by analyzing:
  - (a) the renewable portfolio standard's contribution to new electrical generation in Montana;
  - (b) the short-term and long-term jobs created by the standard;
  - (c) industries working in Montana due in part to the standard;
  - (d) the use of renewable energy credits in Montana by the renewable energy industry; and
  - (e) how the standard has been used to leverage Montana's competitive advantages in developing new



electric transmission;

(2) review the environmental benefits of the renewable portfolio standard by analyzing:

(a) the standard's contribution to diversified generation in Montana and to reduced dependence on fossil fuels;

(b) the types of renewable energy generation used in meeting the standard; and

(c) potential contributions to air quality improvements attributable to the standard; and

(3) review the impacts the renewable portfolio standard has had on Montana consumers by analyzing:

(a) whether the standard has mitigated or contributed to higher energy costs for consumers;

(b) how the standard has been used to hedge against volatility in fossil fuel prices; and

(c) whether the standard complements or hinders other efforts to help consumers.

BE IT FURTHER RESOLVED, that upon completion of the study, the committee make recommendations, if appropriate, to:

(1) revise Montana's Renewable Power Production and Rural Economic Development Act; and

(2) clarify existing law to ensure that the compliance costs do not outweigh the economic and environmental benefits.

BE IT FURTHER RESOLVED, that if the study is assigned to staff, any findings or conclusions be presented to and reviewed by an appropriate committee designated by the Legislative Council.

BE IT FURTHER RESOLVED, that all aspects of the study, including presentation and review requirements, be concluded prior to September 15, 2014.

BE IT FURTHER RESOLVED, that the final results of the study, including any findings, conclusions, comments, or recommendations of the appropriate committee, be reported to the 64th Legislature.

- END -

## *Assigned Studies*

### **Study Montana's renewable portfolio standard**

**Source/authority:** Senate Joint Resolution No. 6

**Legislative Poll Ranking:** #3

**Background:** Since 2008, the Montana Renewable Power Production and Rural Economic Development Act required certain utilities to procure a percentage of their resources from renewable resources. Beginning in 2015, and in each succeeding year, a public utility and competitive electricity supplier must procure a minimum of 15% of its retail sales of electrical energy in Montana from renewable resources. There are ongoing discussions about increasing the renewable portfolio standard or abolishing the requirement, and to-date there has been limited analysis of the impact the Renewable Power Production and Rural Economic Development Act has had in Montana. This study would focus on the policy points outlined in SJ 6, including:

(1) The economic impacts of the renewable portfolio standard, including the standard's contribution to new electrical generation in Montana, the short-term and long-term jobs created by the standard, industries working in Montana due in part to the standard, the use of renewable energy credits in Montana by the renewable energy industry, and how the standard has been used to leverage Montana's competitive advantages in developing new electric transmission.

(2) The environmental benefits of the renewable portfolio standard, including the standard's contribution to diversified generation in Montana and to reduced dependence on fossil fuels, the types of renewable energy generation used in meeting the standard, and potential contributions to air quality improvements attributable to the standard.

(3) The impacts the renewable portfolio standard has had on Montana consumers, including whether the standard has mitigated or contributed to higher energy costs for consumers and how the standard has been used to hedge against volatility in fossil fuel prices.

The ETIC allocated .6 FTE for this topic.

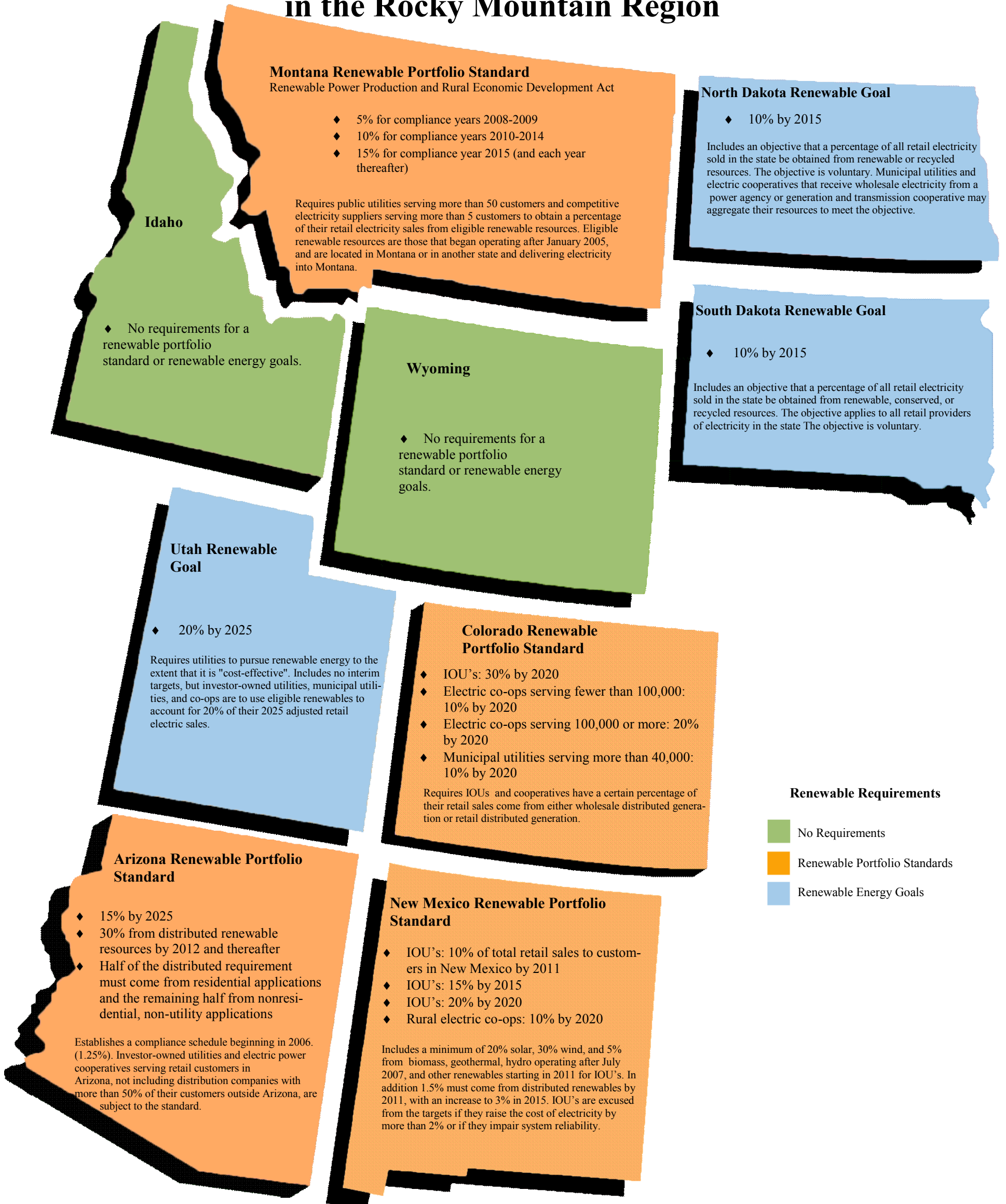
#### **SJ 6 Work Plan Tasks:**

- ✓ 1. Provide summary of Montana's Renewable Portfolio Standard. Summarize eligible renewable resources and entities subject to standard.  
Who: ETIC staff  
Time line: June 2013 meeting
- ✓ 2. ETIC tours of eligible renewable resources in Montana.  
Who: ETIC members  
Time line: September 2013 meeting
- ✓ 3. Review of RPS standards in other Western states and review of questionnaire for RPS stakeholders.  
Who: ETIC members and staff  
Time line: September 2013 meeting
- ✓ 4. Panel discussions with a focus on the economic impacts of Montana's RPS.  
Who: Wheatland County developers, business owners, local governments  
Time line: September 2013 meeting
- ✓ 5. Panel discussions with a focus on the environmental impacts of Montana's RPS.

Who: National Renewable Energy Laboratory, DEQ, utilities  
Time line: November 2013 meeting

- ✓ 6. ETIC discussion of preliminary questionnaire responses and direction of study.  
Who: ETIC members  
Time line: November 2013 meeting
- ✓ 7. Panel discussions with a focus on the consumer impacts of Montana's RPS.  
Who: Utilities and electricity suppliers, PSC  
Time line: March 2014 meeting
- ✓ 8. Begin discussion of recommendations and proposed legislation.  
Who: ETIC members  
Time line: March 2014 meeting
- ✓ 9. Presentation of preliminary report and development of recommendations and proposed legislation.  
Who: ETIC members, staff  
Time line: May 2014 meeting
- 10. Review draft report, findings, recommendations, and any proposed legislation.  
Who: ETIC members, staff  
Time line: July 2014 meeting
- 11. Review public comment on draft report and any proposed legislation.  
Who: ETIC members, staff  
Time line: July 2014 meeting
- 12. Approval of final report and any findings, recommendations, or legislation.  
Who: ETIC members  
Time line: September 2014 meeting

# Renewable Energy Requirements and Goals in the Rocky Mountain Region



## Notes of Interest...

In 2013, Colorado increased the standard for rural electric cooperatives from 10% to 20% by 2020. The law also permits co-ops to add a monthly surcharge — up to 2% of a customer's monthly bill — to fund projects needed to comply with the standard. It was the third time Colorado raised the threshold, since the standard was created by ballot initiative in 2004.

Colorado's standard includes a multiplier, so electricity generated at a community-based project -- a project not greater than 30 MW in capacity owned by individual residents of a community, an organization or cooperative controlled by individual residents, a local government entity, or a tribal council -- can receive 150% credit.

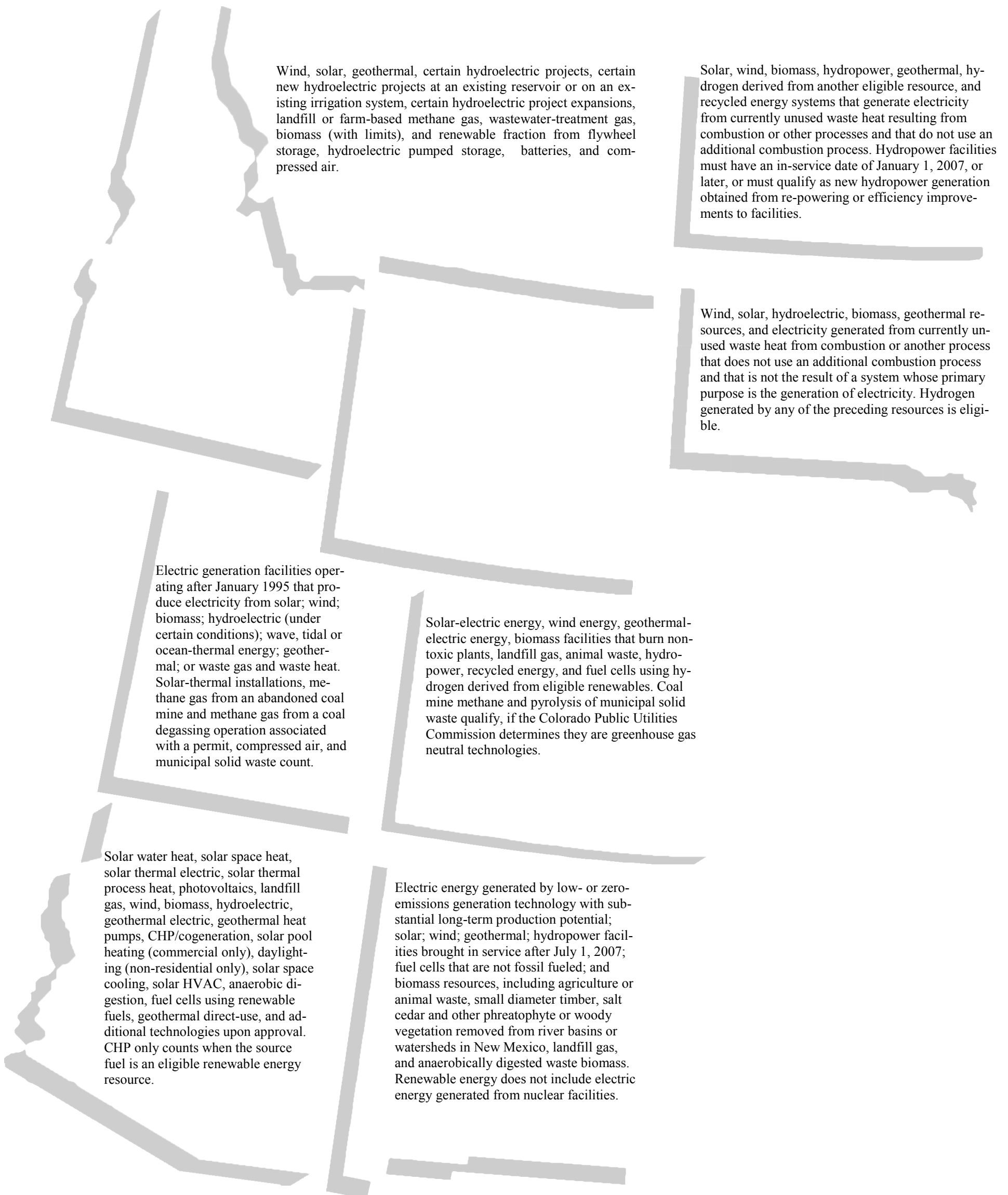
In Utah the goal requires utilities to pursue renewable energy to the extent it is "cost-effective". The guidelines for determining the cost-effectiveness of acquiring an energy source include an assessment of whether acquisition of the resource will result in the delivery of electricity at the lowest reasonable cost, as well as an assessment of long-term and short-term impacts, risks, reliability, financial impacts on the affected utility, and other factors determined by the Utah Public Service Commission.

South Dakota's retail providers may deduct from their baseline retail sales the proportion of electricity obtained from hydroelectric facilities with an in-service date before July 1, 2008.

In Arizona, a REC is a bundled package of the kWh, the renewable attributes, and any environmental attributes. All three must be delivered to Arizona customers and utilities in order to meet the requirements.

New Mexico has a "renewable energy and conservation fee" to support programs or projects to promote the use of renewable energy, load management, or energy efficiency. Distribution cooperatives may collect a fee of no more than 1% of the customer's bill, not to exceed \$75,000 annually from any single customer.

# What is an Eligible Renewable Resource?



## To learn more ...

Information included in this report is from the Database of State Incentives for Renewables and Efficiency (DSIRE). DSIRE is operated and funded by the North Carolina Solar Center at North Carolina State University, with support from the Interstate Renewable Energy Council, Inc., and the U.S. Department of Energy. Individual information about standards and goals is available for each state:

Montana — MCA 69-3-2001 et seq.

North Dakota — ND Century Code § 49-02-24 et seq.

South Dakota — SDCL § 49-34A-101 et seq. and SDCL § 49-34A-94 et seq.

Colorado — CRS 40-2-124

New Mexico — N.M. Stat. § 62-16-1 et seq. and N.M. Stat. § 62-15-34 et seq.

Utah — Utah Code 54-17-101 et seq. and Utah Code 10-19-101 et seq.

Arizona — AAC R14-2-1801 et seq.

### California's influence on renewables . . . .

California's electric utilities must have **33%** of their retail sales derived from eligible renewable energy resources in 2020 and all subsequent years. Interim targets include:

- ◆ 20% of retail sales by December 31, 2013
- ◆ 25% of retail sales by December 31, 2016

Publicly owned municipal utilities, not regulated by the California Public Utility Commission, still must meet certain standards. Their governing boards are charged with establishing procurement requirements based on the interim goals. To meet California's RPS reporting requirements and the tracking needs of other states in the Western Electricity Coordinating Council, the Energy Commission and the Western Governors' Association developed the Western Renewable Energy Generation Information System (WREGIS). WREGIS tracks renewable energy generation and creates certificates for renewable energy credits, used to demonstrate compliance with state RPS policies. One REC represents one megawatt-hour of electricity generated from a renewable resource. About 62% of the (renewable attributes) of wind generated in Montana is used to meet California's RPS.

<b>2008 RPS Compliance Year<sup>1</sup></b>			
<b>Public Utilities</b>			
	<b>REC's Needed</b>	<b>Facilities</b>	<b>Status</b>
NorthWestern Energy	296,696	Judith Gap	✓ <sup>2</sup>
Montana-Dakota Utilities	34,718	Diamond Willow I	✓
Black Hills	1,490	Happy Jack	✓
Avista			Paid fee: \$153
<b>Competitive Electricity Suppliers</b>			
	<b>REC's Needed</b>	<b>Facility</b>	<b>Status</b>
PPL Treasure State	4,058	Judith Gap	✓
Electric City Power			Paid fee: \$23,260
<b>Electricity Suppliers (Reports filed with PSC, but supplier is not subject to the RPS)</b>			
Conoco Phillips			
Powerex			
Hinson Power			
PPL Energy Plus			

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<sup>1</sup>Utilities and competitive electricity suppliers were required to acquire renewable energy equal to 5% of their retail sales of electricity in Montana in compliance years 2008 and 2009.

<sup>2</sup>The checkmark shows that the utility or supplier met PSC and statutory requirements.

<b>2009 RPS Compliance Year</b>			
<b>Public Utilities</b>			
	<b>REC's Needed</b>	<b>Facilities</b>	<b>Status</b>
NorthWestern Energy	298,759	Judith Gap	✓
Montana-Dakota Utilities	34,717	Diamond Willow I	✓
Black Hills	1,985	Happy Jack	✓
Avista			Paid fee: \$219
<b>Competitive Electricity Suppliers</b>			
	<b>REC's Needed</b>	<b>Facility</b>	<b>Status</b>
PPL Treasure State	4,058	Klondike Wind III	✓
Electric City Power	6,720	Klondike Wind III	✓
Conoco Phillips			Paid fee:\$69,400
<b>Electricity Suppliers (Reports filed with PSC, but supplier is not subject to the RPS)</b>			
Powerex			
Hinson Power			
PPL Energy Plus			

<b>2010 RPS Compliance Year<sup>3</sup></b>			
<b>Public Utilities</b>			
	<b>REC's Needed</b>	<b>Facilities</b>	<b>Status</b>
NorthWestern Energy	583,403	Judith Gap <sup>4</sup>	✓
Montana-Dakota Utilities	70,040	1.Diamond Willow I 2.Cedar Hills	✓
Black Hills	4,663	Happy Jack	✓
Avista			Paid fee: \$550
<b>Competitive Electricity Suppliers</b>			
	<b>REC's Needed</b>	<b>Facility</b>	<b>Status</b>
PPL Treasure State	7,712	Klondike Wind III	✓
Electric City Power			Paid fee:\$132,234
Conoco Phillips	13,108	Klondike Wind III	✓
<b>Electricity Suppliers (Reports filed with PSC, but supplier was not subject to the RPS)</b>			
Powerex			
Hinson Power			
Idaho Power			
PPL Energy Plus			

<sup>3</sup>Utilities and competitive electricity suppliers are required to acquire renewable energy equal to 10% of their retail sales of electricity in Montana in compliance years 2010 through 2014.

<sup>4</sup>NorthWestern Energy also acquired credits from Klondike Wind III, however, after an error in accounting for RECs was made, only credits from Judith Gap were necessary to meet the standard.



<b>2011 RPS Compliance Year</b>			
<b>Public Utilities</b>			
	<b>REC's Needed</b>	<b>Facilities</b>	<b>Status</b>
NorthWestern Energy	577,561	Judith Gap	✓
Montana-Dakota Utilities	71,151	1.Diamond Willow I 2.Cedar Hills	✓
Black Hills	4,964	Happy Jack	✓
Avista			Paid fee: \$481
<b>Competitive Electricity Suppliers</b>			
	<b>REC's Needed</b>	<b>Facility</b>	<b>Status</b>
PPL Treasure State	12,394	Diamond Willow I	✓
Electric City Power	13,823	Happy Jack	✓
Conoco Phillips	11,931	Klondike Wind III	✓
<b>Electricity Suppliers (Reports filed with PSC, but supplier was not subject to the RPS)</b>			
Powerex			
Hinson Power			
Independent Electricity <sup>5</sup>			
PPL Energy Plus			

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<sup>5</sup>Independent Electricity Supply Service Inc was determined not to be a competitive electricity supplier but purchased 3,162 credits from the Bonneville Power Administration that could be applied toward the 2012 compliance year. Independent Electricity purchased wholesale power solely from Southern Montana Electric Generation and Transmission Cooperative. With the bankruptcy of Southern Montana and appointment of a trustee, the REC requirement of Independent is unclear.

2012 RPS Compliance Year						
Public Utilities						
	REC's Needed	Facilities	Status	CREP <sup>6</sup>	Facilities	Status
NorthWestern Energy	592,007	1.Judith Gap 2.Spion Kop 3.Lower South Fork <sup>7</sup>	✓	44 MW	1.Gordon Butte 2.Turnbull	✓ <sup>8</sup>
Montana-Dakota Utilities	74,756	1.Diamond Willow I 2. Cedar Hills	✓	5.6 MW	1. Diamond Willow I 2.Cedar Hills	✓
Black Hills	5,082	Happy Jack	✓	.355 MW		Waiver Granted <sup>9</sup>
Avista <sup>10</sup>			Paid fee: \$529	.045 MW		✓ <sup>11</sup>

<sup>6</sup>Beginning in 2012, public utilities were required to purchase both credits and electricity output from community renewable energy projects (CREPS) that total at least 50 megawatts in nameplate capacity. Community renewable energy projects are locally owned and 25 megawatts or less. Public utilities proportionately allocate the CREP purchase required based on each public utility's retail sales in Montana in the calendar year 2011.

<sup>7</sup>NorthWestern Energy is requesting that the PSC certify the Lower South Fork Hydroelectric project as a CREP.

<sup>8</sup>NorthWestern Energy acquired 22.6 megawatts of CREP power. The PSC granted the utility a one year waiver from acquiring the remaining 21.4 megawatts.

<sup>9</sup>With the passage of Senate Bill No. 164 by the Montana Legislature, Black Hills is no longer subject to Montana's RPS or the CREP requirements.

<sup>10</sup>With the passage of Senate Bill No. 164 by the 2013 Montana Legislature, Avista is no longer subject to Montana's RPS or the CREP requirements.

<sup>11</sup>The fee paid includes both a penalty for neither meeting the RPS nor the CREP.

<b>Competitive Electricity Suppliers</b>						
	<b>REC's Needed</b>	<b>Facility</b>	<b>Status</b>			
PPL Treasure State	20,406	Diamond Willow I	✓			
Electric City Power	9,587	Klondike Wind III	✓			
Conoco Phillips <sup>12</sup>	12,347	Klondike Wind III	✓			
<b>Electricity Suppliers (Reports filed with PSC, but supplier was not subject to the RPS)</b>						
Powerex						
Hinson Power						
Independent Electricity <sup>13</sup>						
PPL Energy Plus						

<b>2013 RPS Compliance Year</b>
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<b>Public Utilities</b>
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<sup>12</sup>With the passage of Senate Bill No. 327, Conoco Phillips is no longer subject to Montana's RPS.

<sup>13</sup>See footnote #5.

	REC's Needed	Facilities	Status	CREP	Facilities	Status
NorthWestern Energy		1.Judith Gap 2.Spion Kop 3.Lower South Fork <sup>14</sup>	✓		1.Gordon Butte 2.Turnbull	✓ <sup>15</sup>
Montana-Dakota Utilities		1.Diamond Willow I 2. Cedar Hills	✓		1. Diamond Willow I 2.Cedar Hills	✓
<b>Competitive Electricity Suppliers</b>						
	REC's Needed	Facility	Status			
PPL Treasure State	20,406	Diamond Willow I	✓			
Electric City Power	9,587	Klondike Wind III	✓			
<b>Electricity Suppliers (Reports filed with PSC, but supplier was not subject to the RPS)</b>						
Powerex						
Hinson Power						
Independent Electricity <sup>16</sup>						
PPL Energy Plus						

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<sup>14</sup>NorthWestern Energy is requesting that the PSC certify the Lower South Fork Hydroelectric project as a CREP.

<sup>15</sup>NorthWestern Energy acquired 22.6 megawatts of CREP power. The PSC granted the utility a one year waiver from acquiring the remaining 21.4 megawatts.

<sup>16</sup>See footnote #5.

#7

**COMPLETE****Collector:** Follow Up 2 (Email)**Started:** Thursday, December 05, 2013 9:38:34 AM**Last Modified:** Tuesday, January 28, 2014 2:06:02 PM**Time Spent:** Over a month**Email:** john.bushnell@northwestern.com**Custom Data:** NorthWestern Energy**IP Address:** 199.96.16.11

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<b>Q1: What is the name of the utility or electricity supplier you represent?</b>	NorthWestern Energy
<b>Q2: What years were or are you subject to Montana's RPS (69-3-2004, MCA)?</b>	All years
<b>Q3: Have you been able to meet the overall percentage requirements?</b>	Yes
<b>Q4: If you received a waiver, what was the overall cost (includes administrative costs) of the waiver?</b>	<i>Respondent skipped this question</i>
<b>Q5: If you have not met the standard or received a waiver, have you paid an administrative penalty?</b>	<i>Respondent skipped this question</i>
<b>Q6: What eligible renewable resources have you used to meet the overall percentage standards?</b>	
Judtith Gap - 135 MW w ind Spion Kop - 40 MW w ind Gordon Butte - 9.6 MW w ind Turnbull - 13 MW hydro Flint Creek - 2 MW hydro Low er South Fork - 0.5 MW hydro	
<b>Q7: Are you subject to the CREP requirement?</b>	Yes
<b>Q8: Have you met the CREP requirement?</b>	No, If not, have you received a w aiver for any compliance year? Yes
<b>Q9: If you received a waiver, what was the overall cost (includes administrative costs) of the waiver?</b>	NWE estimates conservatively that it has expended \$25,000 to date on w aiver filings.
<b>Q10: If you have not met the requirement or received a waiver, have you paid an administrative penalty?</b>	No
<b>Q11: What eligible renewable resources have you used to meet the CREP requirement?</b>	
Gordon Butte - 9.6 MW w ind Turnbull - 13 MW hydro Flint Creek - 2 MW hydro Low er South Fork - 0.5 MW hydro	
<b>Q12: Who owns the eligible renewable resource(s) you have used to meet the CREP requirement?</b>	
Gordon Butte - Gordon Butte Wind, LLC Turnbull - Turnbull Hydro, LLC Flint Creek - Flint Creek Hydroelectric, LLC Low er South Fork - Low er South Fork, LLC	

# Renewable Energy in Montana - Survey for Utilities and Suppliers

**Q13: Has the standard contributed to the diversification of your portfolio in Montana?**

No,

Please explain how it has or has not.  
NWE had already been focused on renewable resources prior to RPS. A minimal amount of NWE's resource portfolio can be attributed to the standards.

**Q14: Has the standard led to you reducing your dependence on fossil fuels?**

No,

Please explain how it has or has not.  
No. Given NWE's dependence on market purchases, this cannot be precisely determined. However, NWE believes any change in fossil fuel use to be minimal.

**Q15: Has the standard assisted you in hedging against the volatility of fossil fuel markets?**

No,

Please provide some details on how it has or has not.  
No. On one hand, resources acquired to meet the RPS standards provide a partial hedge against volatility of fossil fuel markets by reducing market purchases, which include a thermal (gas/coal) component. On the other hand, the inclusion of RPS resources caused NWE to invest in additional gas-fired resources to integrate/regulate those resources. These offsetting effects cannot be precisely determined.

**Q16: Has the standard contributed to higher, lower, or neutral costs for your customers?**

Neutral,

Please explain your answer  
Neutral: Customer cost impact cannot be precisely calculated (refer to NWE's responses to 14 and 15). However, NWE's highest cost RPS resources are currently much more costly, on a \$/MWh basis, than the market purchases that they displace.

