

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

IN THE MATTER OF the Montana Public Service Commission's Review of Rates to Recover NorthWestern Energy's Electricity Supply Costs	REGULATORY DIVISION DOCKET NO. D2017.5.39
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PRE-FILED DIRECT TESTIMONY

OF

MARTIN WILDE

ON BEHALF

OF

WINDATA, LLC

November 28, 2017

**Department of Public Service Regulation
Montana Public Service Commission
Docket No. D2017.5.39
Power Costs and Credits Adjustment Mechanism Proposal
NorthWestern Energy**

**PRE-FILED DIRECT TESTIMONY OF
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EXHIBIT MHW-01 Transcript of October 20, 2017, Hearing on Request for Preliminary Injunction

1 **I. WITNESS INFORMATION**

2 **Q. Please state your name and business address.**

3 **A.** Martin H. Wilde, c/o WINData LLC, 501 Park Drive South, Great Falls, Montana 59403.

4 **Q. By whom are you employed and in what capacity?**

5 **A.** I am CEO and Principal Engineer of WINData LLC, which is the managing member of
6 Golden Flats Wind, LLC and WD Wind, LLC.

7 **Q. On whose behalf are you testifying?**

8 **A.** I am testifying on behalf of WINData, LLC.

9 **Q. Please summarize your education and relevant employment history.**

10 **A.** I am currently Principal Engineer and CEO of WINData LLC, a veteran energy business
11 development company with 26 years of experience in Montana and the western United
12 States. I am a researcher, project engineer, and business development specialist. I hold a
13 Master's of Science degree in Engineering from Ohio State University. My experience
14 comprises engineering and business development in wind energy, nationally and in
15 Montana, dating back to 1991.

16 I began my work in Montana wind energy in the early 1990s, initiating development work
17 on the Blackfeet Reservation and in the Cut Bank, Montana areas. I later focused on the
18 Judith Gap and Big Timber areas in Montana. My work over the past 23 years initiated
19 and led to commercial energy development on the Blackfeet Reservation and the Cut Bank
20 areas; in the Judith Gap area in central Montana; and on the Columbia River Gorge. Over
21 the past ten years, this development has led to other significant development near Casper,
22 Wyoming; and more recently the Fairfield Wind, LLC; Greenfield Wind, LLC; Crazy
23 Mountain Wind LLC; Golden Flats Wind, LLC; and WD Wind, LLC, projects in Montana.

1 Over the past 26 years, I have worked as a wind developer with Montana Power Company,
2 Glacier Electric Cooperative, Inc., Bonneville Power Administration, the Blackfeet Tribe,
3 the City of Livingston, Montana State University, University of Montana, Kennetech
4 Holdings, LLC, Zond Systems, FloWind, Florida Power and Light Company, Enron Wind,
5 SeaWest Windpower, Texas Windpower, NaturEner, Invenergy, John Deere Renewables,
6 General Electric, Montana Marginal Energy, Inc., Pattern Energy and NorthWestern
7 Energy (“NorthWestern”) with the objective of developing wind energy in Montana.

8 In 2007, in partnership with OSIsoft, I worked with utility companies, forecasters and wind
9 plant operators, and developed WINDataNOW! Technology, a set of real-time data tools
10 and techniques that facilitate the integration of variable generation resources into the grid.

11 I have been project manager on six research projects for the U.S. Department of Energy
12 (“DOE”) beginning in 1996. In 2009, I was Principal Investigator of the three-year DOE
13 funded project using WINDataNOW! Technology tools to help NaturEner, the operator of
14 the Glacier Wind plant in Cut Bank, Montana, overcome scheduling and reliability
15 challenges.

