

DEPARTMENT OF PUBLIC SERVICE REGULATION  
BEFORE THE PUBLIC SERVICE COMMISSION  
OF THE STATE OF MONTANA

IN THE MATTER OF Northwestern ) REGULATORY DIVISION  
Energy's Motion for Emergency Suspension ) DOCKET NO. D2016.5.39  
Of the QF-1 Tariff for New Solar Qualifying )  
Facilities with Nameplate Capacities Greater )  
than 100 kW )

The Montana Department of Environmental Quality (DEQ) is submitting the following comments in response to NorthWestern Energy's *Motion for Emergency Suspension of the QF-1 Tariff for New Solar Qualifying Facilities with Nameplate Capacities Greater than 100 kW* ("Motion"). The State Energy Office for Montana is housed within the Energy Bureau of the DEQ. One of the Energy Office's responsibilities is to work with energy developers interested in projects in Montana. We facilitate discussions and meetings with relevant project stakeholders, and work to streamline the project permitting process to help ensure that developers meet all their regulatory and permitting requirements as efficiently and effectively as possible. Additionally, we coordinate and provide guidance on potential tax incentives and funding opportunities.

DEQ shares many of the concerns with QFs that NorthWestern Energy expressed in its Motion. In particular, the potential for 150 MWs or more of new solar energy development in the state could carry some risks. These risks include potentially locking NorthWestern Energy's customers into a large number of fixed rate power procurement contracts that may additionally necessitate investments in Montana's electric distribution and transmission systems. Developing 150 MWs of new electricity generation to be

integrated into the electricity rates NorthWestern Energy customers pay for the next 25 years, without undertaking a systematic review of the costs and benefits of such an investment, would be a suboptimal result that should be avoided. The energy sector is a major employer in Montana and has the potential to continue to be for many decades to come thanks to Montana's ample conventional and renewable energy resources.

NorthWestern Energy's Motion, if granted without modification, would risk terminating all utility-scale solar development in Montana. Having achieved significant cost reductions, the utility-scale solar energy industry is now diversifying geographically and is looking to develop solar in the low-cost environment of the Midwest and Rocky Mountain states. Solar energy developments have the potential to add a significant number of full-time jobs, as well as many more temporary construction jobs, and generate significant tax revenue for Montana across an array of Montana counties. These projects will help diversify Montana's energy resources, will help the state and NorthWestern Energy meet its Renewable Portfolio Standard requirements, and will generate sustainable electricity without emitting any pollutants. Diversifying Montana's and NorthWestern Energy's electricity generating resources will have numerous benefits, making the state's economy more robust and resilient, and will help Montana attract additional non-utility industries, such as technology companies and data centers, that consider access to clean and renewable energy resources a critical part of their business plans.

DEQ recommends the PSC consider potential compromises that could address NorthWestern Energy's primary concerns without completely blocking the near-term development of some solar QFs in Montana. NorthWestern Energy's primary concern that they not be burdened with signing contracts to purchase the electricity generated from hundreds of MWs of new solar facilities at the existing standard QF-1 avoided cost rate could be addressed various ways, including a potential aggregate solar capacity cap, as the PSC has previously adopted for wind QFs out of concern for grid stability. Other options could include slowly declining avoided costs rates or shorter contracting terms for additional blocks of solar capacity.

Allowing unlimited solar energy development without further review of the cost prudence of the contracts being incurred on behalf of Montana electricity customers would be unwise, but it may be equally undesirable to raise regulatory barriers so high as to completely block the entry of a new energy industry into Montana.