**Q17: How much has the standard changed, if at all, your average residential customer's monthly utility bill? (indicate increase or decrease)**

*Respondent skipped this question*

**Q18: How is the standard beneficial to your customers?**

NorthWestern was focused on renewable resources prior to RPS (refer to NWE's response to 13, 15 and 16). Therefore, any benefit from RPS is minimal.

**Q19: How is the standard a drawback for your customers?**

NorthWestern was focused on renewable resources prior to RPS (refer to NWE's response to 13, 15, and 16). Therefore, the drawback from RPS is minimal.

**Q20: What additional resources have been needed to integrate renewable resources?**

Dave Gates Generation Station (DGGGS) and wind forecasting services.

**Q21: Would these renewable and integration resources have been added to your portfolio if there was not a standard in Montana?**

Yes

**Q22: Would you have constructed or acquired these resources at a different size if there was no standard?**

Yes

**Q23: Please explain your response to 21 and 22 above.**

A majority of the RPS resources in NWE's energy supply portfolio would have been acquired absent the RPS standards, see NWE's answer to question 13.

**Q24: How much of the cost of integration resources used in conjunction with the renewable resources used to meet the standard is attributable to the standard?**

Roughly 50% of the cost of DGGGS.

## Renewable Energy in Montana - Survey for Utilities and Suppliers

**Q25: In the 2012 compliance year what was the average unit price, including integration costs, for each renewable resource used to meet the standard (dollars/MWh)?** Gordon Butte(\$69.53/MWh), Lower South Fork(\$66.25/MWh), Judith Gap Energy(\$34.27/MWh), Turnbull Hydro(\$65.96/MWh); Average Cost - \$59.00

**Q26: What was the comparable price in 2012 of your supply (not transmission service) resources, including:**

Spot/hourly market resources?	\$40.47
Coal resources?	\$66.83
Natural gas resources?	Basin Creek Plant is a capacity and tolling agreement
Hydropower resources?	\$52.78
Qualifying facility resources?	\$75.52
Please identify the resources you are using as the basis of the answers above.	Market - Multiple sources; Coal - Costrip Unit 4; Hydro - Tiber Dam & Turnbull Hydro; QF - multiple sources

**Q27: In the 2010 compliance year what was the average unit price, including integration costs, for each renewable resource used to meet the standard (dollars/MWh)?** Judith Gap - \$39.71

**Q28: What was the comparable price in 2010 of your supply (not transmission service) resources, including:**

Spot/hourly market resources?	\$44.42
Coal resources?	\$44.73
Natural gas resources?	Basin Creek Plant is a capacity and tolling agreement
Hydropower resources?	\$41.42
Qualifying facility resources?	\$68.64
Please identify the resources you are using as the basis of the answers above.	Market - Multiple sources; Coal - Colstrip 4; Hydro - Tiber Dam; QF - Multiple source

**Q29: In the 2008 compliance year what was the average unit price, including integration costs, for each renewable resource used to meet the standard (dollars/MWh)?** Judith Gap - \$37.33/MWh

**Q30: What was the comparable price in 2008 of your supply (not transmission service) resources, including:**

Spot/hourly market resources?	\$54.54
Coal resources?	\$38.26
Natural gas resources?	Basin Creek Plant is a capacity and tolling agreement
Hydropower resources?	\$41.92
Qualifying facility resources?	\$67.30
Please identify the resources you are using as the basis of the answers above.	Market - Multiple sources; Coal - Unit contingent purchase; Hydro - Tiber Dam; QF - Multiple sources

**Q31: Please provide any additional thoughts on Montana's Renewable Portfolio Standard**

NWE is developing a portfolio of owned resources sufficient to meet its customers' loads reliably and economically. An increase in the RPS requirement could potentially affect NWE's planned load and resource balance. Additionally, an increase in the RPS standard could create integration/regulation needs in excess of NWE's current ability to provide those services.

**Q32: FINAL SUBMISSION: All questions are complete and this survey is ready for submission (select no if you wish to return and complete this survey later).** Yes

# Renewable Energy in Montana - Survey for Utilities and Suppliers

#5



**COMPLETE**

**Collector:** Initial e-mail (Email)

**Started:** Thursday, September 26, 2013 1:07:16 PM

**Last Modified:** Friday, December 06, 2013 5:56:49 AM

**Time Spent:** Over a month

**Email:** darcy.neigum@mdu.com

**Custom Value:** MDU

**IP Address:** 162.57.10.186

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**Q1: What is the name of the utility or electricity supplier you represent?** Montana-Dakota Utilities

**Q2: What years were or are you subject to Montana's RPS (69-3-2004, MCA)?** 2008 - current

**Q3: Have you been able to meet the overall percentage requirements?** Yes

**Q4: If you received a waiver, what was the overall cost (includes administrative costs) of the waiver?** Respondent skipped this question

**Q5: If you have not met the standard or received a waiver, have you paid an administrative penalty?** Respondent skipped this question

**Q6: What eligible renewable resources have you used to meet the overall percentage standards?**

Diamond Willow I  
Diamond Willow II  
Cedar Hills

**Q7: Are you subject to the CREP requirement?** Yes

**Q8: Have you met the CREP requirement?** Yes

**Q9: If you received a waiver, what was the overall cost (includes administrative costs) of the waiver?** Respondent skipped this question

**Q10: If you have not met the requirement or received a waiver, have you paid an administrative penalty?** No

**Q11: What eligible renewable resources have you used to meet the CREP requirement?**

Diamond Willow I  
Diamond Willow II  
Cedar Hills

**Q12: Who owns the eligible renewable resource(s) you have used to meet the CREP requirement?**

Montana-Dakota Utilities Co.



# Renewable Energy in Montana - Survey for Utilities and Suppliers

**Q13: Has the standard contributed to the diversification of your portfolio in Montana?**

No,

Please explain how it has or has not.  
Montana-Dakota Utilities Co.'s addition of 57 MW of renewable generation resources to its portfolio was not made solely in response to the Montana Renewable Portfolio Standard but in conjunction with the Company's Integrated Resources Plan which included the costs and consideration of other forms of generation. The standard probably accelerated the acquisition of renewable generation resources.

**Q14: Has the standard led to you reducing your dependence on fossil fuels?**

Yes,

Please explain how it has or has not.  
To a minor degree. It did not reduce the need for Montana-Dakota's thermal generation. However, the energy produced by the renewable resources reduced the need to purchase energy from MISO, in which thermal resources still dominate.

**Q15: Has the standard assisted you in hedging against the volatility of fossil fuel markets?**

No,

Please provide some details on how it has or has not.  
Montana-Dakota's renewable resources do not avoid the need for thermal resources

**Q16: Has the standard contributed to higher, lower, or neutral costs for your customers?**

Neutral,

Please explain your answer  
The renewable resources acquired by the Company were cost competitive with other forms of electric generation available at the time of their investment.

**Q17: How much has the standard changed, if at all, your average residential customer's monthly utility bill? (indicate increase or decrease)**

*Respondent skipped this question*

**Q18: How is the standard beneficial to your customers?**

The standard did not directly benefit customers however, the introduction of renewables into Montana-Dakota's generation portfolio has reduced the cost of fuel and purchased power for its customers. This has also reduced the amount of market purchases from others and/or reduced the amount of generation from other higher cost resources that the Company has available to it. The introduction of renewables into Montana-Dakota's generation portfolio has also diversified the types of resources that the Company utilizes to meet its customers requirements.

**Q19: How is the standard a drawback for your customers?**

The existing renewable standard did not have a negative impact upon Montana-Dakota's customers. The renewable resources acquired by the Company were cost competitive with other forms of electric generation available at the time of their investment and are operated as integrated system resources.

**Q20: What additional resources have been needed to integrate renewable resources?**

None. Montana-Dakota is a member of the Midcontinent Independent System Operator (MISO) System and no additional resources are needed to firm renewables within MISO.

**Q21: Would these renewable and integration resources have been added to your portfolio if there was not a standard in Montana?**

Yes

**Q22: Would you have constructed or acquired these resources at a different size if there was no standard?**

No

**Q23: Please explain your response to 21 and 22 above.**

As noted in Response No. 20 Montana-Dakota did not need additional resources to integrate the renewable resources. Also refer to Response No. 13.

# Renewable Energy in Montana - Survey for Utilities and Suppliers

**Q24: How much of the cost of integration resources used in conjunction with the renewable resources used to meet the standard is attributable to the standard?**

None. See response to 20.

**Q25: In the 2012 compliance year what was the average unit price, including integration costs, for each renewable resource used to meet the standard (dollars/MWh)?**

*Respondent skipped this question*

**Q26: What was the comparable price in 2012 of your supply (not transmission service) resources, including:**

Please identify the resources you are using as the basis of the answers above.

MISO Average Energy Purchase Price; MISO Energy Market offer prices for MDU's coal and natural gas resources

Qualifying facility resources?

N/A

Hydropower resources?

N/A

Natural gas resources?

\$27 to \$37 per MWh

Coal resources?

\$14 to \$22 per MWh

Spot/hourly market resources?

\$23 per MWh

**Q27: In the 2010 compliance year what was the average unit price, including integration costs, for each renewable resource used to meet the standard (dollars/MWh)?**

*Respondent skipped this question*

**Q28: What was the comparable price in 2010 of your supply (not transmission service) resources, including:**

Please identify the resources you are using as the basis of the answers above.

MISO Average Energy Purchase Price; MISO Energy Market offer prices for MDU's coal and natural gas resources

Qualifying facility resources?

N/A

Hydropower resources?

N/A

Natural gas resources?

\$41 to \$43 per MWh

Coal resources?

\$13 to \$19 per MWh

Spot/hourly market resources?

\$28 per MWh

**Q29: In the 2008 compliance year what was the average unit price, including integration costs, for each renewable resource used to meet the standard (dollars/MWh)?**

*Respondent skipped this question*

**Q30: What was the comparable price in 2008 of your supply (not transmission service) resources, including:**

Please identify the resources you are using as the basis of the answers above.

MISO Average Energy Purchase Price; MISO Energy Market offer prices for MDU's coal and natural gas resources

Qualifying facility resources?

N/A

Hydropower resources?

N/A

Natural gas resources?

\$53 to \$60 per MWh

Coal resources?

\$11 to \$20 per MWh

Spot/hourly market resources?

\$56 per MWh

**Q31: Please provide any additional thoughts on Montana's Renewable Portfolio Standard**

The Montana Renewable Portfolio Standard should not be changed. All investments in renewables should be justified on an equal basis with other available resources, without regard to a mandate.

**Q32: FINAL SUBMISSION: All questions are complete and this survey is ready for submission (select no if you wish to return and complete this survey later).**

Yes

# Renewable Energy in Montana - Survey for Utilities and Suppliers

#6



**COMPLETE**

**Collector:** Initial e-mail (Email)  
**Started:** Friday, December 06, 2013 12:32:37 PM  
**Last Modified:** Friday, December 06, 2013 2:39:53 PM  
**Time Spent:** 02:07:16  
**Email:** michael.theis@blackhillscorp.com  
**Custom Value:** Black Hills

**IP Address:** 74.116.253.5

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<b>Q1: What is the name of the utility or electricity supplier you represent?</b>	Black Hills
<b>Q2: What years were or are you subject to Montana's RPS (69-3-2004, MCA)?</b>	2008-current
<b>Q3: Have you been able to meet the overall percentage requirements?</b>	Yes
<b>Q4: If you received a waiver, what was the overall cost (includes administrative costs) of the waiver?</b>	<i>Respondent skipped this question</i>
<b>Q5: If you have not met the standard or received a waiver, have you paid an administrative penalty?</b>	<i>Respondent skipped this question</i>
<b>Q6: What eligible renewable resources have you used to meet the overall percentage standards?</b>	Wind generation located in Cheyenne, WY
<b>Q7: Are you subject to the CREP requirement?</b>	Yes
<b>Q8: Have you met the CREP requirement?</b>	No, If not, have you received a waiver for any compliance year? yes
<b>Q9: If you received a waiver, what was the overall cost (includes administrative costs) of the waiver?</b>	approximately \$40,000
<b>Q10: If you have not met the requirement or received a waiver, have you paid an administrative penalty?</b>	If so, in what amount? N/A
<b>Q11: What eligible renewable resources have you used to meet the CREP requirement?</b>	N/A
<b>Q12: Who owns the eligible renewable resource(s) you have used to meet the CREP requirement?</b>	N/A
<b>Q13: Has the standard contributed to the diversification of your portfolio in Montana?</b>	No, Please explain how it has or has not. BHP could not find an economically viable solution to meet the CREP requirement, therefore we were granted a waiver to avoid creating an undue financial burden on our customers. As a result, we have not added to our renewable portfolio in Montana.

# Renewable Energy in Montana - Survey for Utilities and Suppliers

**Q14: Has the standard led to you reducing your dependence on fossil fuels?** No,  
Please explain how it has or has not.  
The majority of our Montana load is constant industrial load. We must maintain generation to meet the demand regardless of the availability of our wind energy.

**Q15: Has the standard assisted you in hedging against the volatility of fossil fuel markets?** No,  
Please provide some details on how it has or has not.  
Since we own and operate our own generation, we have limited exposure to any volatility in the fossil fuel markets.

**Q16: Has the standard contributed to higher, lower, or neutral costs for your customers?** Neutral,  
Please explain your answer  
Had we complied with the CREP requirements, it would have resulted in higher costs to our customers. Given the small number of customers we have in Montana, we have not adjusted rates for many years, or for any moderate increases associated with renewable energy we have provided.

**Q17: How much has the standard changed, if at all, your average residential customer's monthly utility bill? (indicate increase or decrease)**

Projected in 2013 through 2015?	0 See explanation in question 16
In 2012?	0
In 2011?	0
In 2010?	0
In 2009?	0
In 2008?	0

**Q18: How is the standard beneficial to your customers?**

We do not believe the standard is beneficial to our Montana customers, given the economics associated with our small number of customers.

**Q19: How is the standard a drawback for your customers?**

Due to the small number of customers in the rural area of the state, the CREP requirement is not economically feasible compared to our current generation resources.

**Q20: What additional resources have been needed to integrate renewable resources?**

BHP has utilized additional regulation services as a result of integrating the renewable resources.

**Q21: Would these renewable and integration resources have been added to your portfolio if there was not a standard in Montana?** No

**Q22: Would you have constructed or acquired these resources at a different size if there was no standard?** No

**Q23: Please explain your response to 21 and 22 above.**

The renewable resources are our most expensive resource in our mix of generation resources to serve Montana customers, so it is unlikely these resources would have been utilized without the standard.

The bulk of wind generation produced in Cheyenne is utilized by other business units, so it is unlikely the small amount utilized in Montana would have any impact to the overall size or type of the project.

**Q24: How much of the cost of integration resources used in conjunction with the renewable resources used to meet the standard is attributable to the standard?** 100%

## Renewable Energy in Montana - Survey for Utilities and Suppliers

**Q25: In the 2012 compliance year what was the average unit price, including integration costs, for each renewable resource used to meet the standard (dollars/MWh)?** \$ 0.0476 per kWh

**Q26: What was the comparable price in 2012 of your supply (not transmission service) resources, including:**

Please identify the resources you are using as the basis of the answers above. company owned generation

Qualifying facility resources?	\$0.0476 per kWh
Hydropower resources?	N/A
Natural gas resources?	N/A
Coal resources?	\$0.0382 per kWh
Spot/hourly market resources?	\$0.0217 per kWh (purchased power)

**Q27: In the 2010 compliance year what was the average unit price, including integration costs, for each renewable resource used to meet the standard (dollars/MWh)?** Information not readily available at this time

**Q28: What was the comparable price in 2010 of your supply (not transmission service) resources, including:**

Spot/hourly market resources? Information not readily available at this time

**Q29: In the 2008 compliance year what was the average unit price, including integration costs, for each renewable resource used to meet the standard (dollars/MWh)?** Information not readily available at this time

**Q30: What was the comparable price in 2008 of your supply (not transmission service) resources, including:**

Spot/hourly market resources? Information not readily available at this time

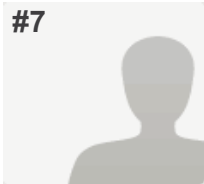
**Q31: Please provide any additional thoughts on Montana's Renewable Portfolio Standard**

The information for questions 27-30 are not readily available at this time, but if needed we can provide this information. Please let us know if you would like us to follow-up with this.

**Q32: FINAL SUBMISSION: All questions are complete and this survey is ready for submission (select no if you wish to return and complete this survey later).** Yes

# Renewable Energy in Montana - Survey for Utilities and Suppliers

#7



**COMPLETE**

**Collector:** Initial e-mail (Email)  
**Started:** Tuesday, December 10, 2013 1:05:25 PM  
**Last Modified:** Tuesday, December 10, 2013 4:21:53 PM  
**Time Spent:** 03:16:27  
**Email:** linda.gervais@avistacorp.com  
**Custom Value:** Avista

**IP Address:** 198.251.0.1

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<b>Q1: What is the name of the utility or electricity supplier you represent?</b>	Avista
<b>Q2: What years were or are you subject to Montana's RPS (69-3-2004, MCA)?</b>	2008-2012
<b>Q3: Have you been able to meet the overall percentage requirements?</b>	No, If not, have you received a waiver for any compliance year? See 31
<b>Q4: If you received a waiver, what was the overall cost (includes administrative costs) of the waiver?</b>	See 31
<b>Q5: If you have not met the standard or received a waiver, have you paid an administrative penalty?</b>	Yes, If so, in what amount? 528.60 - 2012
<b>Q6: What eligible renewable resources have you used to meet the overall percentage standards?</b>	N/A
<b>Q7: Are you subject to the CREP requirement?</b>	No
<b>Q8: Have you met the CREP requirement?</b>	No, If not, have you received a waiver for any compliance year? See 31
<b>Q9: If you received a waiver, what was the overall cost (includes administrative costs) of the waiver?</b>	See 31
<b>Q10: If you have not met the requirement or received a waiver, have you paid an administrative penalty?</b>	No
<b>Q11: What eligible renewable resources have you used to meet the CREP requirement?</b>	See Response to 31
<b>Q12: Who owns the eligible renewable resource(s) you have used to meet the CREP requirement?</b>	See Response to 31
<b>Q13: Has the standard contributed to the diversification of your portfolio in Montana?</b>	No, Please explain how it has or has not. See Response to 31
<b>Q14: Has the standard led to you reducing your dependence on fossil fuels?</b>	No, Please explain how it has or has not. See Response to 31

# Renewable Energy in Montana - Survey for Utilities and Suppliers

**Q15: Has the standard assisted you in hedging against the volatility of fossil fuel markets?** No,  
Please provide some details on how it has or has not.  
See Response to 31

**Q16: Has the standard contributed to higher, lower, or neutral costs for your customers?** Please explain your answer N/A - See Response to 31

**Q17: How much has the standard changed, if at all, your average residential customer's monthly utility bill? (indicate increase or decrease)**

Projected in 2013 through 2015?	N/A
In 2012?	N/A
In 2011?	N/A
In 2010?	N/A
In 2009?	N/A
In 2008?	N/A

**Q18: How is the standard beneficial to your customers?**

N/A

**Q19: How is the standard a drawback for your customers?**

N/A

**Q20: What additional resources have been needed to integrate renewable resources?**

N/A

**Q21: Would these renewable and integration resources have been added to your portfolio if there was not a standard in Montana?** Yes

**Q22: Would you have constructed or acquired these resources at a different size if there was no standard?** Yes

**Q23: Please explain your response to 21 and 22 above.**

N/A

**Q24: How much of the cost of integration resources used in conjunction with the renewable resources used to meet the standard is attributable to the standard?** N/A

**Q25: In the 2012 compliance year what was the average unit price, including integration costs, for each renewable resource used to meet the standard (dollars/MWh)?** N/A

**Q26: What was the comparable price in 2012 of your supply (not transmission service) resources, including:**

Please identify the resources you are using as the basis of the answers above. N/A

Qualifying facility resources? N/A

Hydropower resources? N/A

Natural gas resources? N/A

Coal resources? N/A

Spot/hourly market resources? N/A

**Q27: In the 2010 compliance year what was the average unit price, including integration costs, for each renewable resource used to meet the standard (dollars/MWh)?** N/A

# Renewable Energy in Montana - Survey for Utilities and Suppliers

**Q28: What was the comparable price in 2010 of your supply (not transmission service) resources, including:**

Please identify the resources you are using as the basis of the answers above.	N/A
Qualifying facility resources?	N/A
Hydropow er resources?	N/A
Natural gas resources?	N/A
Coal resources?	N/A
Spot/hourly market resources?	N/A

**Q29: In the 2008 compliance year what was the average unit price, including integration costs, for each renewable resource used to meet the standard (dollars/MWh)?**

N/A

**Q30: What was the comparable price in 2008 of your supply (not transmission service) resources, including:**

Please identify the resources you are using as the basis of the answers above.	N/A
Qualifying facility resources?	N/A
Hydropow er resources?	N/A
Natural gas resources?	N/A
Coal resources?	N/A
Spot/hourly market resources?	N/A

**Q31: Please provide any additional thoughts on Montana's Renewable Portfolio Standard**

The Montana Legislature enacted SB164 w hich exempted any utility w ith 50 customers or less from the requirements of 69-3-2004. Avista falls under the exemption effective on passage and approval in 2013 (SB164, Chapter No. 73) and applies retroactively w ithin the meaning of 1-02-109 to the compliance year beginning January 1, 2013. The Company's retail load in the state of Montana is quite small, consisting of only 28 or few er retail customers.

**Q32: FINAL SUBMISSION: All questions are complete and this survey is ready for submission (select no if you wish to return and complete this survey later).**

Yes



# Renewable Energy in Montana - Survey for Utilities and Suppliers

#3



**COMPLETE**

**Collector:** Follow Up 1 (Email)

**Started:** Wednesday, December 04, 2013 12:03:12 PM

**Last Modified:** Wednesday, December 04, 2013 12:07:47 PM

**Time Spent:** 00:04:35

**Email:** gdoyon@greatfallsmt.net

**Custom Value:** Electric City Power

**IP Address:** 63.228.223.162

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<b>Q1: What is the name of the utility or electricity supplier you represent?</b>	Electric City Power
<b>Q2: What years were or are you subject to Montana's RPS (69-3-2004, MCA)?</b>	2005
<b>Q3: Have you been able to meet the overall percentage requirements?</b>	No, If not, have you received a waiver for any compliance year? Yes
<b>Q4: If you received a waiver, what was the overall cost (includes administrative costs) of the waiver?</b>	<i>Respondent skipped this question</i>
<b>Q5: If you have not met the standard or received a waiver, have you paid an administrative penalty?</b>	No
<b>Q6: What eligible renewable resources have you used to meet the overall percentage standards?</b>	Wind
<b>Q7: Are you subject to the CREP requirement?</b>	No
<b>Q8: Have you met the CREP requirement?</b>	<i>Respondent skipped this question</i>
<b>Q9: If you received a waiver, what was the overall cost (includes administrative costs) of the waiver?</b>	<i>Respondent skipped this question</i>
<b>Q10: If you have not met the requirement or received a waiver, have you paid an administrative penalty?</b>	<i>Respondent skipped this question</i>
<b>Q11: What eligible renewable resources have you used to meet the CREP requirement?</b>	<i>Respondent skipped this question</i>
<b>Q12: Who owns the eligible renewable resource(s) you have used to meet the CREP requirement?</b>	<i>Respondent skipped this question</i>
<b>Q13: Has the standard contributed to the diversification of your portfolio in Montana?</b>	<i>Respondent skipped this question</i>
<b>Q14: Has the standard led to you reducing your dependence on fossil fuels?</b>	<i>Respondent skipped this question</i>
<b>Q15: Has the standard assisted you in hedging against the volatility of fossil fuel markets?</b>	<i>Respondent skipped this question</i>
<b>Q16: Has the standard contributed to higher, lower, or neutral costs for your customers?</b>	<i>Respondent skipped this question</i>

## Renewable Energy in Montana - Survey for Utilities and Suppliers

Q17: How much has the standard changed, if at all, your average residential customer's monthly utility bill? (indicate increase or decrease)	<i>Respondent skipped this question</i>
Q18: How is the standard beneficial to your customers?	<i>Respondent skipped this question</i>
Q19: How is the standard a drawback for your customers?	<i>Respondent skipped this question</i>
Q20: What additional resources have been needed to integrate renewable resources?	<i>Respondent skipped this question</i>
Q21: Would these renewable and integration resources have been added to your portfolio if there was not a standard in Montana?	No
Q22: Would you have constructed or acquired these resources at a different size if there was no standard?	No
Q23: Please explain your response to 21 and 22 above.	<i>Respondent skipped this question</i>
Q24: How much of the cost of integration resources used in conjunction with the renewable resources used to meet the standard is attributable to the standard?	<i>Respondent skipped this question</i>
Q25: In the 2012 compliance year what was the average unit price, including integration costs, for each renewable resource used to meet the standard (dollars/MWh)?	<i>Respondent skipped this question</i>
Q26: What was the comparable price in 2012 of your supply (not transmission service) resources, including:	<i>Respondent skipped this question</i>
Q27: In the 2010 compliance year what was the average unit price, including integration costs, for each renewable resource used to meet the standard (dollars/MWh)?	<i>Respondent skipped this question</i>
Q28: What was the comparable price in 2010 of your supply (not transmission service) resources, including:	<i>Respondent skipped this question</i>
Q29: In the 2008 compliance year what was the average unit price, including integration costs, for each renewable resource used to meet the standard (dollars/MWh)?	<i>Respondent skipped this question</i>
Q30: What was the comparable price in 2008 of your supply (not transmission service) resources, including:	<i>Respondent skipped this question</i>
Q31: Please provide any additional thoughts on Montana's Renewable Portfolio Standard	<i>Respondent skipped this question</i>
Q32: FINAL SUBMISSION: All questions are complete and this survey is ready for submission (select no if you wish to return and complete this survey later).	Yes

# Renewable Energy in Montana - Survey for Utilities and Suppliers

#2



**COMPLETE**

**Collector:** Initial e-mail (Email)

**Started:** Tuesday, November 12, 2013 8:27:40 AM

**Last Modified:** Monday, December 02, 2013 8:17:49 AM

**Time Spent:** Over a week

**Email:** rdgabbard@pplweb.com

**Custom Value:** PPL Energy Plus

**IP Address:** 167.155.144.19

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<b>Q1: What is the name of the utility or electricity supplier you represent?</b>	PPL Energy Plus
<b>Q2: What years were or are you subject to Montana's RPS (69-3-2004, MCA)?</b>	PPL EnergyPlus is NOT a Competitive Electricity Supplier
<b>Q3: Have you been able to meet the overall percentage requirements?</b>	If not, have you received a waiver for any compliance year? NA
<b>Q4: If you received a waiver, what was the overall cost (includes administrative costs) of the waiver?</b>	NA
<b>Q5: If you have not met the standard or received a waiver, have you paid an administrative penalty?</b>	If so, in what amount? NA
<b>Q6: What eligible renewable resources have you used to meet the overall percentage standards?</b>	NA
<b>Q7: Are you subject to the CREP requirement?</b>	No
<b>Q8: Have you met the CREP requirement?</b>	If not, have you received a waiver for any compliance year? NA
<b>Q9: If you received a waiver, what was the overall cost (includes administrative costs) of the waiver?</b>	NA
<b>Q10: If you have not met the requirement or received a waiver, have you paid an administrative penalty?</b>	If so, in what amount? NA
<b>Q11: What eligible renewable resources have you used to meet the CREP requirement?</b>	NA
<b>Q12: Who owns the eligible renewable resource(s) you have used to meet the CREP requirement?</b>	NA
<b>Q13: Has the standard contributed to the diversification of your portfolio in Montana?</b>	No, Please explain how it has or has not. NA
<b>Q14: Has the standard led to you reducing your dependence on fossil fuels?</b>	No, Please explain how it has or has not. NA

# Renewable Energy in Montana - Survey for Utilities and Suppliers

**Q15: Has the standard assisted you in hedging against the volatility of fossil fuel markets?**

No,

Please provide some details on how it has or has not. Market price volatility has increased, not decreased, with the addition of intermittent resources. There is also lower market liquidity due to the uncertainty of generation, particularly in the spring months. Prices can be negative during the off peak periods and in excess of \$100/MWh in the highest peak hours of the same day due to significant swings in intermittent generation.