16 In May 2014, I developed and placed online the 10 megawatt (“MW”) Fairfield Wind
17 qualifying facility (“QF”) project near Fairfield, Montana. I was the developer of the 25
18 MW Greenfield Wind QF, which entered into a power purchase agreement (“PPA”) with
19 NorthWestern Energy, resulting from Montana Public Service Commission’s
20 (“Commission” or “MPSC”) resolution of Docket No. D2014.4.43. I also developed the
21 80 MW Crazy Mountain Wind project, which is currently under construction and slated to
22 go on line in 2018. I provided testimony to the MPSC as a witness in both the Greenfield
23 Wind and Crazy Mountain proceedings.

1 **II. SUMMARY OF TESTIMONY**

2 **Q. Could you summarize the issues you will cover in your testimony?**

3 **A.** My testimony will provide background information of the Commission’s approach to QFs
4 and the promise the Commission has repeatedly made to apply symmetrical treatment to
5 NorthWestern’s assets, which has been the justification and basis for its approach to QFs.

6 **III. OBJECTIVES OF THIS DOCKET**

7 **Q. What was the Commission’s stated objective in opening this docket?**

8 **A.** The Commission has identified NorthWestern’s generating assets’ fixed costs as a key
9 feature of this proceeding. The issue of generating assets’ fixed costs, which was the
10 subject matter of the Commission’s Final Order 7476a, is related to the issue of the sharing
11 mechanism that the Commission and NorthWestern have identified as a key feature of this
12 proceeding. Para. 14, July 7, 2017, NCA. The Commission stated in its July 7, 2017 NCA:

13 In the context of the policy objective of modifying NorthWestern’s electricity
14 supply tracker, the Commission expressed interest in making the availability of a
15 tracker mechanism contingent upon NorthWestern filing “a comprehensive electric
16 supply revenue requirements case that contains a proposal for a longer-term cost
17 tracker by September 30, 2017.”

18
19 WINData intervened in this docket requesting the Commission adopt one of its two
20 alternative proposals:

- 21 1. That the Commission enter an immediate interim order effective, within thirty
22 days, applying the same methodology to QFs as applied to NorthWestern’s most
23 recently acquired asset (the Hydros) to set QF rates; or,
24 2. Alternatively, adjusting NorthWestern’s rates downward effective immediately
25 to reflect the Long 1 adjustment, the newly delayed onset of the carbon adder,
26 and recent instituting of short contract terms for NorthWestern, in the same way

1 the Commission has applied these same adjustments to QFs.

2 **Q: Did the Commission represent to the Court that WINData could advance the**
3 **arguments it has made regarding discriminatory treatment in this docket?**

4 **A:** At oral argument on WINData's request for a preliminary injunction in *Wilde et al v.*
5 *Montana Public Service Commission et. al.*, Montana Eighth Judicial District Court, Cause
6 No. CDV-17-0662, in arguing against WINData's request for an injunction, the
7 Commission Staff stated to the court:

8 "[...] WINData has been authorized as an intervenor in NorthWestern's PCCAM
9 proposal docket which will implement a new tracking mechanism before the
10 Commission. In that docket, the Commission has stated that it is somewhat
11 interested in examining the base rates of NorthWestern, so that's those baked-in
12 pre-approval generating assets. These parties, WINData, will have an opportunity
13 to make these same arguments that they're presenting to you here in the context of
14 that docket."

15
16 MWH Exhibit 1, excerpts of Transcript of proceedings. (Emphasis added).

17 **Q: Has the Commission indicated that it will address NorthWestern's fixed rates in this**
18 **docket?**

19 **A:** NorthWestern's introductory letter explains how the fixed costs of NorthWestern's
20 generation assets CU4, DGGS, Spion Kop, and the Hydros are treated in this filing. Page
21 3 of introductory letter. In this PCCAM filing, NorthWestern states that the filing does not
22 impact *recovery* of approved fixed costs of its generating assets, the fixed cost of service
23 rates for these assets will impact the *overall electric supply rate*. P. 3 Sec. VII.

