

Green energy development in Montana slow

By MIKE DENNISON IR State Bureau | Posted: Sunday, September 20, 2009 12:00 am | [\(0\) Comments](#)

HELENA - Since 2004, Idaho has seen 21 new small wind-power projects and a half-dozen other small independent power projects gain contracts to sell their output to local utilities, boosting rural development in the state.

In Montana, it's a different picture: During that same time, only a few small, renewable-power projects have been able to obtain contracts with local utilities and get off the ground.

State and federal laws require utilities such as NorthWestern Energy to buy power from qualifying independent small projects that churn out renewable power, like wind, hydro, geothermal or solar. The power becomes part of the electricity that NorthWestern sells to its 320,000 retail customers.

But the state Public Service Commission must enforce those laws and set prices the utilities pay for the power. Developers say that isn't happening with any consistency in Montana.

"It all comes down to what the rates are set at, by the PSC," says Ted Sorenson, who has developed small hydroelectric projects in Idaho and Montana. "It's price-driven. The rates have been too low in Montana to have any significant development."

Potential developers also are frustrated by having to wait months or years for the PSC to resolve price-related issues on these small projects, and say they're now looking to other states for opportunities.

"I really think the banks are going elsewhere," says Brett Kenfield, a Vancouver, Wash., accountant who's trying to develop a small wind-power project in north-central Montana. "They're not going to wait around and spend their time and money to get the information, when they can go elsewhere they actually have the numbers and are able to finance a project."

Some Montana public service commissioners talk tough and say the five-member PSC should be more aggressive on the issue.

"We need a consistent and standard policy, so that anyone who does a (qualifying small) project has a pretty good idea of what they're going to get paid," says Commissioner Ken Toole, D-Helena. "And I don't think they have that right now."

Yet they also say the PSC must be cautious and not set prices that overcharge consumers.

"We're worried about paying too much for power," says Commissioner Gail Gutsche, D-Missoula. "We want to get the most reasonable, fair price."

Regardless of what individual commissioners think and say, the PSC's action on setting rates and settling other issues for these projects has been notoriously slow.

The price that NorthWestern Energy pays for this power is based on something called the "avoided cost" for utilities, which means the cost of other power it would have to acquire if the small-project power weren't available.

The PSC last set a rate for Montana small-power developers in mid-2007 - six months after it had initially decided the issue and five years since it last updated the rate. Federal and state rules intend the rate to be updated at least every two years.

The commission has yet to set a hearing on updating the 2007 rate, which probably won't be updated until sometime in 2010. Developers say the current rate is already inadequate, and they are frustrated by having to wait longer to get a new one.

They say the PSC allows NorthWestern to fall behind on submitting documents for the rate-setting procedure and cause other delays, without penalty.

The PSC also has not set a universal "wind-integration" charge, which is a per-megawatt-hour fee wind-power developers must pay to offset costs of adding their intermittent power to NorthWestern's grid.

After lengthy proceedings before the commission, the PSC set wind-integration charges for two individual projects in the past three years, but has left it to NorthWestern and the developers to work out charges for each project.

The end result is that NorthWestern can extend negotiations as long as it chooses, costing the small projects thousands of dollars in legal fees and delaying development of independent projects, developers say.

"The PSC acts as though (the small developers) and NorthWestern are equal forces," says Mike Uda, a Helena attorney representing some of the developers. "They're not. These little guys need the commission to level the playing field and be looking out for them, and (the PSC) is not. Developers need a clear set of rules that are enforced consistently."

John Hines, supply officer for NorthWestern Energy, says the small projects have "a legitimate set of rate alternatives" that they can choose, as set by the PSC in 2007, and a wind-integration fee as determined in the two cases that can serve as a model.

"We've (offered) contracts for more than 15 of those projects, but have yet to sign one," he said last week. "(Developers) might not like what the integration rate is or the price ... but those have gone through the commission."

Hines also noted that NorthWestern has initiated meetings with wind developers and others to outline a study that could help set wind-integration fees for all projects. Yet that process could take at least a year, he said.

PSC Chairman Greg Jergeson, D-Chinook, says he'd like to settle the issues more quickly, but they're usually part of a "contested case," which proceeds like a court case, with disputes over evidence, written arguments, requests for more time and other potential delays.

We can't just arbitrarily dictate stuff; we can't sit here and say, 'Here's how you calculate the (rate),' " Jergeson says. "It seems like whenever we issue an order here on these things, everybody contests it. ... I'd like to have this be pretty much routine."

In Washington, Oregon and Idaho, such cases tend to be routine. Utilities are required to file their "avoided costs" every two years in Washington and Oregon, after which the utility commission sets rates for each utility to buy power from many small, renewable-power projects. Some rates for larger projects are negotiated.

In Idaho, the Public Utilities Commission updates the rates periodically, tied to general rate cases or price forecasts or by the Northwest Power and Conservation Council. The Idaho commission also set wind-integration fees that apply to all projects, in a case that concluded in February 2008, after nearly three years of deliberation.

The latter decision came after the commission ordered small wind-project developers and the utilities to work out the problems as best they could, after which the commission settled the wind-integration fee.

"Most of the (wind developers) think they are fairly attractive rates," says Gene Fadness, spokesman for the Idaho commission. "We've worked out the major issues so we're waiting to see who has projects to submit."

Idaho Power Co. now has 20-year contracts to buy power from 21 small wind-power projects, most ranging in size from 10 megawatts to 20 megawatts and totaling 301 megawatts - enough to power 100,000 homes, if the projects run at about 40 percent capacity.

By comparison, NorthWestern Energy has contracts with a half-dozen small wind projects in Montana totaling 13 megawatts. The largest project, at 9 megawatts, sells most of its power to none other than Idaho Power Co.

Developers believe if the PSC would enforce the laws designed to help them gain contracts, Montana could see small power projects springing up across the state, like Idaho.

"There may never be large (wind and renewable power) projects in most counties, but there can be small projects in most counties," says Dave Healow of Billings, whose company, Two Dot Wind, has some contracts with NorthWestern but would like to have more. "Either you care about small business, or you think it's irrelevant. ... We're not making any money right now."