**Q16: Has the standard contributed to higher, lower, or neutral costs for your customers?**

Neutral,

Please explain your answer  
PPL EnergyPlus, LLC is not a Competitive Electricity Supplier

**Q17: How much has the standard changed, if at all, your average residential customer's monthly utility bill? (indicate increase or decrease)**

In 2008?	NA
In 2009?	NA
In 2010?	NA
In 2011?	NA
In 2012?	NA
Projected in 2013 through 2015?	NA

**Q18: How is the standard beneficial to your customers?**

PPL EnergyPlus, LLC is not a Competitive Electricity Supplier

**Q19: How is the standard a drawback for your customers?**

PPL EnergyPlus, LLC is not a Competitive Electricity Supplier

**Q20: What additional resources have been needed to integrate renewable resources?**

NWMT has added the Dave Gates Generating Station which has increased costs for both regulation and default supply.

**Q21: Would these renewable and integration resources have been added to your portfolio if there was not a standard in Montana?**

No

**Q22: Would you have constructed or acquired these resources at a different size if there was no standard?**

No

**Q23: Please explain your response to 21 and 22 above.**

NA

**Q24: How much of the cost of integration resources used in conjunction with the renewable resources used to meet the standard is attributable to the standard?**

NA

**Q25: In the 2012 compliance year what was the average unit price, including integration costs, for each renewable resource used to meet the standard (dollars/MWh)?**

NA

## Renewable Energy in Montana - Survey for Utilities and Suppliers

**Q26: What was the comparable price in 2012 of your supply (not transmission service) resources, including:**

Please identify the resources you are using as the basis of the answers above.	NA
Qualifying facility resources?	NA
Hydropow er resources?	NA
Natural gas resources?	NA
Coal resources?	NA
Spot/hourly market resources?	NA

**Q27: In the 2010 compliance year what was the average unit price, including integration costs, for each renewable resource used to meet the standard (dollars/MWh)?**

NA

**Q28: What was the comparable price in 2010 of your supply (not transmission service) resources, including:**

Please identify the resources you are using as the basis of the answers above.	NA
Qualifying facility resources?	NA
Hydropow er resources?	NA
Natural gas resources?	NA
Coal resources?	NA
Spot/hourly market resources?	NA

**Q29: In the 2008 compliance year what was the average unit price, including integration costs, for each renewable resource used to meet the standard (dollars/MWh)?**

NA

**Q30: What was the comparable price in 2008 of your supply (not transmission service) resources, including:**

Please identify the resources you are using as the basis of the answers above.	NA
Qualifying facility resources?	NA
Hydropow er resources?	NA
Natural gas resources?	NA
Coal resources?	NA
Spot/hourly market resources?	NA

**Q31: Please provide any additional thoughts on Montana's Renewable Portfolio Standard**

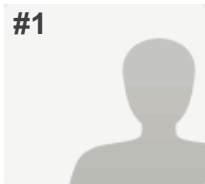
*Respondent skipped this question*

**Q32: FINAL SUBMISSION: All questions are complete and this survey is ready for submission (select no if you wish to return and complete this survey later).**

Yes

# Renewable Energy in Montana - Survey for Utilities and Suppliers

#1



**COMPLETE**

**Collector:** Initial e-mail 2 (Email)  
**Started:** Tuesday, November 12, 2013 8:17:47 AM  
**Last Modified:** Monday, December 02, 2013 8:17:05 AM  
**Time Spent:** Over a week  
**Email:** rdgabbard@pplweb.com  
**Custom Value:** PPL Treasure State

**IP Address:** 167.155.144.19

PAGE 1

<b>Q1: What is the name of the utility or electricity supplier you represent?</b>	PPL Treasure State
<b>Q2: What years were or are you subject to Montana's RPS (69-3-2004, MCA)?</b>	Starting in 2008 with extension of RPS to Competitive Electricity Supplier
<b>Q3: Have you been able to meet the overall percentage requirements?</b>	Yes, If not, have you received a waiver for any compliance year? NA
<b>Q4: If you received a waiver, what was the overall cost (includes administrative costs) of the waiver?</b>	NA
<b>Q5: If you have not met the standard or received a waiver, have you paid an administrative penalty?</b>	If so, in what amount? NA
<b>Q6: What eligible renewable resources have you used to meet the overall percentage standards?</b>	Judith Gap, Klondike 3 and Diamond Willow
<b>Q7: Are you subject to the CREP requirement?</b>	No
<b>Q8: Have you met the CREP requirement?</b>	If not, have you received a waiver for any compliance year? NA
<b>Q9: If you received a waiver, what was the overall cost (includes administrative costs) of the waiver?</b>	NA
<b>Q10: If you have not met the requirement or received a waiver, have you paid an administrative penalty?</b>	If so, in what amount? NA
<b>Q11: What eligible renewable resources have you used to meet the CREP requirement?</b>	NA
<b>Q12: Who owns the eligible renewable resource(s) you have used to meet the CREP requirement?</b>	NA

# Renewable Energy in Montana - Survey for Utilities and Suppliers

**Q13: Has the standard contributed to the diversification of your portfolio in Montana?**

No,

Please explain how it has or has not.  
PPLTS has purchased RECs from Eligible Renewable Resources as defined in the Renewable Energy Standards to meet its obligation. PPL Montana, LLC made a significant investment to upgrade and expand the Rainbow Power House. However, this investment did not result in Rainbow being defined as an Eligible Renewable Resource due to vetoes in the 2009, 2011 and 2013 Legislative Sessions (HB 257 in 2009, HB 59 in 2011 and amendatory veto of SB 45 in 2013).

**Q14: Has the standard led to you reducing your dependence on fossil fuels?**

No,

Please explain how it has or has not.  
The addition of intermittent resources to meet the Renewable Energy Standards has resulted in operating complexities and additional costs of regulation such as the construction of the Dave Gates Generating Station. In addition, the market impact of the intermittent resources has resulted in increased cycling of thermal units. This is expected to have a long term effect of higher maintenance costs and lower commercial availability.

**Q15: Has the standard assisted you in hedging against the volatility of fossil fuel markets?**

No,

Please provide some details on how it has or has not.  
Market price volatility has increased, not decreased, with the addition of intermittent resources. There is also lower market liquidity due to the uncertainty of generation, particularly in the spring months. Prices can be negative during the off peak periods and in excess of \$100/MWh in the highest peak hours of the same day due to significant swings in intermittent generation.

**Q16: Has the standard contributed to higher, lower, or neutral costs for your customers?**

Higher,

Please explain your answer  
The Renewable Standard has resulted in higher costs to customers due to both the cost of the RECs and the increased regulation cost from the transmission provider.

**Q17: How much has the standard changed, if at all, your average residential customer's monthly utility bill? (indicate increase or decrease)**

Projected in 2013 through 2015?

NA

In 2012?

NA

In 2011?

NA

In 2010?

NA

In 2009?

NA

In 2008?

NA

**Q18: How is the standard beneficial to your customers?**

No perceived benefits

**Q19: How is the standard a drawback for your customers?**

The standard is a drawback to the customers due to additional costs and an added compliance obligation. These added costs result in putting our customers at a competitive disadvantage in either global or national markets.

**Q20: What additional resources have been needed to integrate renewable resources?**

NWMT has added the Dave Gates Generating Station which has increased costs for both regulation and default supply.

## Renewable Energy in Montana - Survey for Utilities and Suppliers

<b>Q21: Would these renewable and integration resources have been added to your portfolio if there was not a standard in Montana?</b>	No
<b>Q22: Would you have constructed or acquired these resources at a different size if there was no standard?</b>	No
<b>Q23: Please explain your response to 21 and 22 above.</b>	
21 and 22 are not applicable	
<b>Q24: How much of the cost of integration resources used in conjunction with the renewable resources used to meet the standard is attributable to the standard?</b>	NA
<b>Q25: In the 2012 compliance year what was the average unit price, including integration costs, for each renewable resource used to meet the standard (dollars/MWh)?</b>	PPLTS acquires RECs at market prices w hich vary by year
<b>Q26: What was the comparable price in 2012 of your supply (not transmission service) resources, including:</b>	
Please identify the resources you are using as the basis of the answers above.	NA
Qualifying facility resources?	NA
Hydropow er resources?	NA
Natural gas resources?	NA
Coal resources?	NA
Spot/hourly market resources?	NA
<b>Q27: In the 2010 compliance year what was the average unit price, including integration costs, for each renewable resource used to meet the standard (dollars/MWh)?</b>	PPLTS acquires RECs at market prices w hich vary by year
<b>Q28: What was the comparable price in 2010 of your supply (not transmission service) resources, including:</b>	
Please identify the resources you are using as the basis of the answers above.	NA
Qualifying facility resources?	NA
Hydropow er resources?	NA
Natural gas resources?	NA
Coal resources?	NA
Spot/hourly market resources?	NA
<b>Q29: In the 2008 compliance year what was the average unit price, including integration costs, for each renewable resource used to meet the standard (dollars/MWh)?</b>	PPLTS acquires RECs at market prices w hich vary by year
<b>Q30: What was the comparable price in 2008 of your supply (not transmission service) resources, including:</b>	
Please identify the resources you are using as the basis of the answers above.	NA
Qualifying facility resources?	NA
Hydropow er resources?	NA
Natural gas resources?	NA
Coal resources?	NA
Spot/hourly market resources?	NA



## Renewable Energy in Montana - Survey for Utilities and Suppliers

### **Q31: Please provide any additional thoughts on Montana's Renewable Portfolio Standard**

PPL's understanding of the original intent of the Renewable Portfolio Standard was that industrial and large commercial Choice customers would be exempt from compliance with the standard. The RPS standard has impacted supply options for small Choice customers. A recent article in the Great Falls Tribune indicated that PPLTS was the only supplier to provide a final offer to the City of Great Falls. Morgan Stanley provided an indicative proposal but not a final proposal. The article did not state the reason for this but the RPS may have been a contributing factor.

**Q32: FINAL SUBMISSION: All questions are complete and this survey is ready for submission (select no if you wish to return and complete this survey later).** Yes

# Renewable Energy in Montana - Survey for Generators

#5



**COMPLETE**

**Collector:** Initial e-mail (Email)

**Started:** Friday, September 27, 2013 1:31:42 PM

**Last Modified:** Friday, December 06, 2013 5:57:26 AM

**Time Spent:** Over a month

**Email:** darcy.neigum@mdu.com

**Custom Value:** Cedar Hills

**IP Address:** 162.57.10.186

PAGE 1

**Q1: What is the name of the project?**

Cedar Hills

**Q2: When did ...**

... construction of the project begin? 10/01/2009,

... the project begin operating? 05/20/2010

**Q3: Did Montana's Renewable Portfolio Standard, enacted in 2005, contribute to your decision to build?**

No,

Please provide details of why it did or did not.  
Montana-Dakota Utilities Co.'s addition of 57 MW of renewable generation resources to its portfolio was not made solely in response to the Montana Renewable Portfolio Standard but in conjunction with the Company's Integrated Resources Plan which included the costs and consideration of other forms of generation. The standard probably accelerated the acquisition of our renewable generation resources.

**Q4: What was the project investment (in \$ dollars)?**

\$47.4 million

**Q5: How many Montana contractors or subcontractors were hired during construction?**

0

**Q6: Please list the contractors and subcontractors**

Wanzek Construction out of West Fargo, ND was the general contractor for the project.

**Q7: How many people were employed in Montana during construction?**

0 - Project construction was in North Dakota

**Q8: What were the average earnings per job?**

0

**Q9: How many full-time permanent jobs has the project created in Montana and what are the average earnings per job?**

0 - Project located in North Dakota

**Q10: How many Montana or local vendors are utilized in support of the project?**

0

**Q11: In general, can you describe how those vendors are utilized?**

N/A

## Renewable Energy in Montana - Survey for Generators

**Q12: How much in Montana property taxes (15-6-157, MCA) have been paid for the project in:**

Year 6 of construction or operation?	0
Year 5 of construction or operation?	0
Year 4 of construction or operation?	0
Year 3 of construction or operation?	0
Year 2 of construction or operation?	0
Year 1 of construction or operation?	0

**Q13: Is the project currently receiving a state (Montana) or federal tax abatement?** No

**Q14: What is the abatement?** *Respondent skipped this question*

**Q15: When will the tax abatement expire?** *Respondent skipped this question*

**Q16: What are the estimated property taxes following expiration of the abatement?** N/A

**Q17: How much in local property taxes (15-6-157, MCA) have been paid in Montana, and in what county, for the project in:**

Year 6 of construction or operation?	0
Year 5 of construction or operation?	0
Year 4 of construction or operation?	0
Year 3 of construction or operation?	0
Year 2 of construction or operation?	0
Year 1 of construction or operation?	0

**Q18: What was the amount of business equipment taxes (15-6-138, MCA) paid in Montana conjunction with the project in:**

Year 1 of construction or operation?	0
Year 2 of construction or operation?	0
Year 3 of construction or operation?	0
Year 4 of construction or operation?	0
Year 5 of construction or operation?	0
Year 6 of construction or operation?	0

**Q19: Is the project subject to Montana's wholesale energy transaction tax (15-72-104, MCA)?** No

**Q20: If yes, what was the amount paid in:**

Year 6 of operation?	0
Year 5 of operation?	0
Year 4 of operation?	0
Year 3 of operation?	0
Year 2 of operation?	0
Year 1 of operation?	0

**Q21: Is the project subject to Montana's electrical energy producers tax (15-51-101 MCA)?** No

## Renewable Energy in Montana - Survey for Generators

**Q22: If yes, what was the amount paid in:**

Year 1 of operation?	0
Year 2 of operation?	0
Year 3 of operation?	0
Year 4 of operation?	0
Year 5 of operation?	0
Year 6 of operation?	0

**Q23: Has the project paid or will the project in the future pay facility impact fees for local governmental units and school districts in Montana (15-24-3004, MCA and 15-24-3005, MCA)?** No

**Q24: If so -**

How much in year 3?	0
How much in year 2?	0
How much in year 1?	0
To what government entity?	0

**Q25: In general terms how much is paid for land leases in Montana needed for the project?**

\$0 - project located in North Dakota

**Q26: How much is paid for Montana state land leases?**

\$0 - project located in North Dakota

**Q27: Are there additional taxes paid in Montana in conjunction with the project that you feel the committee should include in its analysis?** No

**Q28: Have community donations or additional financial contributions been made in the Montana community where the project is located?** No

**Q29: Please provide any additional thoughts on how the project has contributed to Montana or your local economy?**

*Respondent skipped this question*

**Q30: Has Montana's renewable energy standard assisted in leveraging Montana's competitive advantage in developing new electric transmission?**

No,

Please elaborate on why or why not?  
No new electrical transmission was built in conjunction with this project.

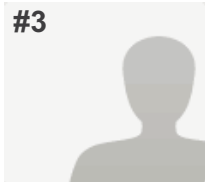
**Q31: Please provide any additional thoughts on Montana's Renewable Portfolio Standard**

The Montana Renewable Portfolio Standard should not be changed. All investments in renewables should be justified on an equal basis with other available resources, without regard to a mandate.

**Q32: FINAL SUBMISSION: All questions are complete and this survey is ready for submission (select no if you wish to return and complete this survey later).** Yes

# Renewable Energy in Montana - Survey for Generators

#3



**COMPLETE**

**Collector:** Initial e-mail 2 (Email)  
**Started:** Thursday, September 26, 2013 2:09:24 PM  
**Last Modified:** Friday, December 06, 2013 5:57:03 AM  
**Time Spent:** Over a month  
**Email:** darcy.neigum@mdu.com  
**Custom Value:** Diamond Willow I

**IP Address:** 162.57.10.186

PAGE 1

**Q1: What is the name of the project?**

Diamond Willow 1 and 2

**Q2: When did ...**

... construction of the project begin? 08/01/2007,

... the project begin operating? 12/29/2007

**Q3: Did Montana's Renewable Portfolio Standard, enacted in 2005, contribute to your decision to build?**

No,

Please provide details of why it did or did not.  
 Montana-Dakota Utilities Co.'s addition of 57 MW of renewable generation resources to its portfolio was not made solely in response to the Montana Renewable Portfolio Standard but in conjunction with the Company's Integrated Resources Plan which included the costs and consideration of other forms of generation. The standard probably accelerated the acquisition of renewable generation resources.

**Q4: What was the project investment (in \$ dollars)?**

\$39.4 million for Diamond Willow 1

**Q5: How many Montana contractors or subcontractors were hired during construction?**

2

**Q6: Please list the contractors and subcontractors**

Wanzek Construction out of West Fargo, ND was the general contractor for the project.

Colstrip Electric was the electric sub-contractor for Wanzek Construction.

Fallon County Redi-Mix provided concrete for the project as a sub-contractor for Wanzek Construction.

**Q7: How many people were employed in Montana during construction?**

Approximately 50

**Q8: What were the average earnings per job?**

Unknown

**Q9: How many full-time permanent jobs has the project created in Montana and what are the average earnings per job?**

Combined 2 employees full-time employees for both Diamond Willow I and Diamond Willow II

**Q10: How many Montana or local vendors are utilized in support of the project?**

See below

**Q11: In general, can you describe how those vendors are utilized?**

Lodging  
 Restaurant  
 Groceries  
 Small tools and equipment

## Renewable Energy in Montana - Survey for Generators

**Q12: How much in Montana property taxes (15-6-157, MCA) have been paid for the project in:**

Year 6 of construction or operation?	0
Year 5 of construction or operation?	0
Year 4 of construction or operation?	0
Year 3 of construction or operation?	0
Year 2 of construction or operation?	0
Year 1 of construction or operation?	0

**Q13: Is the project currently receiving a state (Montana) or federal tax abatement?** No

**Q14: What is the abatement?** *Respondent skipped this question*

**Q15: When will the tax abatement expire?** *Respondent skipped this question*

**Q16: What are the estimated property taxes following expiration of the abatement?** *Respondent skipped this question*

**Q17: How much in local property taxes (15-6-157, MCA) have been paid in Montana, and in what county, for the project in:**

Year 1 of construction or operation?	73,159 to Fallon County
Year 2 of construction or operation?	79,653
Year 3 of construction or operation?	81,369
Year 4 of construction or operation?	80,607
Year 5 of construction or operation?	98,657
Year 6 of construction or operation?	105,552

**Q18: What was the amount of business equipment taxes (15-6-138, MCA) paid in Montana conjunction with the project in:**

Year 1 of construction or operation?	None
Year 2 of construction or operation?	"
Year 3 of construction or operation?	"
Year 4 of construction or operation?	"
Year 5 of construction or operation?	"
Year 6 of construction or operation?	"

**Q19: Is the project subject to Montana's wholesale energy transaction tax (15-72-104, MCA)?** Yes

**Q20: If yes, what was the amount paid in:**

Year 1 of operation?	9,750
Year 2 of operation?	10,154
Year 3 of operation?	10,185
Year 4 of operation?	14,830
Year 5 of operation?	13,643
Year 6 of operation?	11,186 thru October 2013

**Q21: Is the project subject to Montana's electrical energy producers tax (15-51-101 MCA)?** Yes

## Renewable Energy in Montana - Survey for Generators

**Q22: If yes, what was the amount paid in:**

Year 1 of operation?	12,999
Year 2 of operation?	13,538
Year 3 of operation?	13,580
Year 4 of operation?	19,773
Year 5 of operation?	18,191
Year 6 of operation?	14,915 thru October 2013

**Q23: Has the project paid or will the project in the future pay facility impact fees for local governmental units and school districts in Montana (15-24-3004, MCA and 15-24-3005, MCA)?**

No

**Q24: If so -**

*Respondent skipped this question*

**Q25: In general terms how much is paid for land leases in Montana needed for the project?**

\$52,000 per year

**Q26: How much is paid for Montana state land leases?**

\$0

**Q27: Are there additional taxes paid in Montana in conjunction with the project that you feel the committee should include in its analysis?**

No

**Q28: Have community donations or additional financial contributions been made in the Montana community where the project is located?**

No

**Q29: Please provide any additional thoughts on how the project has contributed to Montana or your local economy?**

*Respondent skipped this question*

**Q30: Has Montana's renewable energy standard assisted in leveraging Montana's competitive advantage in developing new electric transmission?**

No,

Please elaborate on why or why not?  
No new electrical transmission was built in conjunction with this project.

**Q31: Please provide any additional thoughts on Montana's Renewable Portfolio Standard**

The Montana Renewable Portfolio Standard should not be changed. All investments in renewables should be justified on an equal basis with other available resources, without regard to a mandate.

**Q32: FINAL SUBMISSION: All questions are complete and this survey is ready for submission (select no if you wish to return and complete this survey later).**

Yes

# Renewable Energy in Montana - Survey for Generators

#4



**COMPLETE**

**Collector:** Initial e-mail 3 (Email)  
**Started:** Friday, September 27, 2013 1:23:56 PM  
**Last Modified:** Friday, December 06, 2013 5:57:13 AM  
**Time Spent:** Over a month  
**Email:** darcy.neigum@mdu.com  
**Custom Value:** Diamond Willow II

**IP Address:** 162.57.10.186

PAGE 1

**Q1: What is the name of the project?**

Diamond Willow 1 and 2

**Q2: When did ...**

... construction of the project begin? 10/01/2009,

... the project begin operating? 06/16/2010

**Q3: Did Montana's Renewable Portfolio Standard, enacted in 2005, contribute to your decision to build?**

No,

Please provide details of why it did or did not.  
 Montana-Dakota Utilities Co.'s addition of 57 MW of renewable generation resources to its portfolio was not made solely in response to the Montana Renewable Portfolio Standard but in conjunction with the Company's Integrated Resources Plan which included the costs and consideration of other forms of generation. The standard probably accelerated the acquisition of renewable generation resources.

**Q4: What was the project investment (in \$ dollars)?**

\$25.4 million for Diamond Willow 2

**Q5: How many Montana contractors or subcontractors were hired during construction?**

0

**Q6: Please list the contractors and subcontractors**

Wanzek Construction out of West Fargo, ND was the general contractor for the project.

**Q7: How many people were employed in Montana during construction?**

approximately 25

**Q8: What were the average earnings per job?**

Unknown

**Q9: How many full-time permanent jobs has the project created in Montana and what are the average earnings per job?**

Combined 2 employees full-time employees for both Diamond Willow I and Diamond Willow II

**Q10: How many Montana or local vendors are utilized in support of the project?**

See below

**Q11: In general, can you describe how those vendors are utilized?**

Lodging  
 Restaurants  
 Groceries  
 Small tools and equipment



## Renewable Energy in Montana - Survey for Generators

**Q12: How much in Montana property taxes (15-6-157, MCA) have been paid for the project in:**

Year 1 of construction or operation?	0
Year 2 of construction or operation?	0
Year 3 of construction or operation?	0
Year 4 of construction or operation?	0
Year 5 of construction or operation?	0
Year 6 of construction or operation?	0

**Q13: Is the project currently receiving a state (Montana) or federal tax abatement?** No

**Q14: What is the abatement?** 0

**Q15: When will the tax abatement expire?** *Respondent skipped this question*

**Q16: What are the estimated property taxes following expiration of the abatement?** *Respondent skipped this question*

**Q17: How much in local property taxes (15-6-157, MCA) have been paid in Montana, and in what county, for the project in:**

Year 1 of construction or operation?	0
Year 2 of construction or operation?	0
Year 3 of construction or operation?	0
Year 4 of construction or operation?	51,324
Year 5 of construction or operation?	62,635
Year 6 of construction or operation?	61,687

**Q18: What was the amount of business equipment taxes (15-6-138, MCA) paid in Montana conjunction with the project in:**

Year 1 of construction or operation?	0
Year 2 of construction or operation?	0
Year 3 of construction or operation?	0
Year 4 of construction or operation?	0
Year 5 of construction or operation?	0
Year 6 of construction or operation?	0

**Q19: Is the project subject to Montana's wholesale energy transaction tax (15-72-104, MCA)?** Yes

**Q20: If yes, what was the amount paid in:**

Year 1 of operation?	Provided under Diamond Willow 1 in total
----------------------	--

**Q21: Is the project subject to Montana's electrical energy producers tax (15-51-101 MCA)?** Yes

**Q22: If yes, what was the amount paid in:**

Year 1 of operation?	Provided under Diamond Willow 1
----------------------	---------------------------------

**Q23: Has the project paid or will the project in the future pay facility impact fees for local governmental units and school districts in Montana (15-24-3004, MCA and 15-24-3005, MCA)?** No

**Q24: If so -** *Respondent skipped this question*

**Q25: In general terms how much is paid for land leases in Montana needed for the project?**

\$28,000 per year

# Renewable Energy in Montana - Survey for Generators

**Q26: How much is paid for Montana state land leases?**

\$0

**Q27: Are there additional taxes paid in Montana in conjunction with the project that you feel the committee should include in its analysis?** No

**Q28: Have community donations or additional financial contributions been made in the Montana community where the project is located?** No

**Q29: Please provide any additional thoughts on how the project has contributed to Montana or your local economy?** *Respondent skipped this question*

**Q30: Has Montana's renewable energy standard assisted in leveraging Montana's competitive advantage in developing new electric transmission?** No,  
Please elaborate on why or why not?  
No new electrical transmission was built in conjunction with this project.

**Q31: Please provide any additional thoughts on Montana's Renewable Portfolio Standard**

The Montana Renewable Portfolio Standard should not be changed. All investments in renewables should be justified on an equal basis with other available resources, without regard to a mandate.

**Q32: FINAL SUBMISSION: All questions are complete and this survey is ready for submission (select no if you wish to return and complete this survey later).** Yes

# Renewable Energy in Montana - Survey for Generators

#2



**COMPLETE**

**Collector:** Initial e-mail (Email)  
**Started:** Thursday, October 03, 2013 9:11:36 AM  
**Last Modified:** Wednesday, December 04, 2013 3:55:58 PM  
**Time Spent:** Over a month  
**Email:** brogan@oversightresources.com  
**Custom Value:** Gordon Butte  
**IP Address:** 72.174.34.65

PAGE 1

<b>Q1: What is the name of the project?</b>	Gordon Butte
<b>Q2: When did ...</b> ... construction of the project begin? 04/01/2011, ... the project begin operating? 01/03/2012	
<b>Q3: Did Montana's Renewable Portfolio Standard, enacted in 2005, contribute to your decision to build?</b>	No, Please provide details of why it did or did not. The largest factor that contributed to our decision to build was having access to the avoided cost rate provided in the QF-1 tariff that was available at that time. Although we do meet the RPS requirements for renewable generation and CREPs, neither one had a direct impact on our decision to build.
<b>Q4: What was the project investment (in \$ dollars)?</b>	23,000,000
<b>Q5: How many Montana contractors or subcontractors were hired during construction?</b>	60
<b>Q6: Please list the contractors and subcontractors</b> Dick Anderson Construction Rocky Mountain Contractors Electrical Consultants, Inc. Colstrip Electric Stahley Engineering	
<b>Q7: How many people were employed in Montana during construction?</b>	50
<b>Q8: What were the average earnings per job?</b>	<i>Respondent skipped this question</i>
<b>Q9: How many full-time permanent jobs has the project created in Montana and what are the average earnings per job?</b> 3 - \$33,333 avg salary	
<b>Q10: How many Montana or local vendors are utilized in support of the project?</b>	7
<b>Q11: In general, can you describe how those vendors are utilized?</b> They support the project as suppliers, scheduled maintenance, unplanned maintenance, repairs, technical support.	