24 NorthWestern's supply rate, set in tracker dockets, includes fixed costs of service. See
25 NorthWestern's filing in D2012.5.39 at Section V: (intro)

26 The tracking market supply and electricity costs for the 12-month period, July
27 1,2012 to June 30, 2013, produce an overall electricity supply cost per kWh as
28 shown on Appendix A to this filing. This overall rate includes the following
29 components: Electricity Supply Costs, CU4 Fixed Cost of Service, CU4 Variable

1 Costs/Credits, DGGGS Fixed Cost of Service, and DGGGS Variable Costs/Credits.
2 No adjustments are requested for the fixed cost of service rates.

3
4 In response to MCC 020, NorthWestern witness Schwartzenberger responded with
5 information regarding volumes used to set fixed cost rates from tracker docket for CU4
6 and DGGGS, and compliance filing dockets for Spion Kop and the Hydros. NorthWestern
7 proposes to recover Basin Creek fixed costs. KJM 7:20-21. The PCCAM proposed supply
8 rates are derived from current approved fixed cost rate components and taxes for CU4,
9 DGGGS, Spion Kop and Hydros.

10 JS – 8:7-11.

11 NorthWestern’s filings, the recovery mechanism for supply costs, the manner in which the
12 fixed costs of NorthWestern’s generation assets have been established, and the
13 Commission’s representation to the Court that it would look at NorthWestern’s base rates
14 in this docket, require the Commission to address NorthWestern’s base rates and to apply
15 in this proceeding the same pricing discounts to NorthWestern that it applies to QFs.

16 **Q: Has NorthWestern indicated that it is appropriate to apply these discounts to its own**
17 **assets?**

18 **A:** Yes. In his testimony to the Court on October 20, 2017, Mr. Lafave testified to the fact
19 that NorthWestern considers the methodologies applied to QF resources applicable to its
20 own generation. When Mr. LaFave was asked whether its resources should be subjected
21 to the \$17.31 rate used in MTSUN (which is a calculation of the on and off peak rates set
22 in the Final Order) Mr. LaFave answered that \$17.31 should be applied “if it is the
23 appropriate rate for the energy, absolutely [...] yes, the energy component of that resource
24 would be evaluated the same way.” Ex. 1, pp. 118:17–120:1.

1 Mr. Lafave also testified that NorthWestern does not have any resources in production
2 today whose supply rate was set based on a value of zero when NorthWestern is in the long
3 position. Ex. 1, p. 120:3-8. Mr. LaFave then went on to explain that Crazy Mountain,
4 Greycliff and “the expansion we’ve (NorthWestern) done on the hydro projects would also
5 have had the same calculation, and there could be hours that under those conditions would
6 have been evaluated at zero. But I can’t specifically talk to that without looking at the
7 model, but we do use the same methodology.” Ex. 1, pp. 120:20–121:9.

8 When asked if “zero is the correct value for NorthWestern’s resources when its in the long
9 position” Mr. LaFave testified that “in both conditions, it is conceivable that that value
10 could be zero.” Ex. 1, pp. 120:18-19;121:20-22. Mr. LaFave went on to testify that
11 NorthWestern has “an upgrade that is associated with the Ryan Dam. And if that is
12 operational today, which it very well may be, that would have had a valuation of zero in
13 certain hours.” Ex. 1, p. 122:10-14.

14 Mr. LaFave testified that when “NorthWestern is in a long position and all of its load is
15 being served by the current portfolio regardless of whether it’s owned, PPA or QF, and it
16 does not have the ability to back down any of those resources, dispatch-wise, then, yes, the
17 value attributable to a QF resource, absolutely should be zero [..]” and agreed that
18 NorthWestern’s resources “would be valued the same way under the same conditions.” Ex.
19 1, p. 122:25–123:10.

