

ELECTRIC TARIFF

NorthWestern
Energy

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Canceling	8 th	Revised	Sheet No.	74.1

Schedule No. QF-1

QUALIFYING FACILITY POWER PURCHASE

APPLICABILITY: Applicable to any Seller with nameplate capacity of 3 MW or less who enters into a Power Purchase Agreement (Agreement) with the Utility for the sale of electric power to the Utility from a Qualifying Facility (QF) as defined under the Rules of the Commission.

QFs with nameplate capacity greater than 3 MW may also request a short-term Agreement under this Tariff, prior to completion of the next competitive solicitation, whereby purchases between the Utility and a Seller shall be accomplished in accordance with Rate Option 1(b), 2(a) or 2(b) of this Tariff.

The Utility shall purchase electrical energy for a term of not less than one month and not more than 10 years.

The QF-1 Tariff rates reflect system Interconnection Facilities related costs but do not reflect Network Upgrade costs. Seller must apply for interconnection and enter into the applicable generation interconnection agreement with the Utility addressing those items in addition to entering into an Agreement under the terms of this Tariff.

An existing qualifying facility smaller than 10 MW whose contract with a utility expires prior to July 1, 2015 will not be subject to the 3 MW size limitation for the purpose of obtaining a new contract under an existing standard rate option.

RATE OPTIONS: Seller may select from the following two rate options and sub-options:

For all Rate Options 1 and 2, refer to Special Terms and Conditions Item 3 Disposition of RECs, Item 4 Wind Integration and Item 5 Contingency Reserves.

For all Rate Options 1, the selected Option 1 Rate will be adjusted by addition of the value of Contingency Reserves for thermal generation, per the current Contingency Reserves Tariff CR-1. Subsequent to this adjustment, QFs must either self-provide or purchase Contingency Reserves as described in Item 5 under Special Terms and Conditions.

QFs selecting Option 1 Rates will be paid the Avoided Energy and Capacity Rate which corresponds to their resource type and Agreement length as reflected in Table 1 below. Following the first 5 years of an Agreement exceeding a 5-year term, the 6th year and following will be paid at the then-effective QF-1 tariffed rate corresponding to an Agreement term equal to the initially chosen Agreement term minus 5 years.

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Staff Approved: August 7, 2017
Docket No.: D2016.5.39
Tariff Letter No. 319-E

Effective for service rendered on or after
August 4, 2017

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Mike Maas Administrative Assistant

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Option 1(a): Avoided Energy and Capacity Rates:

Rate Option 1 Energy and Capacity Rate Table						
Agreement Length (years)	Solar		Wind		Hydro/other	
	Off-peak Hours	On-peak Hours	Off-peak Hours	On-peak Hours	Off-peak Hours	On-peak Hours
	(\$/kWh)	(\$/kWh)	(\$/kWh)	(\$/kWh)	(\$/kWh)	(\$/kWh)
1	\$0.02156	\$0.03062	\$0.02013	\$0.02779	\$0.02004	\$0.07670
2	\$0.02156	\$0.03062	\$0.02017	\$0.02783	\$0.02008	\$0.07677
3	\$0.02200	\$0.03107	\$0.02062	\$0.02829	\$0.02054	\$0.07725
4	\$0.02244	\$0.03151	\$0.02106	\$0.02873	\$0.02098	\$0.07773
5	\$0.02274	\$0.03181	\$0.02137	\$0.02904	\$0.02128	\$0.07806
6	\$0.02302	\$0.03211	\$0.02165	\$0.02932	\$0.02156	\$0.07837
7	\$0.02335	\$0.03243	\$0.02196	\$0.02964	\$0.02188	\$0.07871
8	\$0.02417	\$0.03326	\$0.02263	\$0.03031	\$0.02254	\$0.07940
9	\$0.02483	\$0.03392	\$0.02318	\$0.03087	\$0.02308	\$0.07997
10	\$0.02537	\$0.03447	\$0.02365	\$0.03135	\$0.02355	\$0.08047

Payments: Rate x kWh metered during each Off-Peak Hours and On-Peak Hours period.

kWh = Metered kilowatt-hours supplied to the Utility for each Off-Peak Hours and On-Peak Hours period.

Option 1(b): Agreement lengths: 1 month to 18 months – short-term.

RATE:

Energy (\$/kWh):

- i. Agreement lengths up to 1 year use Year 1 rates from above table.
- ii. Agreement lengths 1 year to 18 months use Year 2 rates from above table.

Payments: Hourly Rate x Hourly kWh

kWh = Metered kilowatt hours supplied to the Utility in each hour.

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Option 2(a): Agreement length of up to 25 years.

Rate: This rate is equal to NorthWestern Energy's (NWE's) highest actual cost 25 MWh purchases in the Mid-Columbia (Mid-C) market in each hour based on all day-ahead and real-time transactions, less \$.001/kWh market price differential between Mid-C and Montana. This rate will be filed with the Commission on a lagged monthly basis, such that the calculated hourly rates for each hour in Month 1 must be filed by the first of Month 3.

The floor price for each hour shall be based on the previous year's C4 annual fuel costs escalated through June 30th of the effective year and updated each Agreement Year. The present floor rate is:

Energy (\$/kWh): \$ 0.0173221

Payments: Hourly Rate x Hourly kWh

kWh = Metered kilowatt hours supplied to the Utility in each hour.

Option 2(b): Agreement length of up to 25 years.