# Renewable Energy in Montana - Survey for Generators

**Q12: How much in Montana property taxes (15-6-157, MCA) have been paid for the project in:**

Year 6 of construction or operation?	170000
Year 5 of construction or operation?	91000
Year 4 of construction or operation?	96000
Year 3 of construction or operation?	102000
Year 2 of construction or operation?	108000
Year 1 of construction or operation?	110342

**Q13: Is the project currently receiving a state (Montana) or federal tax abatement?** Yes

**Q14: What is the abatement?** 50% property tax abatement

**Q15: When will the tax abatement expire?**

Enter a date: 01/01/2022

**Q16: What are the estimated property taxes following expiration of the abatement?** 100,000

**Q17: How much in local property taxes (15-6-157, MCA) have been paid in Montana, and in what county, for the project in:**

Year 6 of construction or operation?	See #12 - Meagher County
Year 5 of construction or operation?	See #12 - Meagher County
Year 4 of construction or operation?	See #12 - Meagher County
Year 3 of construction or operation?	See #12 - Meagher County
Year 2 of construction or operation?	See #12 - Meagher County
Year 1 of construction or operation?	See #12 - Meagher County

**Q18: What was the amount of business equipment taxes (15-6-138, MCA) paid in Montana conjunction with the project in:** *Respondent skipped this question*

**Q19: Is the project subject to Montana's wholesale energy transaction tax (15-72-104, MCA)?** No

**Q20: If yes, what was the amount paid in:** *Respondent skipped this question*

**Q21: Is the project subject to Montana's electrical energy producers tax (15-51-101 MCA)?** Yes

**Q22: If yes, what was the amount paid in:**

Year 1 of operation?	8300
Year 2 of operation?	8300
Year 3 of operation?	8300
Year 4 of operation?	8300
Year 5 of operation?	8300
Year 6 of operation?	8300

**Q23: Has the project paid or will the project in the future pay facility impact fees for local governmental units and school districts in Montana (15-24-3004, MCA and 15-24-3005, MCA)?** No

**Q24: If so -** *Respondent skipped this question*

**Q25: In general terms how much is paid for land leases in Montana needed for the project?**

Approximately \$80,000 per year, increasing to approx \$130,000 per year

**Q26: How much is paid for Montana state land leases?** 94 *Respondent skipped this question*

# Renewable Energy in Montana - Survey for Generators

**Q27: Are there additional taxes paid in Montana in conjunction with the project that you feel the committee should include in its analysis?**

Yes,

Please list those taxes and the year and amount paid  
Because all of the owners of Gordon Butte are Montana residents there will be additional income tax revenue generated from the project.

**Q28: Have community donations or additional financial contributions been made in the Montana community where the project is located?**

Yes,

If yes, please list. Harlow ton Rodeo

**Q29: Please provide any additional thoughts on how the project has contributed to Montana or your local economy?**

The project has contributed to the state and local economies by hiring and contracting with Montana based business's. Because it is a CREP it creates additional tax revenue for the state from income taxes that would otherwise go to out of state entities.

**Q30: Has Montana's renewable energy standard assisted in leveraging Montana's competitive advantage in developing new electric transmission?**

No,

Please elaborate on why or why not?  
The RPS has not contributed to developing new electric transmission. Although projects that have been built in Montana have contributed to upgrades and improvements to the electric transmission system in Montana, the upgrades only benefit a specific project and do not allow for additional renewable generation to be tapped or exported. Essentially the projects make relatively minor improvements to the grid but do not leverage Montana's competitive advantage in developing more resources.

**Q31: Please provide any additional thoughts on Montana's Renewable Portfolio Standard**

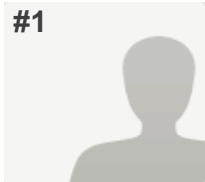
*Respondent skipped this question*

**Q32: FINAL SUBMISSION: All questions are complete and this survey is ready for submission (select no if you wish to return and complete this survey later).**

Yes

# Renewable Energy in Montana - Survey for Generators

#1



**COMPLETE**

**Collector:** Follow-up #1 (Email)

**Started:** Wednesday, December 04, 2013 12:08:28 PM

**Last Modified:** Wednesday, December 04, 2013 12:09:36 PM

**Time Spent:** 00:01:08

**Email:** gdoyon@greatfallsmt.net

**Custom Value:** Great Falls Wastewater Treatment Plant

**IP Address:** 63.228.223.162

PAGE 1

<b>Q1: What is the name of the project?</b>	Great Falls Wastewater Plant
<b>Q2: When did ...</b>	<i>Respondent skipped this question</i>
<b>Q3: Did Montana's Renewable Portfolio Standard, enacted in 2005, contribute to your decision to build?</b>	No
<b>Q4: What was the project investment (in \$ dollars)?</b>	<i>Respondent skipped this question</i>
<b>Q5: How many Montana contractors or subcontractors were hired during construction?</b>	<i>Respondent skipped this question</i>
<b>Q6: Please list the contractors and subcontractors</b>	<i>Respondent skipped this question</i>
<b>Q7: How many people were employed in Montana during construction?</b>	<i>Respondent skipped this question</i>
<b>Q8: What were the average earnings per job?</b>	<i>Respondent skipped this question</i>
<b>Q9: How many full-time permanent jobs has the project created in Montana and what are the average earnings per job?</b>	<i>Respondent skipped this question</i>
<b>Q10: How many Montana or local vendors are utilized in support of the project?</b>	<i>Respondent skipped this question</i>
<b>Q11: In general, can you describe how those vendors are utilized?</b>	<i>Respondent skipped this question</i>
<b>Q12: How much in Montana property taxes (15-6-157, MCA) have been paid for the project in:</b>	<i>Respondent skipped this question</i>
<b>Q13: Is the project currently receiving a state (Montana) or federal tax abatement?</b>	No
<b>Q14: What is the abatement?</b>	<i>Respondent skipped this question</i>
<b>Q15: When will the tax abatement expire?</b>	<i>Respondent skipped this question</i>
<b>Q16: What are the estimated property taxes following expiration of the abatement?</b>	<i>Respondent skipped this question</i>
<b>Q17: How much in local property taxes (15-6-157, MCA) have been paid in Montana, and in what county, for the project in:</b>	<i>Respondent skipped this question</i>
<b>Q18: What was the amount of business equipment taxes (15-6-138, MCA) paid in Montana conjunction with the project in:</b>	<i>Respondent skipped this question</i>

## Renewable Energy in Montana - Survey for Generators

<b>Q19: Is the project subject to Montana's wholesale energy transaction tax (15-72-104, MCA)?</b>	No
<b>Q20: If yes, what was the amount paid in:</b>	<i>Respondent skipped this question</i>
<b>Q21: Is the project subject to Montana's electrical energy producers tax (15-51-101 MCA)?</b>	No
<b>Q22: If yes, what was the amount paid in:</b>	<i>Respondent skipped this question</i>
<b>Q23: Has the project paid or will the project in the future pay facility impact fees for local governmental units and school districts in Montana (15-24-3004, MCA and 15-24-3005, MCA)?</b>	No
<b>Q24: If so -</b>	<i>Respondent skipped this question</i>
<b>Q25: In general terms how much is paid for land leases in Montana needed for the project?</b>	<i>Respondent skipped this question</i>
<b>Q26: How much is paid for Montana state land leases?</b>	<i>Respondent skipped this question</i>
<b>Q27: Are there additional taxes paid in Montana in conjunction with the project that you feel the committee should include in its analysis?</b>	No
<b>Q28: Have community donations or additional financial contributions been made in the Montana community where the project is located?</b>	No
<b>Q29: Please provide any additional thoughts on how the project has contributed to Montana or your local economy?</b>	<i>Respondent skipped this question</i>
<b>Q30: Has Montana's renewable energy standard assisted in leveraging Montana's competitive advantage in developing new electric transmission?</b>	No
<b>Q31: Please provide any additional thoughts on Montana's Renewable Portfolio Standard</b>	<i>Respondent skipped this question</i>
<b>Q32: FINAL SUBMISSION: All questions are complete and this survey is ready for submission (select no if you wish to return and complete this survey later).</b>	Yes

# Renewable Energy in Montana - Survey for Generators

#7



**COMPLETE**

**Collector:** Initial e-mail (Email)

**Started:** Tuesday, December 17, 2013 1:47:09 PM

**Last Modified:** Tuesday, December 31, 2013 12:57:13 PM

**Time Spent:** Over a week

**Email:** kmclain@inveneryllc.com

**Custom Value:** Judith Gap

**IP Address:** 38.98.131.120

PAGE 1

<b>Q1: What is the name of the project?</b>	Judith Gap
<b>Q2: When did ...</b> ... construction of the project begin? 01/01/2005, ... the project begin operating? 02/16/2006	
<b>Q3: Did Montana's Renewable Portfolio Standard, enacted in 2005, contribute to your decision to build?</b>	<i>Respondent skipped this question</i>
<b>Q4: What was the project investment (in \$ dollars)?</b>	183,974,000
<b>Q5: How many Montana contractors or subcontractors were hired during construction?</b>	<i>Respondent skipped this question</i>
<b>Q6: Please list the contractors and subcontractors</b>	<i>Respondent skipped this question</i>
<b>Q7: How many people were employed in Montana during construction?</b>	<i>Respondent skipped this question</i>
<b>Q8: What were the average earnings per job?</b>	<i>Respondent skipped this question</i>
<b>Q9: How many full-time permanent jobs has the project created in Montana and what are the average earnings per job?</b> 11 FTE, \$80,000 in earnings including benefits	
<b>Q10: How many Montana or local vendors are utilized in support of the project?</b>	<i>Respondent skipped this question</i>
<b>Q11: In general, can you describe how those vendors are utilized?</b>	<i>Respondent skipped this question</i>
<b>Q12: How much in Montana property taxes (15-6-157, MCA) have been paid for the project in:</b>	<i>Respondent skipped this question</i>
<b>Q13: Is the project currently receiving a state (Montana) or federal tax abatement?</b>	No
<b>Q14: What is the abatement?</b>	<i>Respondent skipped this question</i>
<b>Q15: When will the tax abatement expire?</b>	<i>Respondent skipped this question</i>
<b>Q16: What are the estimated property taxes following expiration of the abatement?</b>	<i>Respondent skipped this question</i>



## Renewable Energy in Montana - Survey for Generators

**Q17: How much in local property taxes (15-6-157, MCA) have been paid in Montana, and in what county, for the project in:**

Year 1 of construction or operation?	1,399,000 - Wheatland County
Year 2 of construction or operation?	1,366,000 - Wheatland County
Year 3 of construction or operation?	1,333,000 - Wheatland County
Year 4 of construction or operation?	1,398,000 - Wheatland County
Year 5 of construction or operation?	1,535,000 - Wheatland County
Year 6 of construction or operation?	1,639,000 - Wheatland County

**Q18: What was the amount of business equipment taxes (15-6-138, MCA) paid in Montana conjunction with the project in:** *Respondent skipped this question*

**Q19: Is the project subject to Montana's wholesale energy transaction tax (15-72-104, MCA)?** *Respondent skipped this question*

**Q20: If yes, what was the amount paid in:** *Respondent skipped this question*

**Q21: Is the project subject to Montana's electrical energy producers tax (15-51-101 MCA)?** Yes

**Q22: If yes, what was the amount paid in:**

Year 1 of operation?	63,000
Year 2 of operation?	62,000
Year 3 of operation?	101,000
Year 4 of operation?	94,000
Year 5 of operation?	86,000
Year 6 of operation?	92,000

**Q23: Has the project paid or will the project in the future pay facility impact fees for local governmental units and school districts in Montana (15-24-3004, MCA and 15-24-3005, MCA)?** Yes

**Q24: If so -**

To what government entity?	Wheatland County
How much in year 1?	787,000
How much in year 2?	787,000
How much in year 3?	787,000

**Q25: In general terms how much is paid for land leases in Montana needed for the project?**

\$400,000 annually.

**Q26: How much is paid for Montana state land leases?**

\$55,000 annually.

**Q27: Are there additional taxes paid in Montana in conjunction with the project that you feel the committee should include in its analysis?** *Respondent skipped this question*

**Q28: Have community donations or additional financial contributions been made in the Montana community where the project is located?** Yes,  
If yes, please list.  
Judith Gap provides community donations to multiple entities in Wheatland County every year, generally between \$5-\$10,000 annually.

**Q29: Please provide any additional thoughts on how the project has contributed to Montana or your local economy?** *Respondent skipped this question*

## Renewable Energy in Montana - Survey for Generators

**Q30: Has Montana's renewable energy standard assisted in leveraging Montana's competitive advantage in developing new electric transmission?**

*Respondent skipped this question*

**Q31: Please provide any additional thoughts on Montana's Renewable Portfolio Standard**

*Respondent skipped this question*

**Q32: FINAL SUBMISSION: All questions are complete and this survey is ready for submission (select no if you wish to return and complete this survey later).**

Yes

## Nowakowski, Sonja

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**From:** Sasse, Art <Art.Sasse@iberdrolaren.com>  
**Sent:** Wednesday, September 18, 2013 2:14 PM  
**To:** Nowakowski, Sonja  
**Subject:** RE: Montana Survey for Klondike

Sonja,

So, as we look at this – seems like only question #31 applies. This will be our answer to that question....

Montana has a strong wind resource but does not have significant load so it is unlikely an out-of-state project will be affected by the Montana RPS. In-state projects will look more favorable.

Should I go through the formal survey process for this – or does this give you what you need.



**Art Sasse**  
Director, Communications & Brand

**Iberdrola Renewables**  
1125 NW Couch Street, Suite 700; Portland, OR 97209  
Telephone: (503) 796-7740; Mobile (503) 475-0330  
[art.sasse@iberdrolaREN.com](mailto:art.sasse@iberdrolaREN.com)



In the interests of the environment, please print only if necessary and recycle.

**From:** [survey-noreply@smo.surveymonkey.com](mailto:survey-noreply@smo.surveymonkey.com) [<mailto:survey-noreply@smo.surveymonkey.com>] **On Behalf Of** [snowakowski@mt.gov](mailto:snowakowski@mt.gov) via [surveymonkey.com](http://www.surveymonkey.com)  
**Sent:** Tuesday, September 17, 2013 12:28 PM  
**To:** Sasse, Art  
**Subject:** Montana Survey for Klondike

Dear Renewable Energy Generator: The Montana Legislature is seeking your feedback concerning the Montana Renewable Power Production and Rural Economic Development Act. Since 2008, the law has required certain utilities to procure a percentage of their resources from renewable resources. As directed by [Senate Joint Resolution No. 6](#), the Energy and Telecommunications Interim Committee of the Legislature is focused on the economic impacts of the renewable portfolio standard, the environmental benefits of the standard, and the impacts the standard has had on Montana consumers. The committee is beginning its work by reaching out to renewable generators in Montana. Please take a few minutes to fill out the survey at the following link:

[https://www.surveymonkey.com/s.aspx?sm=rmJRAQmAOMOdAKzbOJMzaQ\\_3d\\_3d](https://www.surveymonkey.com/s.aspx?sm=rmJRAQmAOMOdAKzbOJMzaQ_3d_3d) This link is uniquely tied to your project. You may forward this email and the link for this survey to multiple people to assist in filling it out. When the survey is complete, please click the “Final Submission” button at the bottom of the last page. Thank you for your participation. Sonja Nowakowski Research Analyst Montana Legislative Services Division (406) 444-3078 Please note: If you do not wish to receive further emails from us, please click the link below, and you will be automatically removed from our mailing list.

[https://www.surveymonkey.com/optout.aspx?sm=rmJRAQmAOMOdAKzbOJMzaQ\\_3d\\_3d](https://www.surveymonkey.com/optout.aspx?sm=rmJRAQmAOMOdAKzbOJMzaQ_3d_3d)

# Renewable Energy in Montana - Survey for Generators

#6



**COMPLETE**

**Collector:** Follow Up #2 (Email)

**Started:** Saturday, December 07, 2013 7:55:10 AM

**Last Modified:** Saturday, December 07, 2013 8:40:38 AM

**Time Spent:** 00:45:28

**Email:** ted@tsorenson.net

**Custom Value:** Turnbull

**IP Address:** 69.20.157.151

PAGE 1

<b>Q1: What is the name of the project?</b>	Turnbull
<b>Q2: When did ...</b>	
... construction of the project begin?	06/01/2010,
... the project begin operating?	07/15/2011
<b>Q3: Did Montana's Renewable Portfolio Standard, enacted in 2005, contribute to your decision to build?</b>	Yes,  Please provide details of why it did or did not. We were able to sell the power to Northwestern Energy under the community resource program . It was a competitive bid to Northwestern . Our bid was successful. The community resource program would not be available absent the RPS requirement. We are grateful to the legislature for passing the program and are hopeful it will continue to allow rural communities to develop small hydro resources associated with irrigation systems.
<b>Q4: What was the project investment (in \$ dollars)?</b>	Direct \$ 13.8 million
<b>Q5: How many Montana contractors or subcontractors were hired during construction?</b>	8 to 10
<b>Q6: Please list the contractors and subcontractors</b>	
Selway Fabrication , Stevensville Ajay Concrete , Augusta Ramaker Swanson concrete ,Choteau Pimley Electric , Joplin Greenfields Irrigation District Crews, Fairfield Red Rock electric transmission, Havre Numerous equipment rental houses in Great Falls and Helena	
<b>Q7: How many people were employed in Montana during construction?</b>	about 20 to 20
<b>Q8: What were the average earnings per job?</b>	\$15 to \$ 50 per hour
<b>Q9: How many full-time permanent jobs has the project created in Montana and what are the average earnings per job?</b>	
operation is equivalent to 1 full time job	
<b>Q10: How many Montana or local vendors are utilized in support of the project?</b>	6 to 10
<b>Q11: In general, can you describe how those vendors are utilized?</b>	
Electrical wiring, Steel , rebar , concrete , construction equipment, power poles etc , steel fabrication	

## Renewable Energy in Montana - Survey for Generators

<b>Q12: How much in Montana property taxes (15-6-157, MCA) have been paid for the project in:</b>	<i>Respondent skipped this question</i>
<b>Q13: Is the project currently receiving a state (Montana) or federal tax abatement?</b>	Yes
<b>Q14: What is the abatement?</b>	new business for property taxes
<b>Q15: When will the tax abatement expire?</b> Enter a date: 12/31/2021	
<b>Q16: What are the estimated property taxes following expiration of the abatement?</b>	\$250,000
<b>Q17: How much in local property taxes (15-6-157, MCA) have been paid in Montana, and in what county, for the project in:</b> Year 3 of construction or operation? Year 2 of construction or operation? Year 1 of construction or operation?	teton county about \$190,000 teton county about \$170,000 teton county about \$160,000
<b>Q18: What was the amount of business equipment taxes (15-6-138, MCA) paid in Montana conjunction with the project in:</b>	<i>Respondent skipped this question</i>
<b>Q19: Is the project subject to Montana's wholesale energy transaction tax (15-72-104, MCA)?</b>	<i>Respondent skipped this question</i>
<b>Q20: If yes, what was the amount paid in:</b> Year 3 of operation? Year 2 of operation? Year 1 of operation?	About \$8000 about \$8000 about \$6000
<b>Q21: Is the project subject to Montana's electrical energy producers tax (15-51-101 MCA)?</b>	No
<b>Q22: If yes, what was the amount paid in:</b>	<i>Respondent skipped this question</i>
<b>Q23: Has the project paid or will the project in the future pay facility impact fees for local governmental units and school districts in Montana (15-24-3004, MCA and 15-24-3005, MCA)?</b>	No
<b>Q24: If so -</b>	<i>Respondent skipped this question</i>
<b>Q25: In general terms how much is paid for land leases in Montana needed for the project?</b> 10 % of revenue or about \$170,000 per year goes to Greenfield Irrigation district.. This reduces the water assessments to about 80,000 acres of farmland	
<b>Q26: How much is paid for Montana state land leases?</b> none	
<b>Q27: Are there additional taxes paid in Montana in conjunction with the project that you feel the committee should include in its analysis?</b>	Yes, Please list those taxes and the year and amount paid All the owners of the project pay substantial personal Montana state incomes taxes as the project is owned by Montana limited liability company(LLC).

## Renewable Energy in Montana - Survey for Generators

**Q28: Have community donations or additional financial contributions been made in the Montana community where the project is located?**

Yes,

If yes, please list.

We contribute to the local high school sports teams and buy 4H animals

**Q29: Please provide any additional thoughts on how the project has contributed to Montana or your local economy?**

We put a lot of people to work when the economy was down and continue to put money into Montana in terms of property tax and income taxes plus we have reduced the water assessments for numerous farmers in the Fairfield area.

Item 12 would not allow me to enter the annual property taxes. they are about \$190,000 per year

**Q30: Has Montana's renewable energy standard assisted in leveraging Montana's competitive advantage in developing new electric transmission?**

Please elaborate on why or why not?

We built only 4.5 miles of new transmission line

**Q31: Please provide any additional thoughts on Montana's Renewable Portfolio Standard**

I urge the legislature to continue as it will allow small developers to develop new resources throughout the state

**Q32: FINAL SUBMISSION: All questions are complete and this survey is ready for submission (select no if you wish to return and complete this survey later).**

Yes

# Renewable Energy in Montana - Survey for Generators

#9



**COMPLETE**

**Collector:** Follow Up #3 (Email)  
**Started:** Monday, January 06, 2014 9:13:40 AM  
**Last Modified:** Monday, January 06, 2014 9:40:46 AM  
**Time Spent:** 00:27:06  
**Email:** jbacon@goldwindamerica.com  
**Custom Data:** Musselshell Wind I

**IP Address:** 64.187.194.96

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<b>Q1: What is the name of the project?</b>	Musselshell 1 and 2
<b>Q2: When did ...</b> ... construction of the project begin? 06/01/2012, ... the project begin operating? 01/01/2013	
<b>Q3: Did Montana's Renewable Portfolio Standard, enacted in 2005, contribute to your decision to build?</b>	Yes,  Please provide details of why it did or did not. Musselshell wind project won bid to provide a 20 year PPA to Northwestern Energy to cover a portion of their renewable portfolio requirements.
<b>Q4: What was the project investment (in \$ dollars)?</b>	48 million
<b>Q5: How many Montana contractors or subcontractors were hired during construction?</b>	15 counted may have been more.
<b>Q6: Please list the contractors and subcontractors</b>  Substation Inc - Helena MT CEI - Billings MT EPC/CEI Services - Billings MT Local Machine Shop near Ryegate MT Local sanitation company - Roundup MT Mullen Crane - Billings MT Bull Mountain Excavation - Lavina MT Eagle Construction - Billings MT Battle Ridge Construction-Livingston MT Hanson-Kelly Construction - Billings MT Fast Track Acoustics-Laurel MT T.J. Painting - Billings MT Pro Pump & Equipment-Laurel MT Northern Plumbing - Molt MT R&T Services-Billings MT Summit Electric- Billings MT	
<b>Q7: How many people were employed in Montana during construction?</b>	Max was 100 - 120 Avg 75
<b>Q8: What were the average earnings per job?</b>	20.00/hr
<b>Q9: How many full-time permanent jobs has the project created in Montana and what are the average earnings per job?</b>  3 / 68,000/yr	
<b>Q10: How many Montana or local vendors are utilized in support of the project?</b>	10-15

## Renewable Energy in Montana - Survey for Generators

**Q11: In general, can you describe how those vendors are utilized?**

Providing specialized services to site operations.

**Q12: How much in Montana property taxes (15-6-157, MCA) have been paid for the project in:**

Year 1 of construction or operation?	0
Year 2 of construction or operation?	0

**Q13: Is the project currently receiving a state (Montana) or federal tax abatement?** Yes

**Q14: What is the abatement?** 0

**Q15: When will the tax abatement expire?** *Respondent skipped this question*

**Q16: What are the estimated property taxes following expiration of the abatement?** Unknown

**Q17: How much in local property taxes (15-6-157, MCA) have been paid in Montana, and in what county, for the project in:**

Year 1 of construction or operation?	0
Year 2 of construction or operation?	0
Year 3 of construction or operation?	0
Year 4 of construction or operation?	0
Year 5 of construction or operation?	0
Year 6 of construction or operation?	0

**Q18: What was the amount of business equipment taxes (15-6-138, MCA) paid in Montana conjunction with the project in:**

Year 1 of construction or operation?	0
Year 2 of construction or operation?	0
Year 3 of construction or operation?	0
Year 4 of construction or operation?	0
Year 5 of construction or operation?	0
Year 6 of construction or operation?	0

**Q19: Is the project subject to Montana's wholesale energy transaction tax (15-72-104, MCA)?** *Respondent skipped this question*

**Q20: If yes, what was the amount paid in:**

Year 1 of operation?	0
Year 2 of operation?	0
Year 3 of operation?	0
Year 4 of operation?	0
Year 5 of operation?	0
Year 6 of operation?	0

**Q21: Is the project subject to Montana's electrical energy producers tax (15-51-101 MCA)?** *Respondent skipped this question*

**Q22: If yes, what was the amount paid in:**

Year 1 of operation?	0
Year 2 of operation?	0
Year 3 of operation?	0
Year 4 of operation?	0
Year 5 of operation?	0
Year 6 of operation?	0



## Renewable Energy in Montana - Survey for Generators

**Q23: Has the project paid or will the project in the future pay facility impact fees for local governmental units and school districts in Montana (15-24-3004, MCA and 15-24-3005, MCA)?** Yes

**Q24: If so -**

To what government entity? Wheatland County  
How much in year 1? 0  
How much in year 2? 0  
How much in year 3? 0

**Q25: In general terms how much is paid for land leases in Montana needed for the project?**

60,000 per year

**Q26: How much is paid for Montana state land leases?**

Unknown

**Q27: Are there additional taxes paid in Montana in conjunction with the project that you feel the committee should include in its analysis?** No

**Q28: Have community donations or additional financial contributions been made in the Montana community where the project is located?** No

**Q29: Please provide any additional thoughts on how the project has contributed to Montana or your local economy?** Respondent skipped this question

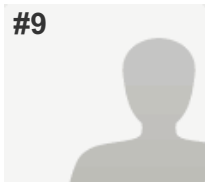
**Q30: Has Montana's renewable energy standard assisted in leveraging Montana's competitive advantage in developing new electric transmission?** No

**Q31: Please provide any additional thoughts on Montana's Renewable Portfolio Standard** Respondent skipped this question

**Q32: FINAL SUBMISSION: All questions are complete and this survey is ready for submission (select no if you wish to return and complete this survey later).** Yes

# Renewable Energy in Montana - Survey for Generators

#9



**COMPLETE**

**Collector:** Follow Up #2 (Email)

**Started:** Thursday, December 26, 2013 12:57:14 PM

**Last Modified:** Tuesday, January 28, 2014 8:14:46 AM

**Time Spent:** Over a month

**Email:** john.bushnell@northwestern.com

**Custom Data:** Spion Kop

**IP Address:** 199.96.16.11

PAGE 1

**Q1: What is the name of the project?**

Spion Kop

**Q2: When did ...**

... construction of the project begin? 03/20/2012,

... the project begin operating? 12/01/2012

**Q3: Did Montana's Renewable Portfolio Standard, enacted in 2005, contribute to your decision to build?**

Yes,

Please provide details of why it did or did not.  
NorthWestern Energy is obligated under Montana's Renewable Portfolio Standard to purchase output from eligible renewable projects.