20 **Q: Has NorthWestern indicated that the Commission’s pricing discounts as to the**
21 **carbon adder and the Long 1 adjustment would drive it into bankruptcy if applied to**
22 **NorthWestern?**

1 **A:** Yes. In his testimony to the Court on October 20, 2017, Mr. Lafave testified that if
2 NorthWestern were subjected to the same pricing discounts being applied to QFs, it would
3 “be significantly detrimental to NorthWestern, possibly pushing it into bankruptcy.” Ex.
4 1, p. 133:22-23. This does not take into account the base rate for NorthWestern’s
5 resources, but rather the carbon adder of approximately \$13 MWh and the Long 1
6 adjustment of approximately \$4 MW MWh. Mr. LaFave testified that “at a reduction of
7 \$17” NorthWestern would be “significantly detrimental to NorthWestern.” Ex. 1, p.
8 133:13-23. Yet the Commission has promised to apply these discounts to NorthWestern
9 and has justified its policies for QFs on applying these discounts to NorthWestern. If the
10 Commission does not or cannot apply these pricing discounts to NorthWestern because of
11 the significant harm it would cause, then clearly these discounts may not be applied to QFs
12 either.

13 **Q: Has CU4 been off line because the variable cost of operating it is higher than market**
14 **prices?**

15 **A:** Yes. NorthWestern’s response to MCC 023(b) indicates that between February and June
16 2017, CU4 was off line because market prices were below the variable cost to run the unit,
17 so “output from the unit is reduced and replaced with market purchases.” NorthWestern
18 response to MCC 023(b). During this period ratepayers continue to pay the fixed costs of
19 the resource.

20 Even while paying for the fixed costs of the plant, the fact that it is less expensive to not
21 operate CU4 is in stark contrast to NorthWestern’s prior representations when it was asking
22 to put CU4 in ratebase:

23 Hines said Energy Supply evaluated the potential effects of each of the alternative
24 resources on future electric tracker rates. Exhibit__ (JDH-3) displays estimated

1 electric tracker supply rates for the period 2009 through 2021. According to Hines,
2 for 2009 and 2010, the rate-basing of CU4 is estimated to result in about a 6.9
3 percent higher electric supply tracker rate. For the 2011-2015 period, depending on
4 the output from CU4, both the rate-basing of CU4 and the Bicent PPA/Mid-C
5 options are estimated to result in the lowest supply rate for ratepayers. By 2020
6 and 2021 the rate-basing option has a rate that is about \$10 per MWh lower than
7 the next best option that was evaluated.
8

9 Final Order No. 6925f, Docket No. D2008.6.69, ¶ 77.

10 **Q: Is there any significance to CU4's being turned down over recent months?**

11 **A:** Plant outages at CU4 and DGGS have been addressed in tracker dockets. D2014.3.33
12 (Colstrip 4); D2012.5.39 (DGGS). Colstrip outages have, in NorthWestern's own words,
13 benefitted customers:

14 In other hours, mainly during low load times, customers benefitted from not having
15 the Colstrip generation as NorthWestern did not have to sell excess supply off
16 system.
17

18 Markovich Direct Testimony in D2014.5.46 p. 10:15-17. Markovich went on:

19 "[...] supply rates charged to customers actually decreased during the outage[...]"
20

21 Markovich Direct in D2014.5.45 p. 11:4-5.
22

23 **Q: What was the second highest generation resource behind the PPL Hydros?**

24 **A:** QF Tier II generation was higher than CU4 in June and July of 2017.

25 **Q: Do QF resources provide a cheaper hedging option for NorthWestern than its
26 previous hedging strategies?**

27 **A:** Yes. Wind power is cheapest long-term hedge NorthWestern can enter into. With wind
28 power generated by independent power producers, customers only pay for what they use
29 and are never in the situation that they are currently in with Colstrip where they are at risk
30 and paying huge premiums for a plant that is not even being used to generate power. If a
31 QF wind farm doesn't actually generate power, the customers are at NO RISK and pay

1 nothing. If the QF is off line for some unexpected reason, the ratepayers do not pay for the
2 project while it sits idle, which is the case now while CU4 is sitting idle because market
3 prices are lower than variable cost of running CU4.