Rate: This rate is equal to the published Intercontinental Exchange (ICE) Mid-C index price for Heavy Load Hours and Light Load Hours, less \$.00162/kWh basis adjustment between Mid-C and Montana, and applied to the Heavy Load and Light Load metered sales and purchases of Seller. Another Mid-C price index may be substituted if necessary, if ICE is no longer available.

Payments: Daily Heavy Load Hour and Light Load Hour Rate x Heavy Load and Light Load kWh

kWh = Metered kilowatt hours supplied to the Utility in each daily Heavy Load and Light Load period.

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Schedule No. QF-1

QUALIFYING FACILITY POWER PURCHASE

SPECIAL TERMS AND CONDITIONS:

1) Definitions:

- A. "Agreement" means the Power Purchase Agreement between Seller and the Utility for a term of not less than one month.
- B. "Agreement Year" means a twelve-month period beginning on July 1 of any year.
- C. "Commission" means the Montana Public Service Commission.
- D. "Contingency Reserves" are an amount of spinning and nonspinning reserves (at least half must be spinning reserve) sufficient to meet the North American Electric Reliability Council (NERC) Disturbance Control Standard BAL-002 consistent with Western Electric Coordinating Council and Northwest Power Pool requirements.
- E. "Heavy Load Hours" means the weekday and Saturday hours ending 7 and through hour ending 22 inclusive, Pacific Prevailing Time, except NERC defined holidays. For purposes of this Tariff, Heavy Load Hours correspond to Peak hours as used on the ICE web site.
- F. "Light Load Hours" means those hours not included in the definition of Heavy Load Hours. For purposes of this Tariff, Light Load Hours correspond to Off-Peak hours as used on the ICE web site.
- G. "Off-Peak Hours" means those hours in the year not included in the definition of On-Peak Hours.
- H. "On-Peak Hours" means the Heavy Load hours for the months of January, February, July, August, and December.
- I. "RECs" means renewable energy credit. One megawatt hour of renewable energy generation gives rise to one REC, and this REC embodies all environmental attributes of that renewable energy generation.
- J. "Utility" means NorthWestern Energy or NWE.
- K. "Regulating Reserve" is spinning reserve immediately responsive to Automatic Generation Control (AGC) to provide sufficient regulating margin to allow the Balancing Authority to meet NERC's Control Performance Criteria (BAL-001).

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- L. "Seller," for purposes of this schedule, is any individual, partnership, corporation, association, government agency, political subdivision, municipality or other entity that:
1. Operates a QF; and
 2. Has entered into an Agreement with the Utility stipulating the terms and conditions of the interconnection and sale of electric power to the Utility.
- M. "Interconnection Facilities" means the Transmission Provider's Interconnection Facilities and the QF Interconnection Customer's Interconnection Facilities. Collectively, Interconnection Facilities include all facilities and equipment between the Small Generating Facility and the Point of Interconnection, including any modification, additions or upgrades that are necessary to physically and electrically interconnect the Small Generating Facility to the Transmission Provider's Transmission System. Interconnection Facilities are sole use facilities and shall not include Distribution Upgrades or Network Upgrades.
- N. "Network Upgrades" means additions, modifications, and upgrades to NorthWestern's transmission system required at or beyond the point at which the Small Generating Facility interconnects with the transmission system to accommodate the interconnection with the Small Generating Facility to NorthWestern's transmission system. Network Upgrades do not include Distribution Upgrades.
- O. "Wind Integration Services" means those services necessary to integrate wind generation into the Utility's electric transmission and/or distribution system(s) in a manner such that all operational and reliability criteria are met. Wind Integration Services include, but are not limited to, Regulating Reserves, imbalance service, and scheduling.
- 2) Net Billing Option: If Seller contracts for Net Billing and the Seller's consumption kWh exceeds its production kWh, Seller shall be billed for power supply for the consumption kWh in excess of the production kWh in accordance with the Utility's applicable rate schedule. If Seller's consumption kWh is less than its production kWh, Seller shall receive a power supply payment (credit) for the production kWh in excess of the consumption kWh at the Rates specified above.
- 3) Disposition of RECs: QFs retain RECs but may still separately attempt to negotiate for the sale of RECs to NWE or other interested parties at any time that an Agreement remains in effect. Any such negotiation occurs separate from the Power Purchase Agreement and does not create a reopener that refreshes the rates in the Agreement.

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**NorthWestern
Energy**

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- 4) Wind Integration: Sellers of Wind Energy selecting Options 1 or 2 must contractually agree to the provision of wind integration services for the term of the Agreement and may either self-supply sufficient within-hour regulating reserves under terms acceptable to NorthWestern or pay the Utility for these services according to the Wind Integration Tariff (WI-1). Payment to the Utility for selection of service through WI-1 will result in a deduction from the total monthly payment made to the QF to reflect the provision of integration services.
- 5) Contingency Reserves: QFs selecting Option 1 or Option 2 must either self-supply contingency reserves, or purchase the needed reserves from NWE under contract at the rate as specified according to the Contingency Reserves Tariff (CR-1). Under either Option 1 or Option 2, if the QF purchases reserves from NWE under contract, the CR-1 rate for the appropriate resource type will be deducted from the total monthly payment made to the QF to reflect the provision of contingency reserves.
- 6) Hourly Metering: Sellers are required to install interval metering capability if necessary to support the Rate Option chosen.

SERVICE AND RATES SUBJECT TO COMMISSION JURISDICTION: All rates and service conditions under this Rate Schedule are governed by the rules and regulations of the Public Service Commission of Montana and are subject to revision as the Commission may duly authorize in the exercise of its jurisdiction.

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