**Q4: What was the project investment (in \$ dollars)?**

\$83,900,949

**Q5: How many Montana contractors or subcontractors were hired during construction?**

22

**Q6: Please list the contractors and subcontractors**

- Dick Anderson Construction
- DJ& A
- Annala Fencing
- Oswald construction
- Paradise Fencing
- Riley 4 Securities
- Schellinger Construction
- Terracon
- Tetra Tech
- Asplund Enterprises
- Boland Construction
- Fire Guys
- Contract Flooring
- Windy City Excavation
- United Materials
- Christmas Roofing
- Klinefelters Insulation
- Lonesome Dove
- MacDonald Heating and Cooling
- Mountain West Steel
- United electric
- Summit Plumbing

**Q7: How many people were employed in Montana during construction?**

790 MT residents were employed during construction

**Q8: What were the average earnings per job?**

\$33.17

# Renewable Energy in Montana - Survey for Generators

**Q9: How many full-time permanent jobs has the project created in Montana and what are the average earnings per job?**

5 @ approximately \$75,000 annually

**Q10: How many Montana or local vendors are utilized in support of the project?**

approximately 10

**Q11: In general, can you describe how those vendors are utilized?**

Local vendors are used for services typical for a commercial operation and include for example; trash removal, weed control, road maintenance, rodent control, and bottled water services.

**Q12: How much in Montana property taxes (15-6-157, MCA) have been paid for the project in:**

Year 1 of construction or operation?	255684
Year 2 of construction or operation?	0
Year 3 of construction or operation?	0
Year 4 of construction or operation?	0
Year 5 of construction or operation?	0
Year 6 of construction or operation?	0

**Q13: Is the project currently receiving a state (Montana) or federal tax abatement?**

Yes

**Q14: What is the abatement?**

Montana New or Expanding Industry (15-24-1402 MCA)

**Q15: When will the tax abatement expire?**

Enter a date: 12/31/2021

**Q16: What are the estimated property taxes following expiration of the abatement?**

400,000.00

**Q17: How much in local property taxes (15-6-157, MCA) have been paid in Montana, and in what county, for the project in:**

Year 1 of construction or operation?	255,684.11, Judith Basin
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**Q18: What was the amount of business equipment taxes (15-6-138, MCA) paid in Montana conjunction with the project in:**

Year 1 of construction or operation?	0
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**Q19: Is the project subject to Montana's wholesale energy transaction tax (15-72-104, MCA)?**

No

**Q20: If yes, what was the amount paid in:**

Year 1 of operation?	\$0
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**Q21: Is the project subject to Montana's electrical energy producers tax (15-51-101 MCA)?**

Yes

**Q22: If yes, what was the amount paid in:**

Year 1 of operation?	\$33,288
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**Q23: Has the project paid or will the project in the future pay facility impact fees for local governmental units and school districts in Montana (15-24-3004, MCA and 15-24-3005, MCA)?**

Yes

**Q24: If so -**

To what government entity?	Judith Basin County
How much in year 1?	209753
How much in year 2?	104876
How much in year 3?	104876

# Renewable Energy in Montana - Survey for Generators

**Q25: In general terms how much is paid for land leases in Montana needed for the project?**

Approximately \$200,000 annually.

**Q26: How much is paid for Montana state land leases?**

\$0

**Q27: Are there additional taxes paid in Montana in conjunction with the project that you feel the committee should include in its analysis?**

Yes,

Please list those taxes and the year and amount paid  
Montana Consumer Counsel Tax & Montana Public Service Commission Tax totaling approximately \$40,000 annually.

**Q28: Have community donations or additional financial contributions been made in the Montana community where the project is located?**

Yes,

If yes, please list.  
\$10,000 donated to the Geysers school for purchase of iPads

**Q29: Please provide any additional thoughts on how the project has contributed to Montana or your local economy?**

*Respondent skipped this question*

**Q30: Has Montana's renewable energy standard assisted in leveraging Montana's competitive advantage in developing new electric transmission?**

No,

Please elaborate on why or why not?  
From a transmission providers perspective, the RPS itself does not seem to have promoted the development of new electric transmission. The RPS standard does seem to have resulted in more use of the existing transmission system in certain areas and also in direct interconnection facilities for projects striving to be part of the RPS solution. However, at this point larger scale transmission additions have not occurred as a result of the RPS

**Q31: Please provide any additional thoughts on Montana's Renewable Portfolio Standard**

*Respondent skipped this question*

**Q32: FINAL SUBMISSION: All questions are complete and this survey is ready for submission (select no if you wish to return and complete this survey later).**

Yes

# Renewable Energy in Montana - Survey for Generators

#10



**COMPLETE**

**Collector:** Follow up - Lower South Fork (Email)  
**Started:** Tuesday, February 11, 2014 2:44:41 PM  
**Last Modified:** Tuesday, February 11, 2014 3:02:34 PM  
**Time Spent:** 00:17:52  
**First Name:** Ben  
**Last Name:** Singer

**Email:** ben@hydrodynamics.biz  
**Custom Data:** Lower South Fork  
**IP Address:** 71.217.166.189

PAGE 1

<b>Q1: What is the name of the project?</b>	Flint Creek
<b>Q2: When did ...</b> ... construction of the project begin? 05/01/2012, ... the project begin operating? 03/14/2013	
<b>Q3: Did Montana's Renewable Portfolio Standard, enacted in 2005, contribute to your decision to build?</b>	Yes, Please provide details of why it did or did not. It encouraged Northw estern Energy to be slightly less antagonistic w ith independent pow er producers.
<b>Q4: What was the project investment (in \$ dollars)?</b>	4 million
<b>Q5: How many Montana contractors or subcontractors were hired during construction?</b>	12
<b>Q6: Please list the contractors and subcontractors</b> Tallon Construction, EPC services, S&N concrete, Hydrodynamics Inc, Northw estern Energy, Timberline Fencing, FEPE, S&J rentals, Mungas Co, Sun Rental Center,	
<b>Q7: How many people were employed in Montana during construction?</b>	12
<b>Q8: What were the average earnings per job?</b>	50,000
<b>Q9: How many full-time permanent jobs has the project created in Montana and what are the average earnings per job?</b> 1, 30,000	
<b>Q10: How many Montana or local vendors are utilized in support of the project?</b>	12
<b>Q11: In general, can you describe how those vendors are utilized?</b> purchased materials, equipment. Rented equipment.	
<b>Q12: How much in Montana property taxes (15-6-157, MCA) have been paid for the project in:</b>	
Year 1 of construction or operation?	0
Year 2 of construction or operation?	0
Year 3 of construction or operation?	0
Year 4 of construction or operation?	0
Year 5 of construction or operation?	0
Year 6 of construction or operation?	0

## Renewable Energy in Montana - Survey for Generators

<b>Q13: Is the project currently receiving a state (Montana) or federal tax abatement?</b>	No
<b>Q14: What is the abatement?</b>	<i>Respondent skipped this question</i>
<b>Q15: When will the tax abatement expire?</b>	<i>Respondent skipped this question</i>
<b>Q16: What are the estimated property taxes following expiration of the abatement?</b>	0
<b>Q17: How much in local property taxes (15-6-157, MCA) have been paid in Montana, and in what county, for the project in:</b>	
Year 1 of construction or operation?	0
Year 2 of construction or operation?	0
Year 3 of construction or operation?	0
Year 4 of construction or operation?	0
Year 5 of construction or operation?	0
Year 6 of construction or operation?	0
<b>Q18: What was the amount of business equipment taxes (15-6-138, MCA) paid in Montana conjunction with the project in:</b>	
Year 1 of construction or operation?	0
Year 2 of construction or operation?	0
Year 3 of construction or operation?	0
Year 4 of construction or operation?	0
Year 5 of construction or operation?	0
Year 6 of construction or operation?	0
<b>Q19: Is the project subject to Montana's wholesale energy transaction tax (15-72-104, MCA)?</b>	No
<b>Q20: If yes, what was the amount paid in:</b>	<i>Respondent skipped this question</i>
<b>Q21: Is the project subject to Montana's electrical energy producers tax (15-51-101 MCA)?</b>	Yes
<b>Q22: If yes, what was the amount paid in:</b>	
Year 1 of operation?	2000
Year 2 of operation?	2000
Year 3 of operation?	2000
Year 4 of operation?	2000
Year 5 of operation?	2000
Year 6 of operation?	2000
<b>Q23: Has the project paid or will the project in the future pay facility impact fees for local governmental units and school districts in Montana (15-24-3004, MCA and 15-24-3005, MCA)?</b>	No
<b>Q24: If so -</b>	<i>Respondent skipped this question</i>
<b>Q25: In general terms how much is paid for land leases in Montana needed for the project?</b>	
zero	
<b>Q26: How much is paid for Montana state land leases?</b>	
\$75,000 annually	

# Renewable Energy in Montana - Survey for Generators

**Q27: Are there additional taxes paid in Montana in conjunction with the project that you feel the committee should include in its analysis?** No

**Q28: Have community donations or additional financial contributions been made in the Montana community where the project is located?** No

**Q29: Please provide any additional thoughts on how the project has contributed to Montana or your local economy?**

This project funds the dam at Georgetown Lake. Without this revenue, the dam was going to potentially be removed. The recreation on the lake is a source of local income.

**Q30: Has Montana's renewable energy standard assisted in leveraging Montana's competitive advantage in developing new electric transmission?** No,

Please elaborate on why or why not?  
There is still no available transmission for small independent producers. Should transmission to Idaho and beyond become available, more projects like this could be developed.

**Q31: Please provide any additional thoughts on Montana's Renewable Portfolio Standard**

The consequences of failure need to be geared toward hurting the shareholders and not the ratepayers.

Better rates are needed to encourage local independent power producers. Every stream coming off a mountain in Montana should have a small hydro on it.

**Q32: FINAL SUBMISSION: All questions are complete and this survey is ready for submission (select no if you wish to return and complete this survey later).** Yes

# Renewable Energy in Montana - Survey for Generators

#11



**COMPLETE**

**Collector:** Follow up for Flint Creek (Email)  
**Started:** Tuesday, February 11, 2014 3:03:05 PM  
**Last Modified:** Tuesday, February 11, 2014 3:12:15 PM  
**Time Spent:** 00:09:10  
**First Name:** Ben  
**Last Name:** Singer

**Email:** ben@hydrodynamics.biz  
**Custom Data:** Flint Creek  
**IP Address:** 71.217.166.189

PAGE 1

<b>Q1: What is the name of the project?</b>	Low er South Fork
<b>Q2: When did ...</b> ... construction of the project begin? 06/01/2011, ... the project begin operating? 08/14/2012	
<b>Q3: Did Montana's Renewable Portfolio Standard, enacted in 2005, contribute to your decision to build?</b>	Yes, Please provide details of why it did or did not. Low rates for Independent power producers would not have allowed this project to be built. The RPS encouraged Northwestern to pay a little more.
<b>Q4: What was the project investment (in \$ dollars)?</b>	1 million
<b>Q5: How many Montana contractors or subcontractors were hired during construction?</b>	4
<b>Q6: Please list the contractors and subcontractors</b>	jares fence, northwestern energy, schlessler materials, J & T materials, Ladvala electric, Hydrodynamics Inc, mountain excavation, JMG contracting,
<b>Q7: How many people were employed in Montana during construction?</b>	5
<b>Q8: What were the average earnings per job?</b>	45,000
<b>Q9: How many full-time permanent jobs has the project created in Montana and what are the average earnings per job?</b>	0.5, 20,000
<b>Q10: How many Montana or local vendors are utilized in support of the project?</b>	4
<b>Q11: In general, can you describe how those vendors are utilized?</b>	Purchased equipment and materials. Rented equipment.
<b>Q12: How much in Montana property taxes (15-6-157, MCA) have been paid for the project in:</b>	<i>Respondent skipped this question</i>
<b>Q13: Is the project currently receiving a state (Montana) or federal tax abatement?</b>	No
<b>Q14: What is the abatement?</b>	<i>Respondent skipped this question</i>



## Renewable Energy in Montana - Survey for Generators

<b>Q15: When will the tax abatement expire?</b>	<i>Respondent skipped this question</i>
<b>Q16: What are the estimated property taxes following expiration of the abatement?</b>	<i>Respondent skipped this question</i>
<b>Q17: How much in local property taxes (15-6-157, MCA) have been paid in Montana, and in what county, for the project in:</b>	<i>Respondent skipped this question</i>
<b>Q18: What was the amount of business equipment taxes (15-6-138, MCA) paid in Montana conjunction with the project in:</b>	<i>Respondent skipped this question</i>
<b>Q19: Is the project subject to Montana's wholesale energy transaction tax (15-72-104, MCA)?</b>	<i>Respondent skipped this question</i>
<b>Q20: If yes, what was the amount paid in:</b>	<i>Respondent skipped this question</i>
<b>Q21: Is the project subject to Montana's electrical energy producers tax (15-51-101 MCA)?</b>	Yes
<b>Q22: If yes, what was the amount paid in:</b>	
Year 1 of operation?	400
Year 2 of operation?	400
Year 3 of operation?	400
Year 4 of operation?	400
Year 5 of operation?	400
Year 6 of operation?	400
<b>Q23: Has the project paid or will the project in the future pay facility impact fees for local governmental units and school districts in Montana (15-24-3004, MCA and 15-24-3005, MCA)?</b>	No
<b>Q24: If so -</b>	<i>Respondent skipped this question</i>
<b>Q25: In general terms how much is paid for land leases in Montana needed for the project?</b>	
0	
<b>Q26: How much is paid for Montana state land leases?</b>	
0	
<b>Q27: Are there additional taxes paid in Montana in conjunction with the project that you feel the committee should include in its analysis?</b>	Please list those taxes and the year and amount paid All revenue results in montana income tax
<b>Q28: Have community donations or additional financial contributions been made in the Montana community where the project is located?</b>	No
<b>Q29: Please provide any additional thoughts on how the project has contributed to Montana or your local economy?</b>	
This project helps a ranch get into the black by using water from their irrigation ditch. This plant also helps fund said ditch.	
<b>Q30: Has Montana's renewable energy standard assisted in leveraging Montana's competitive advantage in developing new electric transmission?</b>	Yes,  Please elaborate on why or why not? The low rates available to independent power producers is not enough to build small irrigation hydros. The RPS encouraged Northwestern energy to pay a little more.
<b>Q31: Please provide any additional thoughts on Montana's Renewable Portfolio Standard</b>	<i>Respondent skipped this question</i>

# Renewable Energy in Montana - Survey for Generators

**Q32: FINAL SUBMISSION:** All questions are complete and this survey is ready for submission (select no if you wish to return and complete this survey later).  Yes

Tax Information						
Renewable Energy Generation Certified by PSC to meet Montana RPS						
<b>Diamond Willow Wind Farms I and II</b>						
<b>Owner</b>	Montana-Dakota Utilities					
<b>Operational</b>	I in 2008 and II in 2011					
<b>Information provided by owner.</b>						
<b>Year</b>	<b>2013</b>	<b>2012</b>	<b>2011</b>	<b>2010</b>	<b>2009</b>	<b>2008</b>
<b>Property Taxes</b>	\$167,239 Fallon County	\$161,292	\$131,841	\$81,369	\$79,653	\$73,159
<b>WET Tax<sup>1</sup></b>	\$11,186	\$13,643	\$14,830	\$10,185	\$10,154	\$9,750
<b>EET Tax<sup>2</sup></b>	\$14,915	\$18,191	\$19,773	\$13,580	\$13,538	\$12,999
<b>Judith Gap Wind Energy Facility</b>						
<b>Owner</b>	Invenergy					
<b>Operational</b>	2008					
<b>Information provided by owner.</b>						
<b>Year</b>	<b>2013</b>	<b>2012</b>	<b>2011</b>	<b>2010</b>	<b>2009</b>	<b>2008</b>
<b>Property Taxes</b>	\$1,639,000 Wheatland County	\$1,535,000	\$1,398,000	\$1,333,000	\$1,366,000	\$1,399,000
<b>WET Tax</b>						
<b>EET Tax</b>	\$92,000	\$86,000	\$94,000	\$101,000	\$62,000	\$63,000
<b>Other Tax</b>				\$787,000	\$787,000	\$787,000 <sup>3</sup>
<b>Gordon Butte Wind Farm</b>						
<b>Owner</b>	Oversight Resources					
<b>Operational</b>	2012					
<b>Information provided by owner.</b>						
<b>Year</b>	<b>2013</b>	<b>2012</b>	<b>2011</b>	<b>2010</b>	<b>2009</b>	<b>2008</b>
<b>Property Taxes</b>	\$170,000 Meagher County	\$91,000				
<b>WET Tax</b>						
<b>EET Tax</b>	\$8,300	\$8,300				

<sup>1</sup> The Department of Revenue considers the Wholesale Electrical Tax information to be confidential. The numbers are only included for facilities that volunteered the information to the ETIC.

<sup>2</sup> The Department of Revenue considers the Electrical Energy Tax information to be confidential. The numbers are only included for facilities that volunteered the information to the ETIC.

<sup>3</sup> Facility Impact Fees.

<b>Spion Kop Wind Farm</b>						
Owner	NorthWestern Energy					
Operational	2013					
<b>Information provided by owner.</b>						
Year	<b>2013</b>	<b>2012</b>	<b>2011</b>	<b>2010</b>	<b>2009</b>	<b>2008</b>
Property Taxes	\$255,684 Judith Basin County <sup>4</sup>					
WET Tax						
EET Tax	\$33,288					
Other Tax	\$209,753 <sup>5</sup>					
<b>Musselshell Wind I and II</b>						
Owner	Goldwind America					
Operational	2013					
<b>Information provided by Department of Revenue.</b>						
Year	<b>2013</b>	<b>2012</b>	<b>2011</b>	<b>2010</b>	<b>2009</b>	<b>2008</b>
Property Taxes	\$238,786 Wheatland County					
WET Tax						
EET Tax						
Other Tax						
<b>Lower South Fork of Dry Creek Hydro</b>						
Owner	Hydrodynamics					
Operational	2012					
<b>Information provided by Department of Revenue.</b>						
Year	<b>2013</b>	<b>2012</b>	<b>2011</b>	<b>2010</b>	<b>2009</b>	<b>2008</b>
Property Taxes	\$2,477 Carbon County	\$2,303	\$3,327	\$3,348	\$3,398	\$2,968
WET Tax						
EET Tax						
Other Tax						
<b>Turnbull Hydroelectric Facility</b>						
Owner	Turnbull LLC					
Operational	2011					
<b>Information provided by owner.</b>						
Year	<b>2013</b>	<b>2012</b>	<b>2011</b>	<b>2010</b>	<b>2009</b>	<b>2008</b>
Property Taxes	\$190,000 Teton County	\$170,000	\$160,000			
WET Tax	\$8,000	\$8,000	\$6,000			

<sup>4</sup> Receiving Montana New or Expanding Industry Tax Abatement (15-24-1402 MCA).

<sup>5</sup> Facility Impact Fee. Will pay \$104,876 in next two years.

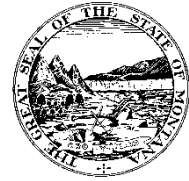
<b>Flint Creek Hydro</b>	
<b>Owner Hydrodynamics</b>	
<b>Operational</b>	2013
Information not available.	
<b>Wastewater Treatment Plant Cogeneration Facility</b>	
<b>Owner City of Great Falls</b>	
<b>Operational</b>	2008
Information not available. Facility not operational.	
<b>Happy Jack Wind Farm</b>	Duke Energy
<b>Owner</b>	
Located in Wyoming. Does not pay taxes in Montana	
<b>Silver Sage Wind Farm</b>	Duke Energy
<b>Owner</b>	
Located in Wyoming. Does not pay taxes in Montana.	
<b>Klondike III Wind</b>	Iberdrola Renewables
<b>Owner</b>	
Located in Oregon. Does not pay taxes in Montana.	

City of Great Falls



**Mike Kadas**  
Director

# Montana Department of Revenue



**Steve Bullock**  
Governor

## Memorandum

To: Energy and Telecommunications Interim Committee

From: Dan Dodds, Senior Economist

Date: December 3, 2013

Subject: State and Local Taxes Paid by Wind and Coal-Fired Generation

At its November meeting, the committee requested information on the taxes paid by wind-powered and coal-fired electricity generation plants. The taxes paid by a power plant would depend on where it is located, who owns it, and how it is financed. Table 1 shows the range of taxes per megawatt-hour of electricity produced by hypothetical new wind-powered and coal-fired generation. Applying the same assumptions to both power plants, the coal plant would generally pay about \$3 per megawatt-hour more in state and local taxes.

**Table 1. Range of Possible Tax Revenue per MWh from New Electricity Generation**

	Wind	Coal
Electrical Energy Producers License Tax	\$0.200	\$0.200
Wholesale Energy Transaction Tax	\$0.150	\$0.150
Coal Severance Tax	-	\$0.954
Coal Gross Proceeds Tax	-	\$0.318
Resource Indemnity Tax	-	\$0.025
Property Tax		
State	\$1.546	\$2.078
County & Special District	\$0.413 - \$2.679	\$1.111 - \$3.6
Schools, District & County-wide	\$0.467 - \$3.215	\$1.255 - \$4.321
Corporate Income Tax	<u>\$0 - \$4.134</u>	<u>\$0 - \$3.044</u>
Total	\$2.777 - \$11.925	\$6.091 - \$14.69

The range of property taxes reflects the range of mill levies in places a power plant might be located and whether local governments grant the wind-powered plant a partial

abatement of local property taxes. The range of corporate income tax reflects differences in ownership and financing of the plant.

Table 2 shows how revenue from these taxes would be distributed.

**Table 2. Distribution of Potential Revenue per MWh from New Generation**

	Wind		Coal	
	Low Case	High Case	Low Case	High Case
State				
General Fund	\$1.804	\$5.937	\$2.711	\$5.755
Special Revenue	\$0.093	\$0.093	\$0.353	\$0.353
Trust Funds	\$0.000	\$0.000	\$0.495	\$0.495
Local				
County & Special Districts	\$0.413	\$2.679	\$1.184	\$3.674
Schools	<u>\$0.467</u>	<u>\$3.215</u>	<u>\$1.347</u>	<u>\$4.413</u>
Total	\$2.777	\$11.925	\$6.091	\$14.690

Detailed explanations of how each tax is distributed are in the department's Biennial Report, which can be downloaded at this address [http://revenue.mt.gov/content/publications/biennial\\_reports/2010-2012/Biennial-Report-2010-2012.pdf](http://revenue.mt.gov/content/publications/biennial_reports/2010-2012/Biennial-Report-2010-2012.pdf).

Revenue from the electrical energy producers license tax, the wholesale energy transactions tax and the corporate income tax is deposited in the state general fund.

The coal severance tax is split between state trust funds, the state general fund, and state special revenue funds that pay for state buildings and local coal impacts.

Property taxes are divided between the state general fund, local governments, local special districts, school districts and the university system,. The coal gross proceeds tax is property tax on coal and is distributed to the same taxing units as other property taxes.

Revenue from the resource indemnity tax is allocated to state special revenue funds and is used for natural resource related programs.

The rest of this memo explains the assumptions behind the numbers in Tables 1 and 2 and why there is a range of possible taxes.

*Power Plant Assumptions*

Table 3 shows characteristics of the two facilities that would affect their taxes.

**Table 3. Power Plant Assumptions**

	Wind	Coal
Nominal Capacity, MW	100	450
Capacity Factor	0.38	0.85
Annual Production, MWh	333,108	3,352,995
Plant Cost		
\$/kW Capacity	\$1,700	\$2,800
Total, \$ million	\$170	\$1,260
Heat Rate, Btu/kWh		9,000
Coal Heat Content, mmBtu/Ton		16.99
Coal Contract Sales Price, \$/Ton		\$6.3567

Costs and operating characteristics of the two generation facilities are based on information from Appendix 1 of the Sixth Northwest Conservation and Electric Power Plan developed by the Northwest Power and Conservation Council. Coal heat content is the average for coal delivered to Montana power plants published by the Energy Information Administration the last twelve months in Electric Power Monthly. The contract sales price is the average for surface mines reported on coal severance tax returns for the last four quarters.

*Electricity Taxes*

Montana imposes two taxes on electricity. The electrical energy producers license tax is a tax of \$.0002 per kilowatt-hour on electricity generated in the state. The wholesale energy transactions tax is a tax of \$.00015 per kilowatt-hour on electricity sent over transmission lines in the state. These taxes are the same for any type of power plant.

*Coal Taxes*

There are three taxes on coal production in Montana, the coal severance tax, the resource indemnity tax, and the coal gross proceeds tax. All three taxes are assessed on the contract sales price, which is the pre-tax mine-mouth price less any federal royalties over \$0.15 per ton. For surface mined coal appropriate for use in a power plant, the rates are 15% for the severance tax, 0.4% for the resource indemnity tax and 5% for the gross proceeds tax. The coal gross proceeds tax is considered property tax on coal in the ground. The legislature has made it a general policy that property taxes on mineral rights should be paid once, when the mineral owner receives income from having the mineral extracted rather than every year. Over time, the legislature has also converted property



taxes on minerals to uniform state-wide rates rather than having them determined by local mill levies.

### *Property Taxes*

The amount of property taxes a generation facility will pay is determined by its market value, the assessment ratio that is applied to the market value to give taxable value, and the mills that are levied against the taxable value.

The initial cost, as estimated in the Sixth Power Plan, is used as the market value for both plants. Market value of a power plant may change over time. It may go up or down as the price of electricity changes. It may go down as existing assets at the plant depreciate over time, and it may go up as new investments are made at the plant. Thus, the estimates in this memo are for the first few years of the plant's life.

All taxable property in Montana is assigned to a property class, which determines its assessment ratio, which is the ratio of taxable value to market value. Wind-powered electric generation facilities are in class 14, which is taxed at 3% of market value<sup>1</sup>. Most of the facilities at a coal-fired generation facility will be in class 13, which is taxed at 6% of market value, but the pollution control facilities will be in class 5, which is taxed at 3% of market value. Both facilities may include some class 4 real estate and some class 8 general business equipment, which are taxed at 3% of market value.

Local taxing jurisdictions can give a partial abatement to facilities that meet the definition of new or expanding industry. A new wind farm qualifies, but a new coal-fired power plant does not. If a local jurisdiction grants an abatement, its mill levies apply to 50% of the taxable value for the first five years of the facility's life. After five years, this percent increases by 10% a year until the facility is taxed at its full market value after 10 years.

In Montana, property taxes are levied by the state, by local governments, by local special districts such as fire districts, and by local school districts. The state levies 95 mills to help fund the state's share of local school district budgets and 6 mills to help fund the university system. Local governments, special districts and school districts set their mill levies annually by dividing the portion of their budget that will be funded by property taxes by the total taxable value in the jurisdiction.

Local mill levies vary widely across the state. The low case uses average rural mill levies for Rosebud county, which are among the lowest in the state. The high case uses state-wide average rural mill levies. In most areas where a power plant might be located, either a new coal plant or a new large wind farm would significantly increase the tax base allowing local governing bodies to reduce their mill levies. This effect would be largest in jurisdictions where a small tax base results in high mill levies. Thus, average mills give a better indication of the taxes a new power plant might face than the highest mills in the state.

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<sup>1</sup> To qualify, the developer must have paid standard prevailing wages during construction.

Table 4 shows the assumptions behind the range of property tax estimates.

**Table 4. Property Tax Assumptions**

Market Value			
Wind Farm		\$170,000,000	
Coal Plant		\$1,260,000,000	
Property Classification and Assessment Ratio			
Wind Farm		Classes 4, 8 and 14, taxed at 3% or less of market value	
Coal Plant		82.5% Class 13, taxed at 6% of market value	
		17.5% Classes 4, 5 and 8, taxed at 3% or less of market value	
Local Abatement			
	Low Case	High Case	
Wind Farm	none	50%	
Coal Plant	none	none	
Mill Levies			
	Low Case	High Case	
State	101	101	
County and Special Districts	54	175	
Schools, District and Countywide	61	210	

#### *Corporate Income Tax*

Corporate income tax is 6.75% of the part of a corporation's net income that is apportioned to Montana.

The high case assumes that the power plant is built and operated by a company that does business only in Montana so that 100% of its net income is apportioned to Montana, that the power plant is 100% equity financed, and that the company earns a 12% pre-tax return on its investment.