4 NorthWestern's off-system Mid-Columbia electricity supply cost hedges are very similar
5 to its natural gas price swaps deals, which through March of 2013 had produced \$80.9
6 million of gas price hedging **losses** for the Company's natural gas ratepayers.
7 NorthWestern experienced actual off- system electricity supply cost hedging **losses** for July
8 2011 through June 2014 shown in Exhibit ___ (GLD-1) of \$56,547,411. Direct Testimony
9 of George Donkin, D2014.5.33 p. 14:7-11.

10 According to NorthWestern's testimony in this PCCAM docket and the MCC –
11 NorthWestern Stipulation in D2014.7.58 approved by Commission, NWE will recover
12 these losses by passing them on to ratepayers. NorthWestern proposes to recover these in
13 its "Category One Credits section." Markovich testimony p. 6:10-16. Testimony p.
14 13:22–14:2.

15 **IV. REQUEST FOR MANDATORY APPROVAL OF PPAS**

16 **Q: Has NorthWestern indicated that the Commission is responsible for setting PPA price**
17 **and contract terms?**

18 **A:** Yes. In NorthWestern's response to PSC Data Request 009a, NorthWestern states that in
19 the case of power from QFs, it is the Commission which is largely responsible for setting
20 both the price and contract terms.

21 **Q: Have you submitted PPAs to NorthWestern with terms and conditions?**

22 **A:** Yes.

23 **Q: Can you explain those PPAs?**

1 recently acquired asset (the Hydros) to set QF rates; or
2 2. Alternatively, adjusting NorthWestern's rates downward effective immediately
3 to reflect the Long 1 adjustment, delayed onset of the carbon adder, and the
4 newly instituted short-term contract lengths, in the same way the Commission
5 has applied these adjustments to QFs.

6 WINData requests an Order from the Commission adopting one of its two alternative
7 proposals presented in its written and oral comments, or otherwise ruling on its request for
8 relief.

EXHIBIT NO. MWH-001
D.2016.5.39

PERTINENT EXCERPTS OF TESTIMONY FROM THE
OCTOBER 20, 2017
PRELIMINARY INJUNCTION HEARING

WILDE, ET. AL. VS. MONTANA PUBLIC SERVICE COMM'N, ET. AL.
EIGHTH JUDICIAL DISTRICT COURT
CAUSE NO. CDV-17-0662

(ENTIRE TRANSCRIPT IS ON FILE WITH THE MONTANA
PUBLIC SERVICE COMMISSION)

1 control over.

2 However, I will say that WINData has been
3 authorized as an intervenor in NorthWestern's PCCAM
4 proposal docket which will implement a new tracking
5 mechanism before the Commission. In that docket the
6 Commission has stated that it is somewhat interested in
7 examining the base rates of NorthWestern, so that's
8 those baked-in pre-approval generating assets.

9 These parties, WINData, will have an
10 opportunity to make these same arguments that they're
11 presenting to you here in the context of that docket.
12 But they have to understand the legal limitations of the
13 argument that they're presenting.

14 Your Honor, you touched upon the *Van Loan*
15 monetary damages standard, and I think it's abundantly
16 clear that they're seeking economic damages here.
17 They're seeking \$4.8 million in damages.

18 THE COURT: Well, not today they're not.

19 MR. LANGSTON: Not here, they're not, but in
20 their -- ultimately, in their complaint. And I think
21 you keyed in on the fact that it's the ultimate relief
22 that they seek that determines whether or not injunctive
23 relief is necessary, not the relief that they're seeking
24 in the injunctive proceeding.

25 There is an exception to whether or not

BLEAU LAFAVE - DIRECT (Tranel)

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1 hypothetical. Let's say that the winds of change blow,
2 and the Commission sets rates for NorthWestern Energy
3 at \$17.31 --

4 MS. HILL: Objection.

5 Q. (BY MS. TRANEL:) -- per megawatt hour --

6 THE COURT: Hang on for a second. There's
7 an objection.

8 MS. HILL: I wanted to go ahead and object
9 for speculation.

10 THE COURT: Angie, I don't have the
11 realtime. Can you read that to me, please?

12 (The court reporter read back.)