Actual corporate income tax would almost certainly be lower, for a number of reasons. If the power plant were owned by a multi-state corporation, revenue from the power plant would be combined with revenue from the rest of the company's operations. Except in the best years, income from profitable parts of a large company is likely to be partly, or even completely, offset by losses from other parts. If the plant is partly financed with debt, the company will deduct interest payments as a business expense, which will make its taxable income lower than with 100% equity financing. Federal depreciation and amortization schedules, which Montana follows, generally front-load these capital cost recovery deductions, which reduces taxable income in the early years of a plant's life.

The lowest case would occur when the power plant is owned by a multi-state corporation that has losses in other states that more than offset the income from the power plant or when it is owned by a company only doing business in Montana but where accelerated depreciation more than offset net income after interest deductions.

Table 5 shows the assumptions behind the range of corporate income tax assumptions.

**Table 5. Corporate Income Tax Assumptions**

Low Case	High Case
Parent Company has Zero Taxable Income or Accelerated Depreciation > Net Operating Revenue	100% Montana Company 100% Equity Financed 12% Pre-Tax Rate of Return

If the power plant were owned by a partnership, LLC, or S-corporation, the owners would pay individual income tax rather than corporate income tax, but the range of tax revenue would be approximately the same.

## Appendix H

### Analysis Provided by Department of Commerce Business Resources Division

Dustin de Yong, Energy Development Specialist

Completed Wind Projects						
Project	Capacity (MW)	Capital Investment (Million \$)	Construction Jobs	Permanent Jobs	Property Taxes (2010)	Activated
Judith Gap	135	\$203	150	10	\$1,441,874	2005
Diamond Willow	30	\$45	100	4	\$81,369	2008
Gordon Butte	9.6	\$20	20	1	Not applicable	2012
Spion Kop	40	\$86	100	4	Not applicable	2012
Musselshell 1 (Shawmut)	10	\$20	38	2	Not applicable	2012
Musselshell 2 (Shawmut)	10	\$20	37	1	Not applicable	2012
Two Dot (under construction)	9.72	\$22	20	1	Not applicable	2014
Glacier I & II	210	\$550	486	40	\$3,708,734	2008
Rim Rock	189	\$400	300	20	Not applicable	2012
Horseshoe Bend	9	\$15	20	1.5	\$211,888	2006
Martinsdale Colony	2.8	\$5	10	0.5	Not available	2006
Various Other Projects	1.5	\$4	8	1	Not available	Varies
<b>subtotal:</b>	<b>656.62</b>	<b>\$1,390</b>	<b>1289</b>	<b>86</b>		

red does not apply to the RPS

Completed Hydro Projects					
Project	Capacity (MW)	Capital Investment (Million \$)	Construction Jobs	Permanent Jobs	Activated
Turnbull	13	\$10	30	1.5	
Lower S Fork (est.)	0.455	\$1.5	5	0.5	pending
Flint Creek (est.)	2	\$4	6	0.5	pending
<b>subtotal:</b>	<b>15.455</b>	<b>\$16</b>	<b>41</b>	<b>2.5</b>	

Ancillary/Firming Generation					
Project	Capacity (MW)	Capital Investment (Million \$)	Construction Jobs	Permanent Jobs	Activated
Dave Gates	150	\$200	265	10	2011

Wind Transmission Projects					
Project	Trans. Capacity	Capital Investment (Million \$)	Construction Jobs	Permanent Jobs	Activated
MATL	600	\$300	180	10	
<b>Totals:</b>	<b>1422.075</b>	<b>\$1,905</b>	<b>1775</b>	<b>108.5</b>	<b>Total jobs: 1883.5</b>
excluding firming power:	1272.075	\$1,705	1510	98.5	1608.5
also excluding transmission:	672.075	\$1,405	1330	88.5	1418.5
Solely RPS development:	259.775	\$431.0	506	25.5	531.5
Solely non-RPS development:	1012.3	\$1,274	1004	73	1077
non-RPS excluding transmission:	412.3	\$974	824	63	887

### NREL Calculations and Comparisons to Montana Wind Projects

#### National Renewable Energy Laboratory (NREL) calculations for 100MW wind farm (2012):

Direct jobs	Local Revenues
70-100 construction jobs	\$350k-\$500k in lease payments
6-8 O&M jobs	\$500k-\$1 million in local property tax

#### NaturEnerg Comparison - Glacier 1&2, 210MW:

Direct jobs	Local Revenues
350 construction jobs	\$1 million in lease payment
18 O&M jobs	\$4 million in local property tax

A direct comparison between NREL's estimated impact formula and NaturEnerg's actual job and revenue numbers show that the NREL calculation is conservative compared to on the ground realities.

#### Judith Gap Comparison, 135MW:

Direct jobs	Local revenues
150 construction jobs	\$400,000
10 O&M jobs	\$1,441,874 in local property tax

A direct comparison between NREL's estimated impact formula and Judith Gap's actual job and revenue numbers show that the NREL calculation is conservative compared to on the ground realities.

#### Montana RPS qualifying wind farm economic impacts derived from NREL formula:

Project	Capacity (MW)	Construction jobs	O&M jobs	Lease payments	Local property tax revenue
Judith Gap	135	95 - 135	8 - 11	\$472,500 - \$675,000	\$675,000 - \$1,350,000
Diamond Willow	30	21 - 30	2	\$105,000 - \$150,000	\$150,000 - \$300,000
Gordon Butte	9.6	7 - 10	0.5 - 1	\$33,600 - \$48,000	\$48,000 - \$96,000
Spion Kop	40	28 - 40	2 - 3	\$140,000 - \$200,000	\$200,000 - \$400,000
Musselshell 1 (Shawmut)	10	7 - 10	0.5 - 1	\$35,000 - \$50,000	\$50,000 - \$100,000
Musselshell 2 (Shawmut)	10	7 - 10	0.5 - 1	\$35,000 - \$50,000	\$50,000 - \$100,000
Two Dot (under construction)	9.72	7 - 10	0.5 - 1	\$34,020 - \$48,600	\$48,600 - \$97,200
<b>lower total:</b>	-	<b>172</b>	<b>14</b>	<b>\$ 855,120.00</b>	<b>\$ 1,221,600.00</b>
<b>upper total:</b>	-	<b>245</b>	<b>20</b>	<b>\$ 1,121,700.00</b>	<b>\$ 2,443,200.00</b>



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**FORM EREC INSTRUCTIONS – Renewable Energy Credit Report**

These instructions are to help you prepare your return. If you have questions about the Renewable Energy Credit Report, please call us toll-free at (866) 859-2254, in Helena at 444-6900, or visit our website at [revenue.mt.gov](http://revenue.mt.gov) for detailed instructions.

**When and where to file.** Your renewable energy credit report is due March 1 for the previous full calendar year.

Please mail your report to Montana Department of Revenue, PO Box 5835, Helena, MT 59604-5835.

**Penalty.** If your report is not filed by the due date, an administrative penalty of \$1,500 will be assessed.

**Specific Instructions**

**Line 1.** Please provide your FEIN.

**Line 2.** If you are amending a prior year's report, place an "X" in the box provided.

**Line 3.** If your mailing address has changed, place an "X" in the box and print your new address in the space provided.

**Line 5.** Place an "X" in the box or boxes that describe your business entity.

**Line 6.** In the first column please insert the purchase or sales price of the renewable energy credit. In the second column please circle either "s" or "p" to indicate whether the renewable energy credit was a sale (s) or a purchase (p) by the filer. In the third column please circle "b" to indicate that the sales or the purchase of the renewable energy credit was bundled or part of a transaction that included the selling or purchasing of electrical energy. If the sale or the purchase was not part of a bundled transaction, circle "u" to establish that the transaction was unbundled or not part of a bundled transaction.

**Renewable Energy Credit Report**

Renewable energy credits purchased and/or sold January 1, 2013 through December 31, 2013

Name Judith Gap Energy LLC

Address 1 S. Wacker Drive, Suite 1900

Address \_\_\_\_\_

City Chicago

State Illinois Zip 60606

1. FEIN/SSN 59-3770596

2.  If this is an amended report, place an "X" in the box.

3.  If your address has changed, place an "X" in the box and print your new address here

5. Place an "X" in the box(es) that describes your entity

- Public utility that buys or sells renewable energy credits for the purposes of complying with 69-3-2004, MCA
- Competitive electricity supplier that buys or sells renewable energy credits for the purposes of complying with 69-3-2004, MCA
- Cooperative utility for purposes of complying with 69-3-2008, MCA
- Owner of a renewable electrical generation facility that sells renewable energy credits

6. Electric energy credit purchase/sales price

- 1) \$ 15,267,719
- 2) \$ \_\_\_\_\_
- 3) \$ \_\_\_\_\_
- 4) \$ \_\_\_\_\_
- 5) \$ \_\_\_\_\_
- 6) \$ \_\_\_\_\_
- 7) \$ \_\_\_\_\_
- 8) \$ \_\_\_\_\_

Indicate whether the transaction was a sale or a purchase of electric energy credit

- X s / p
- s / p
- s / p
- s / p
- s / p
- s / p
- s / p
- s / p

Indicate whether the sale or purchase was a part of a bundled/ unbundled transaction

- X b / u
- b / u
- b / u
- b / u
- b / u
- b / u
- b / u
- b / u

Signature *Randy White* Title Asset Manager Phone 312-582-1535



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FORM EREC INSTRUCTIONS - Renewable Energy Credit Report

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Penalty. If your report is not filed by the due date, an administrative penalty of \$1,500 will be assessed.

Specific Instructions

Line 1. Please provide your FEIN.

Line 2. If you are amending a prior year's report, place an "X" in the box provided.

Line 3. If your mailing address has changed, place an "X" in the box and print your new address in the space provided.

Line 5. Place an "X" in the box or boxes that describe your business entity.

Line 6. In the first column please insert the purchase or sales price of the renewable energy credit. In the second column please circle either "s" or "p" to indicate whether the renewable energy credit was a sale (s) or a purchase (p) by the filer. In the third column please circle "b" to indicate that the sales or the purchase of the renewable energy credit was bundled or part of a transaction that included the selling or purchasing of electrical energy. If the sale or the purchase was not part of a bundled transaction, circle "u" to establish that the transaction was unbundled or not part of a bundled transaction.

Renewable Energy Credit Report

Renewable energy credits purchased and/or sold January 1, 2013 through December 31, 2013

Name Electric City Power, Inc

Address PO Box 5021

Address

City Great Falls

State MT Zip 59403

1. FEIN/SSN 20-8356802

2. [ ] If this is an amended report, place an "X" in the box.

3. [ ] If your address has changed, place an "X" in the box and print your new address here

5. Place an "X" in the box(es) that describes your entity

- Public utility that buys or sells renewable energy credits for the purposes of complying with 69-3-2004, MCA
[X] Competitive electricity supplier that buys or sells renewable energy credits for the purposes of complying with 69-3-2004, MCA
Cooperative utility for purposes of complying with 69-3-2008, MCA
Owner of a renewable electrical generation facility that sells renewable energy credits

6. Electric energy credit purchase/sales price

- 1) \$ 5,637 (3,758 AT \$1.50 each)
2) \$
3) \$
4) \$
5) \$
6) \$
7) \$
8) \$

Indicate whether the transaction was a sale or a purchase of electric energy credit

Indicate whether the sale or purchase was a part of a bundled/unbundled transaction

s / p X
s / p
s / p
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s / p

X b / u
b / u
b / u
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b / u
b / u
b / u

Signature [Signature] Title City Manager Phone

\*Electric City Power, Inc dissolved in December, 2013. See attached.



**CITY OF GREAT FALLS  
COMMISSION AGENDA REPORT**

---

**Item:** Ord. 3115, An Ordinance Repealing Title 5, Chapter 20, of the Official Code of the City of Great Falls (OCCGF) Titled "Establish and Operate an Electric Utility"

**From:** City Commission

**Initiated By:** City Commission

**Presented By:** Greg Doyon, City Manager

**Action Requested:** Conduct Public Hearing and Adopt Ord. 3115

---

**Public Hearing:**

1. Mayor conducts public hearing, calling three times each for proponents and opponents.
2. Mayor closes public hearing and asks the will of the Commission.

**Suggested Motion:**

1. Commissioner moves:

"I move the City Commission (adopt/deny) Ord. 3115."

2. Mayor calls for a second, discussion, and calls for the vote.
- 

**Staff Recommendation:** Staff recommends that, after conducting the public hearing, Ord. 3115 be adopted.

**Background:** On May 1, 2013, the City of Great Falls/Electric City Power and Southern Montana G&T reached a settlement that will permanently sever the City's relationship with Southern Montana G&T. The settlement agreement included an owed water credit in the amount of \$1,186,061.83 plus a mediated settlement amount of \$2,063,938.17, totaling \$3.25 million dollars to be paid in two installments.

On October 24, 2013, the City Commission awarded natural gas and electric supply contracts to Energy West Resources and PPL EnergyPlus, LLC, respectively. On November 1, 2013, two significant events occurred: 1) the City transitioned its electrical service from Southern to PPL 2) all customer contracts with ECPI were terminated. ECPI does not have any customers and the City Commission does not desire to continue operate ECPI as an electric provider.

## Appendix I

Ordinance 2925, amending Title 5, Chapter 20, OCCGF, and authorizing and approving the creation of Electric City Power, Inc., was adopted on November 1, 2005. The City Commission does not desire to continue to operating ECPI and, therefore, wants to repeal the enabling ordinance. The process for repealing an ordinance is the same as adopting an ordinance.

At its December 3, 2013, City Commission meeting, City Commissioners approved the dissolution of ECPI, the Articles of Dissolution and authorized the City Manager to take all action to wind up and liquidate the affairs of ECPI. A public hearing for December 17, 2013, on Ord. 3115 was also set on this date.

**Attachments/Exhibits:** Ord. 3115



**ORDINANCE 3115**

**AN ORDINANCE REPEALING TITLE 5, CHAPTER 20, OF THE OFFICIAL CODE OF THE CITY OF GREAT FALLS (OCCGF) TITLED "ESTABLISH AND OPERATE AN ELECTRIC UTILITY"**

\* \* \* \* \*

**WHEREAS**, on October 7, 2003, the City Commission adopted Ordinance 2861, which established Title 5, Chapter 20 of the OCCGF authorizing the City of Great Falls to establish and operate an electric utility and to market electric power services to consumers; and

**WHEREAS**, on November 1, 2005, the City Commission adopted Ordinance 2925 that repealed Ordinance 2861, and, in part, revised Title 5 Chapter 20 of the OCCGF, and authorized and provided for the creation of a non-profit corporation to be known as Electric City Power, Inc. in order to secure and provide reliable and economic supplies of electricity for the City of Great Falls; and,

**WHEREAS**, on November 15, 2005, the City Commission adopted Resolution Nos. 9529 and 9530 approving the Articles of Incorporation and the By-Laws of Electric City Power, Inc.; and,

**WHEREAS**, on March 2, 2010, the City Commission adopted Resolution 9876 authorizing the removal of Electric City Power, Inc. Directors in accordance with Montana Code Annotated (MCA), the Official Code of the City of Great Falls (OCCGF), and the Articles and the By-Laws of Electric City Power, Inc; and authorizing the initiation of the process of notification of the removal and subsequent appointment of members of the City Commission to fill the vacated positions; and,

**WHEREAS**, on March 16, 2010, the City Commission appointed the members of the City Commission to replace the five Electric City Power Directors that resigned or were removed by the City Commission, and have subsequently served one-year terms pursuant to the provisions of the By-Laws as amended by Resolution 9877, adopted April 20, 2010; and,

**WHEREAS**, on October 21, 2011, Southern Montana Electric Generation and Transmission Cooperative, Inc., filed bankruptcy under Chapter 11 of the Bankruptcy Code; and,

**WHEREAS**, on May 1, 2013, the City Commission approved a mutual Settlement and Release of all claims with Southern Montana Electric Generation and Transmission Cooperative, Inc., that totally, completely and permanently severed the City's relationship with Southern Montana Electric Generation and Transmission Cooperative, Inc.; and,

**WHEREAS**, on October 24, 2013, the City Commission accepted proposals from Energy West Resources and PPL EnergyPlus, LLC, for gas and electricity supply for the City of Great Falls and authorized the City Manager to execute the necessary supply agreements; and,

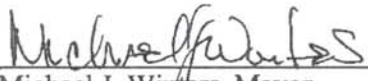
**WHEREAS**, on November 1, 2013, the City transitioned its electrical service from Southern Montana Electric Generation and Transmission Cooperative, Inc. to PPL EnergyPlus, LLC.

**NOW, THEREFORE, BE IT ORDAINED BY THE CITY COMMISSION OF THE CITY OF GREAT FALLS, MONTANA:**

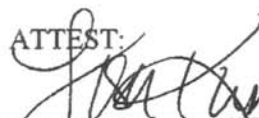
- Section 1. That Ordinance 2925 is hereby repealed;
- Section 2. That Title 5, Chapter 20 of the Official Code of the City of Great Falls is hereby repealed in its entirety;
- Section 3. This ordinance shall be in full force and effect thirty (30) days after second reading and final adoption by the City Commission.

APPROVED by the City Commission on first reading December 3, 2013.

ADOPTED by the City Commission of the City of Great Falls, Montana on second reading December 17, 2013.

  
\_\_\_\_\_  
Michael J. Winters, Mayor


ATTEST:

  
\_\_\_\_\_  
Lisa Kunz, City Clerk

(Seal of the City)



APPROVED FOR LEGAL CONTENT:

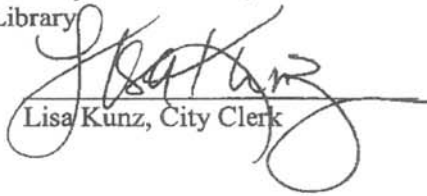
  
\_\_\_\_\_  
Sara R. Sexe, City Attorney

State of Montana )  
County of Cascade : ss  
City of Great Falls )

I, Lisa Kunz, City Clerk of the City of Great Falls, Montana, do hereby certify that I did post, as required by law and as prescribed and directed by the City Commission, Ordinance 3115 in three places within the limits of said City to-wit:

- On the Bulletin Board, first floor, Civic Center Building;
- On the Bulletin Board, first floor, Cascade County Court House;
- On the Bulletin Board, Great Falls Public Library



  
Lisa Kunz, City Clerk



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FORM EREC INSTRUCTIONS - Renewable Energy Credit Report

These instructions are to help you prepare your return. If you have questions about the Renewable Energy Credit Report, please call us toll-free at (866) 859-2254, in Helena at 444-6900, or visit our website at revenue.mt.gov for detailed instructions.

When and where to file. Your renewable energy credit report is due March 1 for the previous full calendar year.

Please mail your report to Montana Department of Revenue, PO Box 5835, Helena, MT 59604-5835.

Penalty. If your report is not filed by the due date, an administrative penalty of \$1,500 will be assessed.

Specific Instructions

Line 1. Please provide your FEIN.

Line 2. If you are amending a prior year's report, place an "X" in the box provided.

Line 3. If your mailing address has changed, place an "X" in the box and print your new address in the space provided.

Line 5. Place an "X" in the box or boxes that describe your business entity.

Line 6. In the first column please insert the purchase or sales price of the renewable energy credit. In the second column please circle either "s" or "p" to indicate whether the renewable energy credit was a sale (s) or a purchase (p) by the filer. In the third column please circle "b" to indicate that the sales or the purchase of the renewable energy credit was bundled or part of a transaction that included the selling or purchasing of electrical energy. If the sale or the purchase was not part of a bundled transaction, circle "u" to establish that the transaction was unbundled or not part of a bundled transaction.

Renewable Energy Credit Report

Renewable energy credits purchased and/or sold January 1, 2013 through December 31, 2013

Name NorthWestern Energy

1. FEIN/SSN 46-172280

Address 40 E. Broadway

2. [ ] If this is an amended report, place an "X" in the box.

Address

3. [ ] If your address has changed, place an "X" in the box and print your new address here

City Butte

State MT Zip 59701

5. Place an "X" in the box(es) that describes your entity

- [X] Public utility that buys or sells renewable energy credits for the purposes of complying with 69-3-2004, MCA
[ ] Competitive electricity supplier that buys or sells renewable energy credits for the purposes of complying with 69-3-2004, MCA
[ ] Cooperative utility for purposes of complying with 69-3-2008, MCA
[ ] Owner of a renewable electrical generation facility that sells renewable energy credits

6. Electric energy credit purchase/sales price

Indicate whether the transaction was a sale or a purchase of electric energy credit

Indicate whether the sale or purchase was a part of a bundled/unbundled transaction

- 1) \$ Refer to Note 1 on Attachment
2) \$ Refer to Note 2 on Attachment
3) \$ Refer to Note 3 on Attachment
4) \$ Refer to Note 4 on Attachment
5) \$ Refer to Note 5 on Attachment
6) \$ 6.73
7) \$ 6.73
8) \$ 12.50

s/p
s/p
s/p
s/p
s/p
s/p
s/p
s/p

b u
b u
b u
b u
b u
b u
b u
b u

Signature Joe Schwartz

Title Director Regulatory Affairs Phone 406-497-3362

ATTACHMENT  
NorthWestern Energy  
Renewable Energy Credit Report  
January 1, 2013 through December 31, 2013

Notes

1. 29.93/MWH\*
2. 65.75/MWH\*
3. 69.21/MWH\*
4. 69.21/MWH\*
5. 69.21/MWH\*

\*These prices are for a Bundled Energy/REC Product with no value assigned specifically to the REC.



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**FORM EREC INSTRUCTIONS – Renewable Energy Credit Report**

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**Renewable Energy Credit Report**

Renewable energy credits purchased and/or sold January 1, 2013 through December 31, 2013

Name ConocoPhillips Company

Address 600 North Dairy Ashford, CH-1081

Address \_\_\_\_\_

City Houston

State Texas Zip 77079

1. FEIN/SSN 73-0400345

2.  If this is an amended report, place an "X" in the box.

3.  If your address has changed, place an "X" in the box and print your new address here

5. Place an "X" in the box(es) that describes your entity

Public utility that buys or sells renewable energy credits for the purposes of complying with 69-3-2004, MCA

Competitive electricity supplier that buys or sells renewable energy credits for the purposes of complying with 69-3-2004, MCA

Cooperative utility for purposes of complying with 69-3-2008, MCA

Owner of a renewable electrical generation facility that sells renewable energy credits

6. Electric energy credit purchase/sales price

Indicate whether the transaction was a sale or a purchase of electric energy credit

Indicate whether the sale or purchase was a part of a bundled/unbundled transaction

1) \$ 0.95

X s / p

b / u X

2) \$ \_\_\_\_\_

s / p

b / u

3) \$ \_\_\_\_\_

s / p

b / u

4) \$ \_\_\_\_\_

s / p

b / u

5) \$ \_\_\_\_\_

s / p

b / u

6) \$ \_\_\_\_\_

s / p

b / u

7) \$ \_\_\_\_\_

s / p

b / u

8) \$ \_\_\_\_\_

s / p

b / u

Signature [Handwritten Signature]

Title Manager, US Power Marketing & Trading Phone 281.293.2350

**Robert D. Gabbard, Jr.**  
President

**PPL Treasure State, LLC**  
Two North Ninth Street  
Allentown, PA 18101-1179  
Tel. 610.774.4168 Fax 610.774.6523  
RDGabbard@pplweb.com



February 27, 2014

**VIA FEDERAL EXPRESS**

Montana Department of Revenue  
125 N. Robert Street  
Helena, MT 59601

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DEPARTMENT OF REVENUE

FEB 28 2014

BIT

RE: 2013 Renewable Energy Credit Report

Dear Sir/Madame:

Please find enclosed the 2013 Renewable Energy Credit Report for PPL Treasure State, LLC ("PPLTS"). PPLTS submits its 2013 Renewable Energy Credit Report in compliance with the 2011 Senate Bill 7 as codified in MCA 69-3-2009 and 69-3-2010. PPLTS is a competitive electricity supplier as defined in MCA 69-3-2003. PPLTS purchases Renewable Energy Credits ("RECs") on the bilateral market from Montana Public Service Commission ("MPSC") certified resources.

The purchase and sale of RECs from the MPSC certified resources are tracked in either the Western Renewable Energy Generation Information System ("WREGIS") or the Midwest Renewable Energy Tracking System ("MRETS"). The seller enters the RECs in WREGIS or MRETS and then transfers the same RECs to the buyer, in this case PPLTS. WREGIS and MRETS both disclose the attributes required for verification of RECs from MPSC certified resources. Neither WREGIS nor MRETS publicly disclose the price of the RECs. Therefore, per MCA 69-3-2010 PPLTS is not required to disclose the price of the RECs.

Sincerely,

Robert D. Gabbard, Jr.  
President  
PPL Treasure State, LLC

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FORM EREC INSTRUCTIONS – Renewable Energy Credit Report

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Please mail your report to Montana Department of Revenue, PO Box 5835, Helena, MT 59604-5835.

**Penalty.** If your report is not filed by the due date, an administrative penalty of \$1,500 will be assessed.

**Specific Instructions**

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FEB 28 2014

Renewable Energy Credit Report

BIT

Renewable energy credits purchased and/or sold January 1, 2013 through December 31, 2013

Name PPL Treasure State, LLC

1. FEIN/SSN 26-1661044

Address 45 Basin Creek Road

2.  If this is an amended report, place an "X" in the box.

Address \_\_\_\_\_

3.  If your address has changed, place an "X" in the box and print your new address here

City Butte

State MT Zip 59701

5. Place an "X" in the box(es) that describes your entity

- Competitive electricity supplier (as defined in 69-3-2003, MCA)
- Utility company (as defined in 69-5-102, MCA)
- Owner of an electrical generation facility operating in Montana

6. Electric energy credit purchase/sales price

Indicate whether the transaction was a sale or a purchase of electric energy credit

Indicate whether the sale or purchase was a part of a bundled/unbundled transaction

- 1) \$ 36,003 RECs \*
- 2) \$ \*REC prices are not publicly disclosed in WREGIS or
- 3) \$ MRETS. Therefore, only the number of credits are
- 4) \$ reported per MCA 69-3-2010.
- 5) \$ \_\_\_\_\_
- 6) \$ \_\_\_\_\_
- 7) \$ \_\_\_\_\_
- 8) \$ \_\_\_\_\_

- s / p X
- s / p
- s / p
- s / p
- s / p
- s / p
- s / p
- s / p

- b / u X
- b / u
- b / u
- b / u
- b / u
- b / u
- b / u
- b / u

Signature [Signature] Title President, PPL Treasure State, LLC Phone (610) 774-4168





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FORM EREC INSTRUCTIONS – Renewable Energy Credit Report

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DEPARTMENT OF REVENUE

FEB 24 2014

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Renewable Energy Credit Report

Renewable energy credits purchased and/or sold January 1, 2013 through December 31, 2013

Name MDU Resources Group, Inc. (dba Montana-Dakota

Address Utilities Co.

Address 400 North Fourth Street

City Bismarck

State ND Zip 58501

1. FEIN/SSN 41-0423660

2. [ ] If this is an amended report, place an "X" in the box.

3. [ ] If your address has changed, place an "X" in the box and print your new address here

5. Place an "X" in the box(es) that describes your entity

- Public utility that buys or sells renewable energy credits for the purposes of complying with 69-3-2004, MCA
Competitive electricity supplier that buys or sells renewable energy credits for the purposes of complying with 69-3-2004, MCA
Cooperative utility for purposes of complying with 69-3-2008, MCA
[X] Owner of a renewable electrical generation facility that sells renewable energy credits

6. Electric energy credit purchase/sales price

Indicate whether the transaction was a sale or a purchase of electric energy credit

Indicate whether the sale or purchase was a part of a bundled/unbundled transaction

- 1) \$ 138003.44
2) \$
3) \$
4) \$
5) \$
6) \$
7) \$
8) \$

- X s / p
s / p
s / p
s / p
s / p
s / p
s / p
s / p

- b u X
b / u
b / u
b / u
b / u
b / u
b / u
b / u

Signature Travis Jacobson Title Mgr, Financial Reporting/Planning Phone 701-222-7847

Travis Jacobson

552



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**Renewable Energy Credit Report**

Renewable energy credits purchased and/or sold January 1, 2013 through December 31, 2013

Name United Materials of Great Falls, Inc.