13 THE COURT: This objection is overruled.
14 You may answer it.

15 Q. (BY MS. TRANEL:) Mr. LaFave --

16 A. Would you be able to repeat the question, please?

17 Q. Sure. Mr. LaFave, the question is, let's, you
18 know, walk through a hypothetical. The winds of change
19 blow. The Commission sets rates for NorthWestern Energy
20 at 17.31 per megawatt hour, would that be a rate --

21 A. For what --

22 Q. -- that would be workable for NorthWestern?

23 A. For what purpose?

24 Q. So --

25 A. The energy rate structures are based on the time

BLEAU LAFAVE - DIRECT (Tranel)

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1 stamp at which resources are put into play. What you
2 see in the top line of that particular graph is a
3 culmination of all the resources that are within the
4 portfolio, including the QFs that were put in in the
5 1990s. That does not represent what it would reflect to
6 put a resource in the portfolio today. That is a
7 revenue requirement recovery calculation, not a cost to
8 put a resource in today.

9 If the Commission were to -- if NorthWestern was
10 to look to put a resource in today and if the current
11 market was at \$17, if we were able -- in other words, if
12 we were looking at a wind resource to put into our
13 portfolio, we would be subject to the same \$17 criteria
14 to prove whether or not that resource was valuable to
15 the portfolio or not.

16 Q. So, you bring a new gas plant on line, for
17 example, NorthWestern accepts 17.31 as the appropriate
18 rate for that?

19 A. If it is the appropriate rate for the energy,
20 absolutely, but there are two components -- actually,
21 several components to the value of every asset. One of
22 them is energy; one of them is capacity; and if they
23 have the capability to provide additional services,
24 typically called ancillary services, then there's value
25 there. But, yes, the energy component of that resource

BLEAU LAFAVE - DIRECT (Tranel)

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1 would be evaluated the same way.

2 Q. And so you can live with the \$17.31 rate. Okay.

3 Next question, Mr. LaFave. Does NorthWestern
4 have any resources in production today whose supply --
5 the supply rate was set based on a value of zero when
6 NorthWestern is in the long position?

7 A. That's not how rates are set, but -- so I guess
8 the answer would be no.

9 Q. Okay. Do you --

10 THE COURT: Let me stop you there for a
11 minute.

12 (Off-the-record discussion between
13 the Court and court reporter.)

14 THE COURT: Go ahead, please.

15 Q. (BY MS. TRANEL:) Mr. LaFave, you answered, no,
16 that NorthWestern doesn't have any resources whose
17 supply was set at zero when it's in a long position.

18 Do you agree that zero is the correct value for
19 NorthWestern's resources when it's in the long position?

20 A. It depends on what the long position is. And I
21 do stand corrected to my earlier discussion. The Long 1
22 position, as it was evaluated for the Greycliff Project
23 for some of the previous QFs, including Crazy Mountain,
24 there could have been instances that they would have
25 been valued at zero for certain hours over the 25-year

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1 life of those projects.

2 So, those calculations would have been calculated
3 that way underneath those examples. Similarly, the
4 expansion that we've done on the hydro projects would
5 have also had the same calculation, and there could be
6 hours that under those conditions would have been
7 evaluated at zero. But I can't specifically talk to
8 that without looking at the model, but we do use the
9 same methodology.

10 Now, the Long 1 position that you're referencing
11 actually has two conditions. There -- and the long
12 position has a Long 1 position and what we've talked
13 about a Long 2 position. And in those two positions,
14 the Long 1 position is evaluated differently as compared
15 to the Long 2 position.

16 Q. Okay. What I want you to --

17 (Court reporter interruption.)