Address PO Box 1690

Address \_\_\_\_\_

City Great Falls

State MT Zip 59403

1. FEIN/SSN 81-0406935

2.  If this is an amended report, place an "X" in the box.

3.  If your address has changed, place an "X" in the box and print your new address here

5. Place an "X" in the box(es) that describes your entity

- Public utility that buys or sells renewable energy credits for the purposes of complying with 69-3-2004, MCA
- Competitive electricity supplier that buys or sells renewable energy credits for the purposes of complying with 69-3-2004, MCA
- Cooperative utility for purposes of complying with 69-3-2008, MCA
- Owner of a renewable electrical generation facility that sells renewable energy credits

6. Electric energy credit purchase/sales price

- 1) \$ 18,413.85
- 2) \$ 12,986.88
- 3) \$ \_\_\_\_\_
- 4) \$ \_\_\_\_\_
- 5) \$ \_\_\_\_\_
- 6) \$ \_\_\_\_\_
- 7) \$ \_\_\_\_\_
- 8) \$ \_\_\_\_\_

Indicate whether the transaction was a sale or a purchase of electric energy credit

- X s / p
- X s / p
- s / p
- s / p
- s / p
- s / p
- s / p
- s / p

Indicate whether the sale or purchase was a part of a bundled/unbundled transaction

- b / u X
- b / u X
- b / u
- b / u
- b / u
- b / u
- b / u
- b / u

Signature [Signature] Title [Signature] Phone 406-453-7692



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**Renewable Energy Credit Report**

Renewable energy credits purchased and/or sold January 1, 2013 through December 31, 2013

Name Lower South Fork, LLC

1. FEIN/SSN 46-0962914

Address 825 W Rocky Creek Rd

2.  If this is an amended report, place an "X" in the box.

Address \_\_\_\_\_

3.  If your address has changed, place an "X" in the box and print your new address here

City Bozeman

State MT Zip 59715

5. Place an "X" in the box(es) that describes your entity

- Competitive electricity supplier (as defined in 69-3-2003, MCA)
- Utility company (as defined in 69-5-102, MCA)
- Owner of an electrical generation facility operating in Montana

6. Electric energy credit purchase/sales price

Indicate whether the transaction was a sale or a purchase of electric energy credit

Indicate whether the sale or purchase was a part of a bundled/unbundled transaction

- 1) \$ 4091.86
- 2) \$ \_\_\_\_\_
- 3) \$ \_\_\_\_\_
- 4) \$ \_\_\_\_\_
- 5) \$ \_\_\_\_\_
- 6) \$ \_\_\_\_\_
- 7) \$ \_\_\_\_\_
- 8) \$ \_\_\_\_\_

- s/p
- s / p
- s / p
- s / p
- s / p
- s / p
- s / p
- s / p

- b/u
- b / u
- b / u
- b / u
- b / u
- b / u
- b / u
- b / u

Signature  Title Project Manager Phone 406-587-5086



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**Penalty.** If your report is not filed by the due date, an administrative penalty of \$1,500 will be assessed.

**Specific Instructions**

**Line 1.** Please provide your FEIN.

**Line 2.** If you are amending a prior year's report, place an "X" in the box provided.

**Line 3.** If your mailing address has changed, place an "X" in the box and print your new address in the space provided.

**Line 5.** Place an "X" in the box or boxes that describe your business entity.

**Line 6.** In the first column please insert the purchase or sales price of the renewable energy credit. In the second column please circle either "s" or "p" to indicate whether the renewable energy credit was a sale (s) or a purchase (p) by the filer. In the third column please circle "b" to indicate that the sales or the purchase of the renewable energy credit was bundled or part of a transaction that included the selling or purchasing of electrical energy. If the sale or the purchase was not part of a bundled transaction, circle "u" to establish that the transaction was unbundled or not part of a bundled transaction.

**Renewable Energy Credit Report**

Renewable energy credits purchased and/or sold January 1, 2013 through December 31, 2013

Name Flint Creek Hydroelectric, LLC

1. FEIN/SSN 46-2277737

Address 825 W Rocky Creek Rd

2.  If this is an amended report, place an "X" in the box.

Address \_\_\_\_\_

3.  If your address has changed, place an "X" in the box and print your new address here

City Bozeman

State MT Zip 59715

5. Place an "X" in the box(es) that describes your entity

- Competitive electricity supplier (as defined in 69-3-2003, MCA)
- Utility company (as defined in 69-5-102, MCA)
- Owner of an electrical generation facility operating in Montana

6. Electric energy credit purchase/sales price

- 1) \$ 51,084.94
- 2) \$ \_\_\_\_\_
- 3) \$ \_\_\_\_\_
- 4) \$ \_\_\_\_\_
- 5) \$ \_\_\_\_\_
- 6) \$ \_\_\_\_\_
- 7) \$ \_\_\_\_\_
- 8) \$ \_\_\_\_\_

Indicate whether the transaction was a sale or a purchase of electric energy credit

- s/p
- s/p
- s/p
- s/p
- s/p
- s/p
- s/p
- s/p

Indicate whether the sale or purchase was a part of a bundled/unbundled transaction

- b/u
- b/u
- b/u
- b/u
- b/u
- b/u
- b/u
- b/u

Signature  Title Project Manager Phone 406-587-5086



**FORM EREC INSTRUCTIONS – Renewable Energy Credit Report**

These instructions are to help you prepare your return. If you have questions about the Renewable Energy Credit Report, please call us toll-free at (866) 859-2254, in Helena at 444-6900, or visit our website at [revenue.mt.gov](http://revenue.mt.gov) for detailed instructions.

**When and where to file.** Your renewable energy credit report is due March 1 for the previous full calendar year.

Please mail your report to Montana Department of Revenue, PO Box 5835, Helena, MT 59604-5835.

**Penalty.** If your report is not filed by the due date, an administrative penalty of \$1,500 will be assessed.

**Specific Instructions**

**Line 1.** Please provide your FEIN.

**Line 2.** If you are amending a prior year's report, place an "X" in the box provided.

**Line 3.** If your mailing address has changed, place an "X" in the box and print your new address in the space provided.

**Line 5.** Place an "X" in the box or boxes that describe your business entity.

**Line 6.** In the first column please insert the purchase or sales price of the renewable energy credit. In the second column please circle either "s" or "p" to indicate whether the renewable energy credit was a sale (s) or a purchase (p) by the filer. In the third column please circle "b" to indicate that the sales or the purchase of the renewable energy credit was bundled or part of a transaction that included the selling or purchasing of electrical energy. If the sale or the purchase was not part of a bundled transaction, circle "u" to establish that the transaction was unbundled or not part of a bundled transaction.

**Renewable Energy Credit Report**

Renewable energy credits purchased and/or sold January 1, 2013 through December 31, 2013

Name Gordon Butte Wind, LLC

1. FEIN/SSN 27-4785429

Address 3424 Hwy 12 East

2.  If this is an amended report, place an "X" in the box.

Address \_\_\_\_\_

3.  If your address has changed, place an "X" in the box and print your new address here

City Helena

State MT Zip 59601

5. Place an "X" in the box(es) that describes your entity

- Competitive electricity supplier (as defined in 69-3-2003, MCA)
- Utility company (as defined in 69-5-102, MCA)
- Owner of an electrical generation facility operating in Montana

6. Electric energy credit purchase/sales price

- 1) \$ 0
- 2) \$ \_\_\_\_\_
- 3) \$ \_\_\_\_\_
- 4) \$ \_\_\_\_\_
- 5) \$ \_\_\_\_\_
- 6) \$ \_\_\_\_\_
- 7) \$ \_\_\_\_\_
- 8) \$ \_\_\_\_\_

Indicate whether the transaction was a sale or a purchase of electric energy credit

- s / p
- s / p
- s / p
- s / p
- s / p
- s / p
- s / p
- s / p

Indicate whether the sale or purchase was a part of a bundled/ unbundled transaction

- (b) u
- b / u
- b / u
- b / u
- b / u
- b / u
- b / u
- b / u

Signature [Signature]

Title Member/Manager

Phone 406-586-8440

**Trasky, Russ**

---

**From:** Bryan Rogan <brogan@oversightresources.com>  
**Sent:** Thursday, February 06, 2014 12:18 PM  
**To:** Trasky, Russ  
**Cc:** McKeon, Jim  
**Subject:** Re: Gordon Butte Wind - Renewable Energy Credit Report  
**Attachments:** Dept of Rev REC Report.pdf

Hi Russ,

Attached is the REC Report. Below is language from our PPA contract with Northwestern explaining the disposition of the REC's from our project.

Article 5 Special Terms and Conditions

"5.2 Northwestern shall have the right to and shall receive all of the Environmental Attributes created or granted as a result of the operation of the Facility. Seller hereby waives all rights, title and claims to any of the Environmental Attributes".

Article 1 Definitions

"1.10 Environmental Attributes: Any credits, credit certificates, rights, powers, privileges or similar items such as those for greenhouse gas reduction, green certificates or the generation of green power or renewable energy, or for satisfying renewable portfolio standards or similar renewable energy mandates, or offsets of emissions of greenhouse gases, in each case created by any governmental agency and/or independent certification board or group generally recognized in the electric power generation industry, and generated by or associated with the Facility. The term "Environmental Attributes" does not include any federal, state, or local incentive or production tax attributes or other non-environmental benefits".

Please let me know if you need anything else.

Thanks,

Bryan Rogan  
Gordon Butte Wind, LLC  
1087 Stoneridge Drive, Suite 2E  
Bozeman, MT 59718  
[brogan@oversightresources.com](mailto:brogan@oversightresources.com)  
Office: 406-586-8440

**From:** "Trasky, Russ" <rtrasky@mt.gov>  
**Date:** Tuesday, February 4, 2014 3:26 PM  
**To:** Bryan Rogan <brogan@oversightresources.com>  
**Cc:** "McKeon, Jim" <jmckeon@mt.gov>  
**Subject:** RE: Gordon Butte Wind - Renewable Energy Credit Report

Hi Bryan

Thanks for letting me know of your unique situation. Unfortunately, I am not familiar with your arrangement with Northwestern Energy. Would you kindly file a return reporting "zero" and attach a statement to the return similar to your statement below. Thanks for your patience.

Russ Trasky  
Montana Dept of Revenue  
406-444-0756

Appendix I  
**From:** Bryan Rogan [mailto:[brogan@oversightresources.com](mailto:brogan@oversightresources.com)]  
**Sent:** Wednesday, January 29, 2014 2:00 PM  
**To:** Trasky, Russ  
**Subject:** Gordon Butte Wind - Renewable Energy Credit Report

Hi Russ,

Per my inquiry, I received the letter regarding the filing of the Renewable Energy Credit Report and I am unsure as to whether or not I need to file this report. We sell our power generation to Northwestern Energy, and per our contract the renewable energy credits that are produced from the project are conveyed to Northwestern. This means there is not a dollar amount associated with the REC's, Northwestern simply pays us for the generation and they receive the REC's for no additional cost.

Can you please confirm whether or not we would still be required to file the REC Report?

Thank you,  
Bryan Rogan  
Gordon Butte Wind, LLC  
1087 Stoneridge Drive, Suite 2E  
Bozeman, MT 59718  
[brogan@oversightresources.com](mailto:brogan@oversightresources.com)  
Office: 406-586-8440



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FEB 06 2014

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FEB 04 2014 B

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MONTANA EREC Rev 08 11

BTV

FORM EREC INSTRUCTIONS - Renewable Energy Credit Report

These instructions are to help you prepare your return. If you have questions about the Renewable Energy Credit Report, please call us toll-free at (866) 859-2254, in Helena at 444-6900, or visit our website at revenue.mt.gov for detailed instructions.

When and where to file. Your renewable energy credit report is due March 1 for the previous full calendar year.

Please mail your report to Montana Department of Revenue, PO Box 5835, Helena, MT 59604-5835.

Penalty. If your report is not filed by the due date, an administrative penalty of \$1,500 will be assessed.

Specific Instructions

Line 1. Please provide your FEIN.

Line 2. If you are amending a prior year's report, place an "X" in the box provided.

Line 3. If your mailing address has changed, place an "X" in the box and print your new address in the space provided.

Line 5. Place an "X" in the box or boxes that describe your business entity.

Line 6. In the first column please insert the purchase or sales price of the renewable energy credit. In the second column please circle either "s" or "p" to indicate whether the renewable energy credit was a sale (s) or a purchase (p) by the filer. In the third column please circle "b" to indicate that the sales or the purchase of the renewable energy credit was bundled or part of a transaction that included the selling or purchasing of electrical energy. If the sale or the purchase was not part of a bundled transaction, circle "u" to establish that the transaction was unbundled or not part of a bundled transaction.

Renewable Energy Credit Report

Renewable energy credits purchased and/or sold January 1, 2013 through December 31, 2013

Name Tiber Montana LLC

Address 5203 South 11th East

Address

City Idaho Falls

State Idaho Zip 83404

1. FEIN/SSN 82-0531197

2. [ ] If this is an amended report, place an "X" in the box.

3. [ ] If your address has changed, place an "X" in the box and print your new address here

5. Place an "X" in the box(es) that describes your entity

- [ ] Competitive electricity supplier (as defined in 69-3-2003, MCA)
[ ] Utility company (as defined in 69-5-102, MCA)
[ ] Owner of an electrical generation facility operating in Montana

6. Electric energy credit purchase/sales price

Indicate whether the transaction was a sale or a purchase of electric energy credit

Indicate whether the sale or purchase was a part of a bundled/unbundled transaction

- 1) \$
2) \$
3) \$
4) \$
5) \$
6) \$
7) \$
8) \$

- s/p
s/p
s/p
s/p
s/p
s/p
s/p
s/p

- b/u
b/u
b/u
b/u
b/u
b/u
b/u
b/u

Signature [Signature] Title [Signature] Phone 208-529-2469





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MONTANA EREC Rev 08 11

FORM EREC INSTRUCTIONS - Renewable Energy Credit Report

These instructions are to help you prepare your return. If you have questions about the Renewable Energy Credit Report, please call us toll-free at (866) 859-2254, in Helena at 444-6900, or visit our website at revenue.mt.gov for detailed instructions.

When and where to file. Your renewable energy credit report is due March 1 for the previous full calendar year.

Please mail your report to Montana Department of Revenue, PO Box 5835, Helena, MT 59604-5835.

Penalty. If your report is not filed by the due date, an administrative penalty of \$1,500 will be assessed.

Specific Instructions

Line 1. Please provide your FEIN.

Line 2. If you are amending a prior year's report, place an "X" in the box provided.

Line 3. If your mailing address has changed, place an "X" in the box and print your new address in the space provided.

Line 5. Place an "X" in the box or boxes that describe your business entity.

Line 6. In the first column please insert the purchase or sales price of the renewable energy credit. In the second column please circle either "s" or "p" to indicate whether the renewable energy credit was a sale (s) or a purchase (p) by the filer. In the third column please circle "b" to indicate that the sales or the purchase of the renewable energy credit was bundled or part of a transaction that included the selling or purchasing of electrical energy. If the sale or the purchase was not part of a bundled transaction, circle "u" to establish that the transaction was unbundled or not part of a bundled transaction.

Renewable Energy Credit Report

Renewable energy credits purchased and/or sold January 1, 2013 through December 31, 2013

Name Turnbull Hydro LLC

1. FEIN/SSN 26-0334292

Address 5203 South 11th East

2. [ ] If this is an amended report, place an "X" in the box.

Address

3. [ ] If your address has changed, place an "X" in the box and print your new address here

City Idaho Falls

State Idaho Zip 83404

- 5. Place an "X" in the box(es) that describes your entity
[ ] Competitive electricity supplier (as defined in 69-3-2003, MCA)
[ ] Utility company (as defined in 69-5-102, MCA)
[X] Owner of an electrical generation facility operating in Montana

Table with 3 columns: Electric energy credit purchase/sales price, Indicate whether the transaction was a sale or a purchase of electric energy credit, Indicate whether the sale or purchase was a part of a bundled/unbundled transaction. Rows 1-8.

Signature [Signature] Title [Signature] Phone 208-529-2469



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**FORM EREC INSTRUCTIONS – Renewable Energy Credit Report**

These instructions are to help you prepare your return. If you have questions about the Renewable Energy Credit Report, please call us toll-free at (866) 859-2254, in Helena at 444-6900, or visit our website at *revenue.mt.gov* for detailed instructions.

**When and where to file.** Your renewable energy credit report is due March 1 for the previous full calendar year.

Please mail your report to Montana Department of Revenue, PO Box 5835, Helena, MT 59604-5835.

**Penalty.** If your report is not filed by the due date, an administrative penalty of \$1,500 will be assessed.

**Specific Instructions**

**Line 1.** Please provide your FEIN.

**Line 2.** If you are amending a prior year's report, place an "X" in the box provided.

**Line 3.** If your mailing address has changed, place an "X" in the box and print your new address in the space provided.

**Line 5.** Place an "X" in the box or boxes that describe your business entity.

**Line 6.** In the first column please insert the purchase or sales price of the renewable energy credit. In the second column please circle either "s" or "p" to indicate whether the renewable energy credit was a sale (s) or a purchase (p) by the filer. In the third column please circle "b" to indicate that the sales or the purchase of the renewable energy credit was bundled or part of a transaction that included the selling or purchasing of electrical energy. If the sale or the purchase was not part of a bundled transaction, circle "u" to establish that the transaction was unbundled or not part of a bundled transaction.

DEPARTMENT OF REVENUE

JAN 27 2014

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**Renewable Energy Credit Report**

Renewable energy credits purchased and/or sold January 1, 2013 through December 31, 2013

Name Lower South Fork, LLC  
 Address 825 W Rocky Creek Rd  
 Address \_\_\_\_\_  
 City Bozeman  
 State MT Zip 59715

1. FEIN/SSN 46-0962914
2.  If this is an amended report, place an "X" in the box.
3.  If your address has changed, place an "X" in the box and print your new address here

5. Place an "X" in the box(es) that describes your entity
- Competitive electricity supplier (as defined in 69-3-2003, MCA)
- Utility company (as defined in 69-5-102, MCA)
- Owner of an electrical generation facility operating in Montana

6. Electric energy credit purchase/sales price	Indicate whether the transaction was a sale or a purchase of electric energy credit	Indicate whether the sale or purchase was a part of a bundled/unbundled transaction
1) \$ <u>4091.86</u>	<u>s/p</u>	<u>b/u</u>
2) \$ _____	s/p	b/u
3) \$ _____	s/p	b/u
4) \$ _____	s/p	b/u
5) \$ _____	s/p	b/u
6) \$ _____	s/p	b/u
7) \$ _____	s/p	b/u
8) \$ _____	s/p	b/u

Signature *[Signature]* SINGER Title Project Manager Phone 406-587-5086



**Chuck Loomis**

Vice President of Energy Asset Optimization and Resource Planning  
Chuck.Loomis@blackhillscorp.com

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MAR 04 2014

DIRECTOR'S OFFICE

625 Ninth Street  
Rapid City, SD 57701  
P: 605.721.1162  
F: 605.721.2567

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MAR 06 2014

BTV

February 27, 2014

Mike Kadas  
Montana Department of Revenue  
Business and Income Tax Division  
P.O. Box 5805  
Helena, MT 59604-5805

Re: 2013 Renewable Energy Credit Report

Dear Mr. Kadas:

In accordance with Section 69-3-2004, Black Hills Power, Inc. (BHP) is not required to establish a graduated renewable energy standard per subsection (13) because the utility serves less than 50 retail customers in Montana.

Act SB0052 Section 1.(i) requires a public utility that buys or sells renewable energy credits for the purposes of complying with 69-3-2004 to annually file a renewable energy credit report. Because BHP is exempt from Section 69-3-2004 the enclosed 2013 Renewable Energy Credit Report reflects this exemption.

If you have any questions, please feel free to contact me.

Sincerely,

A handwritten signature in blue ink that reads 'Chuck Loomis'.

Chuck Loomis  
Vice President, Energy Asset Optimization and Resource Planning

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MAR 06 2014

**Renewable Energy Credit Report**

**BTV**


Renewable energy credits purchases and/or sold January 1, 2013 through December 31, 2013.

Name Black Hills Power, Inc. 1 FEIN 46-0111677  
 Address 625 Ninth Street 2  If this is an amended report, place an "X" in the box.  
 3  If your address has changed, place an "X" in the box and  
 City Rapid City, SD print your new address here  
 State South Dakota Zip 57701

5. Place an "X" in the box(es) that describes your entity

<input type="checkbox"/>	Competitive electricity supplier (as defined in 69-3-2003, MCA)
<input checked="" type="checkbox"/>	Utility company (as defined in 69-5-102, MCA)
<input type="checkbox"/>	Owner of an electrical generation facility operating in Montana

6. Electric energy credit purchase/sales price	Indicate whether the transaction was a sale or purchase of electric energy credit	Indicate whether the sale or purchase was a part of a bundled/unbundled transaction
1) <u>N/A</u>	<u>N/A</u>	<u>N/A</u>
2) _____		

Signature  Title Vice President of Energy Asset Optimization and Resource Planning Phone 605-721-1162  
 Chuck Loomis  
 chuck.loomis@blackhillscorp.com  
 Fax: 605-721-2567

## Renewable Energy Credit Report

Use Form EREC to report your renewable energy credits that you purchased or sold during the calendar year. This report is due annually to the Department of Revenue on or before March 1st of each calendar year.

Name \_\_\_\_\_ 1. FEIN

Address \_\_\_\_\_ 2. Calendar year ending   /   /

Address \_\_\_\_\_ 3. If this is an amended report, check here

City \_\_\_\_\_ 4. If your address has changed, check this box

State \_\_\_\_\_ Zip \_\_\_\_\_

5. If your business does not, and will not in the future, purchase or sell renewable energy credits, check here. We will remove your business from our mailing list.

6. Types of entities that are required to file Form EREC. Select the "type of entity" from the list below and enter the corresponding letter type in line 7, column (i) for each purchase or sale of renewable energy credits.

**If your purchases and sales meet more than one entity type, report each transaction separately.**

- A) Public utility that buys renewable energy credits for the purpose of complying with 69-3-2004, MCA
- B) Competitive electricity supplier that buys renewable energy credits for the purposes of complying with 69-3-2004, MCA
- C) Cooperative utility for purposes of complying with 69-3-2008, MCA
- D) Owner of a renewable electric generation facility located in Montana that sells renewable energy credits

7. Type of entity (Indicate A,B,C, or D) (i)	Renewable energy credits purchased or sold		Renewable energy credits purchased or sold in a bundled or unbundled transaction		Renewable energy credits purchased or sold (see instructions on how to report your value)	
	Purchased (ii)	Sold (iii)	Bundled (iv)	Unbundled (v)	Volume (vi)	Value (vii)
a) <input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	_____	_____
b) <input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	_____	_____
c) <input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	_____	_____
d) <input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	_____	_____
e) <input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	_____	_____
f) <input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	_____	_____

Signature \_\_\_\_\_ Title \_\_\_\_\_

Phone \_\_\_\_\_ Fax \_\_\_\_\_ Date \_\_\_\_\_

# FORM EREC INSTRUCTION – RENEWABLE ENERGY CREDIT REPORT

These instructions are to help you prepare your report. If you have questions about Montana's Renewable Energy Credit Report, please call us toll-free at (866) 859-2254; in Helena at 444-6900, or visit our website at *revenue.mt.gov* for detailed instructions.

## Filing Instructions

**When and where to file.** Your renewable energy credit is due on or before March 1st for the previous calendar year.

Please mail your original report to Montana Department of Revenue, PO Box 5835, Helena, MT 59604-5835.

**Penalty.** If your report is not filed by the due date, a penalty of \$1,500 will be assessed.

### Specific Instructions

**Lines 1 and 2.** Please provide your FEIN and period ending date.

**Line 3.** If you are amending a prior return, place an "X" in the box provided.

**Line 4.** If your mailing address has changed, place an "X" in the box and print your address in the space provided.

**Line 5.** If your business does not, and will not in the future, purchase or sell renewable energy credits, place an "X" in the box provided. Check this box only if your business is not required to file this report, and we sent it to you in error.

Do not place an "X" in this box if you are responsible for filing this form, but you did not purchase or sell renewable energy credits this calendar year reporting period.

**Line 6.** List of entity types that are required to complete Form EREC. If your entity purchases or sells renewable energy credits that meet one or more of the types listed below, report these transactions separately on line 7.

[For example, if your business is Entity Type A) a public utility that buys renewable energy credits and also Entity Type D) an owner of a renewable electric generation facility that sells renewable energy credits, complete line 7a, reporting the activity as a public utility and line 7b, reporting as an owner who sells renewable energy credits.]

**Line 7.** Report each renewable energy credit transaction separately indicating for each transaction if it was a purchase or sale of renewable energy and if the purchase or sale was within a bundled or unbundled transaction (line 7, columns i through v). Enter on line 7, column vi the number of credits bought or sold and in column vii, the price of these credits.

If your business buys or sells renewable energy credits in a market where the price of the credit is not publicly disclosed, you are not required to disclose the price in column vii, instead enter the market where these credits

were purchased or sold. See exceptions in 69-3-2010, MCA.

## Renewable Energy Frequently Asked Questions

### What is a renewable energy credit (REC)?

- A REC is a measure that acknowledges the production of energy from renewable energy sources has been generated and delivered onto the power grid.

### How are RECs created?

- A REC is created when 1 megawatt of power has been generated by renewable energy sources and delivered onto the power grid.

### What are some examples of sources of power that possibly qualify for RECs?

- Solar, wind, geothermal, hydro-power, and biomass

### What kind of information do RECs include?

- RECs generally include the following information:
  - The date the REC was created
  - The date the generator was built
  - The generator's location
  - The renewable generation's associated greenhouse gas emissions
  - The RECs eligibility for certification or renewable portfolio compliance

### Why are RECs created?

- RECs are created to memorialize or acknowledge that a certain amount of power delivered onto the power grid has come from renewable resources.

### Why recognize renewable energy sources introduced on the power grid?

- It is important to recognize the amount of power generated and delivered onto the power grid because of Montana's Renewable Portfolio Standards (RPS). The state RPS requires that a percentage of some entity's electricity generation come from renewable resources. RECs identify the amount of renewable energy produced.

### Why are RECs bought and sold?

- Generally, RECs are bought and sold so that utilities and competitive electricity suppliers can meet their RPS requirements.

## **Rate Impacts of the Montana Renewable Portfolio Standard (RPS) and Community Renewable Energy Project (CREP) Requirements**

Prepared by Larry Nordell and Jaime Stamatson, MCC Staff

### **Background**

The Renewable Power Production and Rural Economic Development Act (69-3-20, MCA) was enacted on April 2005 and went into effect on June 2006. It includes both a Renewable Portfolio Standard (RPS) component (a percentage of retail sales that must be met with “eligible renewable resources,” new resources meeting certain size and energy source requirements) and a Community Renewable Energy Project (CREP) component (projects that are locally or utility owned with a nameplate capacity of 25 MW or less) that public utilities and competitive electric suppliers must satisfy. The RPS component is as follows:

January 1, 2008 through December 31, 2009: 5% of retail sales.

January 1, 2010 through December 31, 2014: 10% of retail sales.

January 1, 2015 and each succeeding compliance year: 15% of retail sales.

Beginning January 1, 2012, as part of the compliance with the RPS, public utilities must also purchase at least 50 MW in CREP nameplate capacity, increasing to 75 MW on January 1, 2015. This total number is allocated proportionally among public utilities based on their respective retail sales and both the energy and associated Renewable Energy Credits (RECs) included in CREPs. NorthWestern’s share of the statewide CREP requirement is 44MW; MDU is responsible for 5.6MW.