18 THE COURT: Could you repeat the last
19 portion of your answer, Mr. LaFave?

20 THE WITNESS: The last portion of my answer
21 was in both conditions, it is conceivable that that
22 value could be zero.

23 THE COURT: Thank you.

24 Q. (BY MS. TRANEL:) What I want, Mr. LaFave,
25 please, if you can, identify a single resource in

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1 Montana that NorthWestern has under production today
2 that has been valued -- the rate has set with a value of
3 zero when NorthWestern was in the long position. One
4 single resource, what is it?

5 A. I'm trying to think if Greycliff has come on line
6 yet, and that would be a possibility. And I would have
7 to check the actual total log against Greycliff.

8 Q. That's not NorthWestern's resource, though, is
9 it? That's a QF, isn't it?

10 A. That is correct. NorthWestern has not put a
11 resource -- I take that back. We have an upgrade that
12 is associated with the Ryan Dam. And if that is
13 operational today, which it very well may be, that would
14 have had a valuation of zero in certain hours.

15 Q. The supply rate -- the rate that NorthWestern
16 gets from its customers for that resource was set, other
17 than -- using a value other than zero, wasn't it?

18 A. Well, it would, but it would also include a value
19 for capacity, and it would also include a value for
20 ancillary services, if it were appropriate. So, the
21 total rate would not reflect zero.

22 Q. Do you agree, Mr. LaFave, that the correct rate
23 for NorthWestern's resources when it is in the long
24 position should be zero?

25 A. If NorthWestern is in a long position and all of

BLEAU LAFAVE - DIRECT (Tranel)

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1 its load is being served by the current portfolio
2 regardless of whether it's owned, PPA or QF, and it does
3 not have the ability to back down any of those
4 resources, dispatch-wise, then, yes, the value
5 attributable to a QF resource, absolutely should be zero
6 because there is no benefit to customers.

7 Q. And the value for NorthWestern's resources should
8 be zero as well?

9 A. The value would be -- for future resources would
10 be valued the same way under the same conditions.

11 Q. So, you agree, going forward, the value for
12 NorthWestern's resources when it's long is zero? Yes or
13 no?

14 A. For future resources. Existing resources are
15 underneath the rate making policies at the time they
16 were put in service.

17 Q. Okay. Let's move on. Mr. LaFave, are you
18 familiar with the hydro docket?

19 A. I am -- I am familiar with the docket.

20 Q. Do you know what year and month? Can you tell
21 the Court when that -- when that was approved by the
22 Commission, when the rate was set?

23 A. I believe it went in service in 2014 for
24 NorthWestern.

25 Q. Mr. LaFave, do you remember, going back to 2014

BLEAU LAFAVE - CROSS (Hill)

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1 analysis and the different dockets that the Commission
2 staff and developers have gone through, and I believe
3 appropriately reflect when -- especially recently that
4 carbon should not be included. It also appropriately
5 reflects the reduction in market over time and
6 accurately reflects what it would cost or what the value
7 of a resource is, if it were to be added to
8 NorthWestern's existing resource -- or resource pool.

9 Q. So, can you give an estimate of the financial
10 impact on NorthWestern if the judge here today orders
11 NorthWestern to reduction of rates by 17.03 as they
12 requested?

13 A. Sure. At a reduction of \$17, a -- NorthWestern's
14 load of which this would be billed out over is
15 approximately \$6 million -- or 6 million megawatts a
16 year. At \$17 that would be equivalent to a rate
17 reduction per year of over a hundred million dollars.

18 A rate -- in 2016, NorthWestern filed a net
19 income of approximately \$156 million. That significant
20 of a reduction to NorthWestern would cause issues
21 concerning debt covenants, would cause issues concerning
22 EPS earnings, and would be significantly detrimental to
23 NorthWestern, possibly pushing it into bankruptcy.

24 Q. On the flip side of that equation, if the Court
25 sets the rate for the Plaintiff at \$45.19, who would be