### **Role of Qualifying Facilities (QFs)**

The Public Utility Regulatory Policies Act (PURPA) (1978) established a class of generators that receive favorable rate and regulatory treatment. These facilities are either small power production facilities or cogeneration facilities.

Small power production facilities are generally 80 MW or less and are primarily fueled by renewable, biomass, waste, or geothermal resources. Cogeneration facilities are facilities that produce electricity and a useful form of thermal energy in a way that is more efficient than just the production of electricity or thermal energy alone. There is no size limit on eligible cogeneration facilities.

Under PURPA, utilities must purchase the energy produced by QFs in one of two ways. If the QF is below a certain threshold (100 kW or less under Federal law, 3 MW or less currently under Montana Public Service Commission rule A.R.M. 38-5-1902) it must be offered a standard rate equal to a utility’s avoided cost. If the QF is above the threshold, then utilities only have to purchase energy from them if the QF is selected as the winner through a competitive solicitation process.

QFs generally count towards the RPS and the CREP standard because they are usually renewable and often locally owned. They are also often below the size threshold (currently 3 MW, but formerly 10 MW) that allows them to take advantage of the standard offer rate which forces utilities to purchase energy from them at avoided cost. Therefore, any analysis of rate impacts that are attributable to the RPS and the CREP standard must account for QFs and remove them from the impact because even though they may help satisfy the RPS and CREP standards, Federal law requires Montana utilities to purchase from them if they fall below the 3 MW threshold. However, for QF contracts signed after the effective date of Order D2010.7.77, RECs must be purchased separately from the QF power output and any RECs purchased from QFs used for compliance with the RPS must be attributed to the RPS.

## Regulation

Wind resources tend to be highly variable and create challenges for NorthWestern in meeting mandatory reliability standards set by the North American Electric Reliability Corporation (NERC) and enforced by the Federal Energy Regulatory Commission (FERC). Meeting those standards requires regulation service to offset the fluctuations in wind production. Before Dave Gates Generating Station (DGGS) was built, NorthWestern bought regulation service from third party providers. Since the plant has been in service it has been the main, if not sole provider of regulation service for NorthWestern.

For MDU, regulation is provided by Midcontinent Independent System Operator (MISO).

## NorthWestern Energy (NWE)

In a January 2014 response to an ETIC Survey for Utilities and Suppliers, NWE stated that it used the following resources to comply with the RPS:

Judith Gap: 135 MW

Gordon Butte: 9.6 MW

Turnbull: 13 MW

Spion Kop: 40 MW

Flint Creek: 2 MW

Lower South Fork: 0.5 MW

Additionally, the Company stated Gordon Butte, Flint Creek, and Lower South Fork were used to comply with the CREP requirement.

### Analysis of Resources Used For Compliance

**Judith Gap:** Judith Gap is a wind powered generation facility with a 135 MW nameplate capacity. This windfarm pre-dates the RPS (construction started 1/1/2005 and went into service 2/16/2006) but is used to comply with it. There is no evidence in testimony or orders in the preapproval filing (Docket No.



D2005.2.14) that this facility was approved with any thought of a future RPS in Montana so it cannot be directly attributed to the RPS.

**Gordon Butte:** Gordon Butte is a windfarm with a 9.6 MW nameplate capacity and an in-service date of 1/3/2012. This facility is both RPS and CREP compliant but it is also a QF and the developer is paid under the standard offer QF-1 rate that was available at the time that included RECs. Therefore, RPS and CREP compliance are ancillary benefits NWE receives because the Company is required to purchase energy from it under PURPA. (Note that in the absence of a Montana RPS, the RECs generated by bundled QFs could be sold off-system. These opportunity costs are not counted in this analysis.)

**Turnbull:** Turnbull is a hydroelectric facility with a 13 MW nameplate capacity and an in-service date of 7/15/2011. This facility is both RPS and CREP compliant and NWE states that they procured Turnbull via a competitive bid for CREP resources.

**Spion Kop:** Spion Kop is a windfarm with a 40 MW nameplate capacity and an in-service date of 12/1/2012. (Full production began the previous month.) It is owned by NWE and was purchased at a capacity cost of \$1947/kW. It is used to comply with the RPS and it is reasonable to conclude that it was built for compliance based on testimony (Docket No. D2011.5.41).

**Flint Creek:** Flint creek is a hydroelectric facility with a 2 MW nameplate capacity and an in-service date of 3/14/2013. This facility is both RPS and CREP compliant but energy is purchased from it based on the QF-1, Option 1(a) tariff rate. NWE would be required to purchase its output in the absence of both RPS and CREP legislation. RECs do not come bundled with the electricity but are purchased separately. Therefore associated REC costs are attributable to the RPS and CREP standard.

**Lower South Fork:** Lower South Fork is a hydroelectric facility with a 0.5 MW nameplate capacity and an in-service date of 8/14/2012. This facility is both RPS and CREP compliant but energy is purchase based on the QF-1, Option 1(a) tariff rate. NWE would be required to purchase its output in the absence of both RPS and CREP legislation. RECs do not come bundled with the electricity; so associated REC costs are attributable to the RPS and CREP standard.

**Musselshell:** Musselshell is a wind facility with a 20 MW nameplate capacity and an in service date of 1/1/2013. This facility is RPS compliant but it is a Qualifying Facility with energy purchased under the old REC-bundled QF rate option at \$69.21/MWh. It was not used to meet the RPS standard during the period studied in this report (through the 2012-13 Tracking Year).

ETIC has requested that MCC estimate the costs, if any, to ratepayers that are attributable to the RPS and CREP standards. MCC's analyses are constrained by the availability of data. Estimation of the costs to ratepayers requires assumptions about what resources would have been purchased, and the cost of those resources, in lieu of those acquired for the purpose of meeting the RPS and CREP standards. For example, one possible assumption could be that the utility's avoided cost is a measure of the costs that would have been incurred. For QF resources this means the only additional costs would be the costs of RECs purchased separately. For non-QF resources the additional costs would be the difference between the relevant QF rate and the cost actually paid, plus regulation costs if appropriate, plus the costs of

RECs purchased separately, also if appropriate. An alternate assumption could be that the power provided by the CREP and RPS resources would have been purchased in the spot market. A third alternative is that the power would have been purchased at a cost similar to that of other assumed long term resources. Another alternative could be a weighted average of the long term and spot market costs.

NorthWestern's non-QF RPS and CREP resources are Judith Gap, Spion Kop, and Turnbull Hydro. Judith Gap's cost is considerably lower than the QF rate. When NorthWestern built the DGGs plant for regulation it assigned wind the incremental capital costs of the plant above that needed for regulation of load and transmission customers, in the range of \$13 per MWh of wind. Even adding this value for regulation the total cost of Judith Gap is below avoided cost. Spion Kop, including current estimates for the cost of regulation, is \$45.22, also well below avoided cost. Turnbull Hydro's cost is \$65.75; regulation is not an issue for hydro plants. Because this rate is below the average avoided cost (75.26) for peak months of July and August, when most of Turnbull's production arises, Turnbull has lower overall costs than the avoided cost alternative. Therefore the net impact of CREP and RPS to ratepayers, when measured by the avoided cost example would be negative.

The following analyses compare the cost to ratepayers of the CREP and RPS resources using the spot market and the weighted average spot and long term contract cost alternatives.

#### **Analysis of Rate Impacts Pre 2012-2013 Tracker Year**

For the first several years of the RPS requirement, through the 2009-2010 tracking year, the Judith Gap plant provided sufficient RECs for NorthWestern's full requirement for RECs. Because the Judith Gap facility was purchased at such an advantageous rate before the imposition of RPS, for this period no additional costs were placed on ratepayers by the RPS requirement. Therefore, our analysis begins with the 2010-2011 tracking year.

Rate impacts were determined by analyzing the change in supply rates in NWE's Annual Electric Tracker filings by removing the resources directly attributable to the RPS and replacing them with either (a) market purchases or (b) a 50/50 mix of market purchases and long-term contracts. This allows us to compare the change in costs (under the two assumptions about alternative resources) that can be directly attributed to the RPS. As noted above, different assumptions could be used and different impacts would be derived.

NWE Annual Electric Tracker filings were analyzed from the beginning of the implementation of the RPS up to the point that the last actual tracker information was present, in this analysis the 2011-2012 tracker year. Beyond the 2011-2012 tracker year there currently is no actual production and cost information filed (the 2012-2013 tracker filing is expected in May, 2014). This analysis only looks at the rate impact of Turnbull and leaves out any rate impact of Spion Kop, Flint Creek, Lower South Fork, or Musselshell, because they were not in operation during that period.

### Market Replacement

	Jul-10	Aug-10	Sep-10	Oct-10	Nov-10	Dec-10	Jan-11	Feb-11	Mar-11	Apr-11	May-11	Jun-11	Average
Total delivered cost (\$/MWh)	\$43.5349	\$40.5213	\$38.7577	\$38.5227	\$38.7338	\$40.3214	\$31.8041	\$32.3079	\$30.4854	\$37.7652	\$35.0958	\$36.4529	\$36.9442
Total delivered cost w/o Turnbull	\$43.5349	\$40.5213	\$38.7577	\$38.5227	\$38.7338	\$40.3214	\$31.8041	\$32.3079	\$30.4854	\$37.7652	\$35.0958	\$36.3375	\$36.9361
% change w/o Turnbull	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	-0.32%	-0.02%
	Jul-10	Aug-10	Sep-10	Oct-10	Nov-10	Dec-10	Jan-11	Feb-11	Mar-11	Apr-11	May-11	Jun-11	Total
Total delivered cost	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$61,672.65
Total delivered cost w/o Turnbull	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$9,207.34
Difference in Cost w/o Turnbull	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	-\$52,465.31
	Jul-11	Aug-11	Sep-11	Oct-11	Nov-11	Dec-11	Jan-12	Feb-12	Mar-12	Apr-12	May-12	Jun-12	Average
Total delivered cost (\$/MWh)	\$33.7801	\$31.9969	\$32.8019	\$33.8572	\$35.7915	\$32.7086	\$34.1850	\$32.3373	\$33.8536	\$37.0074	\$42.2958	\$32.4703	\$34.3349
Total delivered cost w/o Turnbull	\$33.1601	\$31.3626	\$32.3353	\$33.9075	\$35.7915	\$32.7086	\$34.1850	\$32.3373	\$33.8536	\$37.0074	\$41.7021	\$31.5114	\$34.0643
% change w/o Turnbull	-1.84%	-1.98%	-1.42%	0.15%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	-1.40%	-2.95%	-0.79%
	Jul-11	Aug-11	Sep-11	Oct-11	Nov-11	Dec-11	Jan-12	Feb-12	Mar-12	Apr-12	May-12	Jun-12	Total
Total delivered cost	\$445,335.75	\$519,807.80	\$381,248.57	\$55,581.84	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$315,218.62	\$559,493.45	\$2,276,686.03
Total delivered cost w/o Turnbull	\$92,371.47	\$130,550.78	\$149,187.91	\$79,726.85	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$14,210.42	\$43,588.12	\$509,635.55
Difference in Cost w/o Turnbull	-\$352,964.28	-\$389,257.02	-\$232,060.66	\$24,145.01	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	-\$301,008.20	-\$515,905.33	-\$1,767,050.48

### 50/50 Market/Long-Term

	Jul-10	Aug-10	Sep-10	Oct-10	Nov-10	Dec-10	Jan-11	Feb-11	Mar-11	Apr-11	May-11	Jun-11	Average
Total delivered cost (\$/MWh)	\$43.5349	\$40.5213	\$38.7577	\$38.5227	\$38.7338	\$40.3214	\$31.8041	\$32.3079	\$30.4854	\$37.7652	\$35.0958	\$36.4529	\$36.9442
Total delivered cost w/o Turnbull	\$43.5349	\$40.5213	\$38.7577	\$38.5227	\$38.7338	\$40.3214	\$31.8041	\$32.3079	\$30.4854	\$37.7652	\$35.0958	\$36.3428	\$36.9365
% change w/o Turnbull	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	-0.30%	-0.02%
	Jul-10	Aug-10	Sep-10	Oct-10	Nov-10	Dec-10	Jan-11	Feb-11	Mar-11	Apr-11	May-11	Jun-11	Total
Total delivered cost	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$61,672.65
Total delivered cost w/o Turnbull	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$11,628.00
Difference in Cost w/o Turnbull	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	-\$50,044.65
	Jul-11	Aug-11	Sep-11	Oct-11	Nov-11	Dec-11	Jan-12	Feb-12	Mar-12	Apr-12	May-12	Jun-12	Average
Total delivered cost (\$/MWh)	\$33.7801	\$31.9969	\$32.8019	\$33.8572	\$35.7915	\$32.7086	\$34.1850	\$32.3373	\$33.8536	\$37.0074	\$42.2958	\$32.4703	\$34.3349
Total delivered cost w/o Turnbull	\$33.2770	\$31.5110	\$32.4673	\$33.8365	\$35.7915	\$32.7086	\$34.1850	\$32.3373	\$33.8536	\$37.0074	\$41.8175	\$31.7560	\$34.1224
% change w/o Turnbull	-1.49%	-1.52%	-1.02%	-0.06%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	-1.13%	-2.20%	-0.62%
	Jul-11	Aug-11	Sep-11	Oct-11	Nov-11	Dec-11	Jan-12	Feb-12	Mar-12	Apr-12	May-12	Jun-12	Total
Total delivered cost	\$445,335.75	\$519,807.80	\$381,248.57	\$55,581.84	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$315,218.62	\$559,493.45	\$2,276,686.03
Total delivered cost w/o Turnbull	\$158,940.42	\$221,608.14	\$214,825.96	\$45,638.43	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$72,734.39	\$175,211.77	\$888,959.10
Difference in Cost w/o Turnbull	-\$286,395.33	-\$298,199.66	-\$166,422.61	-\$9,943.41	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	-\$242,484.23	-\$384,281.68	-\$1,387,726.93

### Regulation and Other Costs of Wind Resources

We do not have an unambiguous estimate of the cost of regulation from DGGS. NorthWestern’s original estimate was approximately \$13 per MWh of wind; this estimate charged load and transmission regulation with almost all the capital costs of DGGS and treated wind as an incremental user of regulation services. A fully allocated cost of regulation from DGGS would be much higher. FERC’s decisions on how much transmission customers may be charged has created additional uncertainty over who will be responsible for resulting shortfalls in cost recovery. More recently, based on sunk costs of

DGGS, NWE testimony in the Spion Kop docket estimated incremental regulation costs for that resource as less than \$1.30 per MWh (based upon a 39% capacity factor for Spion Kop and increased operating costs at DGGS equal to \$.03 per MWh of utility load); the Commission evaluated alternate leveled regulation costs as high as \$4.32. Further uncertainty comes from both FERC and the Genivar study with regard to how much regulation service is necessary to accommodate wind, and therefore how much wind NorthWestern can integrate on its system before having to expand its regulating resource capability. For this analysis we will accept NorthWestern's Spion Kop value of \$1.30 for the current incremental operating costs that would be associated with the presence or absence of RPS and CREP resources.

NorthWestern indicates that its imbalance costs have risen as the reliance on wind has increased. Total utility imbalance costs are now in the neighborhood of \$5.5 million per year; however neither we nor NorthWestern have any estimate of either an allocation of these annual costs to wind and other sources of imbalance or of the marginal imbalance costs associated with additional MW of installed wind on NorthWestern's system. There are also minor additional costs directly attributable to wind, such as the cost of participating in the Western Renewable Energy Generation Information System (WREGIS) used for tracking RECs in the Western Interconnection, and for the installation and operation of meteorological towers for purposes of wind forecasting. These costs have not been included here but would likely lead to a small increase in the estimated cost to ratepayers of the RPS and CREP standards.

#### **Post 2011-2012 Tracker Year**

Post 2011-2012 Electric Tracker data is not yet available. Therefore, we cannot conduct an identical impact analysis in supply rates. Rather we estimate the impact using REC purchases, QF contract or PPA contract prices, and estimated regulation costs to calculate the resource cost, and either a 50-50 mix of Mid-C prices and a surrogate measure of long term contracts calculated from the median ratio of long term to market in the 2010-2011 and 2011-2012 tracker years, or spot market purchases as the surrogate for the cost of power that would have been purchased in the absence of the CREP and RPS requirements<sup>1</sup>. As discussed previously, an alternate assumption which values the surrogate cost of power at NorthWestern's avoided cost would result in negative costs to ratepayers for Spion Kop and Turnbull, offset only by the very modest cost of purchasing RECs from South Fork and Flint Creek. Our estimate of the ratepayer impacts is therefore bracketed by alternate assumptions about the cost of resources that would otherwise have been acquired.

**Turnbull Hydro:** The rate for electricity NWE pays for Turnbull is \$65.75/MWh, with RECs bundled. We estimate the additional costs to ratepayers, compared with the spot market alternative, at \$1,352,872

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<sup>1</sup> Also, we have assumed that purchases at Mid-C would be swapped for Colstrip power to avoid wheeling costs. If that option were not possible, wheeling charges of \$5 to \$8 per MWh would have to be added to the alternate power costs, also significantly reducing the estimated excess cost to ratepayers of the RPS.

for the 2012-13 Tracking Year. Using a 50/50 assumption for the alternate supply, we estimate the additional costs for Turnbull at \$1,020,813.

**Spion Kop:** We can estimate the costs for 2013 from the actual costs associated with the plant (\$6,217,339 fixed costs plus \$113,139 variable costs), and the actual production by month for calendar year 2013 (144,150 MWh). The resulting cost estimate for the first year of production is \$43.92/MWh. Regulation brings this estimate to \$45.22/MWh. We estimate additional costs attributable to the RPS, compared with the spot market alternative, to be \$2,739,714 for the 2012-13 Tracking Year. Using a 50/50 assumption for the alternate supply, we estimate the additional costs for Spion Kop at \$1,156,405.

**Flint Creek:** NWE purchases power from Flint Creek at a rate of \$90.87/MWh for high load hours and \$54.44/MWh for low load hours. (High load hours are 16 hours a day, 6 days a week during the months of December, January, February, July and August. Low load hours are all other hours during those months, and all hours during the other seven months.) RECs are purchased separately at a price of \$6.73. We estimate the additional cost associated with the RPS and CREP to be \$22,061 for the 2012-13 Tracking Year.

**Lower South Fork:** NWE purchases power from Lower South Fork under the QF-1 rate of \$90.87/MWh for high load hours and \$54.44/MWh for low load hours. RECs are purchased separately at a price of \$6.73. We estimate the additional cost associated with the RPS and CREP standards at \$6,232 for the 2012-13 Tracking Year.

**Musselshell Wind:** NWE purchases power from Musselshell under the old bundled-REC QF rate option of \$69.21/MWh. RECs are included. Because Musselshell Wind would still have to be acquired under PURPA if there were no RPS or CREP requirements, there are no additional costs to ratepayers associated with this facility.

## **Montana-Dakota Utilities (MDU)**

MDU serves loads in Montana, North Dakota and South Dakota, with loads split approximately 66 percent in North Dakota, 5 percent in South Dakota, and 29 percent in Montana. North Dakota and South Dakota each have legislation setting renewable goals for utilities to meet 10 percent of load within the state by “renewable, recycled or conserved” energy, but do not require the retirement of RECs to satisfy the goal.

MDU has acquired three wind generating facilities: Diamond Willow I and Diamond Willow II, in Montana, and Cedar Hills in North Dakota. All three generate RECs that are tracked by the Midwest Renewable Energy Tracking System (M-RETS).

**Diamond Willow 1:** Diamond Willow 1 is a windfarm with a nameplate capacity of 19.5 MW and an in-service date of 12/27/2007. This facility is both RPS and CREP compliant and is owned by MDU with a capacity cost of approximately \$2020/kW. MDU has stated that this facility was not constructed solely

to comply with the RPS, but instead as part of a broader resource plan that resulted from its Integrated Resource Planning process.

**Diamond Willow 2:** Diamond Willow 2 is a windfarm with a nameplate capacity of 10.5 MW and an in-service date of 6/16/2010. This facility is both RPS and CREP compliant and is owned by MDU with a capacity cost of approximately \$2419/kW. MDU has stated that this facility was not constructed solely to comply with the RPS, but instead as part of a broader resource plan that resulted from its Integrated Resource Planning process.

**Cedar Hills:** Cedar Hills is a windfarm with a nameplate capacity of 20 MW and an in-service date of 5/20/2010. This facility is both RPS and CREP compliant and is owned by MDU with a capacity cost of approximately \$2370/kW. MDU has stated that this facility was not constructed solely to comply with the RPS, but instead as part of a broader resource plan that resulted from its Integrated Resource Planning process.

These three facilities generate roughly 150-160,000 RECs per year. MDU has also acquired a small (7.5 MW) waste heat plant in North Dakota, not certified as an eligible renewable resource under Montana law. It is not used by MDU to meet Montana's standards, but it generates RECs under the rules of the M-RETS and is used to help meet the North Dakota and South Dakota renewable goals. MDU's Montana load is approximately 750,000 MWh, requiring roughly 75,000 RECs. The remainder of the wind RECs are available for carryover for up to two years to meet future Montana REC needs, or are sold (together with those generated by the waste heat plant) and the proceeds credited to customers in North Dakota and South Dakota. The generation associated with the excess RECs, together with that of the waste heat plant and conserved energy, is used to demonstrate compliance with North Dakota and South Dakota "renewable, recycled or conserved" energy goals.

MDU does not separate out or track the annual costs of its individual generating resources. Accordingly it was not possible to estimate the cost of MDU's compliance with Montana RPS and CREP requirements and the difference in overall costs to ratepayers compared with the resources that might have been used to meet load in the absence of those requirements.

## Summary

The RPS and accompanying CREP legislation in Montana has had relatively minimal rate impact on NWE's customers. This is mainly due to the fact that almost all the resources that NWE uses to comply with both standards were either purchased before the implementation of the RPS (Judith Gap) or they are QFs that can take advantage of the Standard Offer Rate which NWE is required to extend to them under Federal law. QF resources that are contracted under legacy tariffs have RECs bundled, while QFs that are contracted under more recent tariffs do not have RECs bundled, so any costs related to the separate purchase of RECs are attributable to the RPS.

The rate impact of the RPS and CREPs on MDU's Montana customers is difficult to discern as MDU currently does not separate or track costs of its individual generators. Also, its renewable resources were procured as part of its Integrated Resource Planning Process which incorporates a multitude of factors beyond the need for RPS and CREP compliance. Given MDU's statements that the Diamond Willow and Cedar Hills resources would likely have been built absent the RPS, it is reasonable to assume that the impact has been minimal.

### **I. Electricity Output of All Certified Eligible Renewable Resources:**

542 MW averaging approximately 40% Capacity Factor

Output = Generation MW x 8760 hours/year x % Capacity Factor

- $542 \text{ MW} \times 8760 \text{ hours/year} \times 0.40 = 1.9 \text{ million MWh per year}$

Carbon Dioxide Emissions Displaced:

Average U.S. emissions rates from natural gas-fired generation = .57 tons/MWh of carbon dioxide<sup>1</sup>

Average U.S. emissions rates from coal-fired generation = 1.1 tons/MWh of carbon dioxide

$1.9 \text{ million MWh} \times .57 \text{ tons/MWh} = 1.1 \text{ million tons of equivalent carbon dioxide}$

$1.9 \text{ million MWh} \times 1.1 \text{ tons/MWh} = 2.1 \text{ million tons of equivalent carbon dioxide}$

- (Natural gas displacement) All certified eligible renewable projects displace 1.1 million tons of carbon dioxide per year
- (Coal displacement) All certified eligible renewable projects displace 2.1 million tons of carbon dioxide per year

Sulfur Dioxide Emissions Displaced:

Average U.S. emissions rates from natural-gas fired generation = .00005 tons/MWh of sulfur dioxide<sup>2</sup>

Average U.S. emissions rates from coal-fired generation = .007 tons/MWh of sulfur dioxide.

$1.9 \text{ million MWh} \times .00005 \text{ tons/MWh} = 95 \text{ tons of equivalent sulfur dioxide}$

$1.9 \text{ million MWh} \times .007 \text{ tons/MWh} = 13,300 \text{ tons of equivalent sulfur dioxide}$

- (Natural gas displacement) All certified eligible renewable projects displace 95 tons of sulfur dioxide per year.
- (Coal displacement) All certified eligible renewable project displace about 13,300 tons of sulfur dioxide per year.

Nitrogen Oxide Emissions Displaced:

Average U.S. emissions rates from natural-gas fired generation = .0009 tons/MWh of nitrogen oxides<sup>3</sup>

Average U.S. emissions rates from coal-fired generation = .003 tons/MWh of nitrogen oxides

$1.9 \text{ million MWh} \times .0009 \text{ tons/MWh} = 1,615 \text{ tons of equivalent nitrogen oxides}$

$1.9 \text{ million MWh} \times .003 \text{ tons/MWh} = 5,700 \text{ tons of equivalent nitrogen oxides}$

- (Natural gas displacement) All certified eligible renewable projects displace 1,615 tons of nitrogen oxide per year.
- (Coal displacement) All certified eligible renewable projects displace 5,700 tons of nitrogen oxide per year.

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<sup>1</sup> <http://www.epa.gov/cleanenergy/energy-and-you/affect/air-emissions.html>

<sup>2</sup> Ibid

<sup>3</sup>Ibid



## II. Electricity Output of Eligible Renewable Resources Certified and Located in Montana:

250 MW averaging approximately 40% Capacity Factor

Output = Generation MW x 8760 hours/year x % Capacity Factor

- $250 \text{ MW} \times 8760 \text{ hours/year} \times 0.40 = 876,000 \text{ MWh per year}$

Carbon Dioxide Emissions Displaced:

Average U.S. emissions rates from natural gas-fired generation = .57 tons/MWh of carbon dioxide

Average U.S. emissions rates from coal-fired generation = 1.1 tons/MWh of carbon dioxide

$876,000 \text{ MWh} \times .57 \text{ tons/MWh} = 499,320 \text{ tons of equivalent carbon dioxide}$

$876,000 \text{ MWh} \times 1.1 \text{ tons/MWh} = 963,600 \text{ tons of equivalent carbon dioxide}$

- (Natural gas displacement) Certified eligible renewable projects located in Montana displace 499,320 tons of carbon dioxide per year
- (Coal displacement) Certified eligible renewable projects located in Montana displace 963,600 tons of carbon dioxide per year

Sulfur Dioxide Emissions Displaced:

Average U.S. emissions rates from natural-gas fired generation = .00005 tons/MWh of sulfur dioxide

Average U.S. emissions rates from coal-fired generation = .007 tons/MWh of sulfur dioxide.

$876,000 \text{ MWh} \times .00005 \text{ tons/MWh} = 43.8 \text{ tons of equivalent sulfur dioxide}$

$876,000 \text{ MWh} \times .007 \text{ tons/MWh} = 6,132 \text{ tons of equivalent sulfur dioxide}$

- (Natural gas displacement) Certified eligible renewable projects located in Montana displace 43.8 tons of sulfur dioxide per year.
- (Coal displacement) Certified eligible renewable projects located in Montana displace 6,132 tons of sulfur dioxide per year.

Nitrogen Oxide Emissions Displaced:

Average U.S. emissions rates from natural-gas fired generation = .0009 tons/MWh of nitrogen oxides

Average U.S. emissions rates from coal-fired generation = .003 tons/MWh of nitrogen oxides

$876,000 \text{ MWh} \times .0009 \text{ tons/MWh} = 788 \text{ tons of equivalent nitrogen oxides}$

$876,000 \text{ MWh} \times .003 \text{ tons/MWh} = 2,628 \text{ tons of equivalent nitrogen oxides}$

- (Natural gas displacement) Certified eligible renewable projects located in Montana displace 788 tons of nitrogen oxide per year.
- (Coal displacement) Certified eligible renewable projects located in Montana displace 2,628 tons of nitrogen oxide per year.