

ELECTRIC TARIFF



Canceling 11<sup>th</sup> Revised Sheet No. 74.1  
10<sup>th</sup> 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 after March 2, 2021 or who continues to sell electric power to the Utility after expiration of an Agreement entered into before March 2, 2021.

The Utility shall purchase electrical energy for a term of not less than one month and not more than 20 years.

The QF-1 Tariff rates do not reflect Network Upgrade costs. The Seller is responsible for these costs pursuant to the Special Terms and Conditions in this schedule. Seller must apply for interconnection and enter into the applicable generation interconnection agreement with the Utility in addition to entering into an Agreement under the terms of this Tariff.

RATE OPTIONS: Seller may select from the following two rate options and sub-options: Option 1(a) and (b) and Option 2.

For all Rate Options, refer to Special Terms and Conditions Item 3 Disposition of RECs, Item 4 Ancillary Services, and Item 6 Network Upgrades.

A Seller 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, adjusted for Special Terms and Conditions. After the term of an Agreement has expired, and before a new Agreement is executed, the Seller will receive the Option 2 rate, adjusted for Special Terms and Conditions.

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Commission Approved: February 23, 2021  
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Effective for services rendered  
after March 2, 2021

Administrative Assistant



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

<b>Option 1 Rates for Energy and Capacity</b>						
<b>Contract Length</b>	<b>Solar</b>		<b>Wind</b>		<b>Hydro/other</b>	
	<b>Off-peak Rate</b>	<b>On-peak Rate</b>	<b>Off-peak Rate</b>	<b>On-peak Rate</b>	<b>Off-peak Rate</b>	<b>On-peak Rate</b>
<b>(years)</b>	<b>(\$/kWh)</b>	<b>(\$/kWh)</b>	<b>(\$/kWh)</b>	<b>(\$/kWh)</b>	<b>(\$/kWh)</b>	<b>(\$/kWh)</b>
1	\$0.03363	\$0.07392	\$0.03363	\$0.06020	\$ 0.03363	\$0.10553
2	\$0.03357	\$0.07385	\$0.03357	\$0.06013	\$ 0.03357	\$0.10547
3	\$0.03345	\$0.07374	\$0.03345	\$0.06002	\$ 0.03345	\$0.10536
4	\$0.03377	\$0.07405	\$0.03377	\$0.06033	\$ 0.03377	\$0.10567
5	\$0.03378	\$0.07406	\$0.03378	\$0.06034	\$ 0.03378	\$0.10568
6	\$0.03362	\$0.07390	\$0.03362	\$0.06018	\$ 0.03362	\$0.10552
7	\$0.03354	\$0.07382	\$0.03354	\$0.06010	\$ 0.03354	\$0.10544
8	\$0.03357	\$0.07385	\$0.03357	\$0.06013	\$ 0.03357	\$0.10547
9	\$0.03372	\$0.07400	\$0.03372	\$0.06028	\$ 0.03372	\$0.10562
10	\$0.03398	\$0.07427	\$0.03398	\$0.06055	\$ 0.03398	\$0.10588
11	\$0.03435	\$0.07464	\$0.03435	\$0.06092	\$ 0.03435	\$0.10625
12	\$0.03483	\$0.07511	\$0.03483	\$0.06139	\$ 0.03483	\$0.10673
13	\$0.03535	\$0.07563	\$0.03535	\$0.06191	\$ 0.03535	\$0.10725
14	\$0.03589	\$0.07617	\$0.03589	\$0.06245	\$ 0.03589	\$0.10779
15	\$0.03640	\$0.07668	\$0.03640	\$0.06296	\$ 0.03640	\$0.10830
16	\$0.03690	\$0.07718	\$0.03690	\$0.06346	\$ 0.03690	\$0.10880
17	\$0.03741	\$0.07770	\$0.03741	\$0.06398	\$ 0.03741	\$0.10931
18	\$0.03787	\$0.07816	\$0.03787	\$0.06444	\$ 0.03787	\$0.10977
19	\$0.03836	\$0.07864	\$0.03836	\$0.06492	\$ 0.03836	\$0.11026
20	\$0.03884	\$0.07912	\$0.03884	\$0.06540	\$ 0.03884	\$0.11074

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.

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**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.

**Option 2:** Agreement length of up to 20 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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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. Ancillary Services means those services that are necessary to support the transmission of capacity and energy for resources to loads while maintaining reliable operation of the Transmission Providers' Transmission System in accordance with Good Utility Practice. Under NorthWestern's Open Access Transmission Tariff ("OATT"), four ancillary services apply to this tariff:
- Schedule 3, Regulation and Frequency Response Service;  
Schedule 5, Operating Reserve – Spinning Reserve Service;  
Schedule 6, Operating Reserve – Supplemental Reserve Service; and  
Schedule 11, Flex Reserve Service (applies only to wind generators).
- C. "Commission" means the Montana Public Service Commission.
- D. "Contract Length" means the length of a Seller's contract with NorthWestern measured in whole years. For contract terms not in whole years, the length of a Seller's contract will be rounded up to the next whole year for purposes of determining applicable rates.
- E. "Good Utility Practice" means any of the practices, methods, and acts engaged in or approved by a significant portion of the electric utility industry during the relevant time period, or any of the practices, methods, and acts which, in the exercise of reasonable judgment in light of the facts known at the time the decision was made, could have been expected to accomplish the desired result at a reasonable cost consistent with good business practices, reliability, safety and expedition. Good Utility Practice is not intended to be limited to the optimum practice, method, or act to the exclusion of all others, but rather to be acceptable practices, methods, or acts generally accepted in the region, including those practices required by Federal Power Act section 215(a)(4).
- F. "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.

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- G. "Intermittent" means generation resources with variable generation output from hour to hour. Specifically, wind and solar PV are considered to be Intermittent resources.
- H. "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.
- I. "Network Upgrades" means additions, modifications, and upgrades to North Western'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 North Western's transmission system. Network Upgrades do not include Distribution Upgrades. Network Upgrades include interconnection Network Upgrades and transmission service Network Upgrades.
- J. "Off-Peak Hours" means those hours in the year not included in the definition of On-Peak Hours.
- K. "On-Peak Hours" means the Heavy Load hours for the months of January, February, July, August, and December.
- L. "Other QF" means QF facilities other than hydroelectric-, wind-, or solar-powered resources.
- M. "RECs" means renewable energy credits. One megawatt hour of renewable energy generation gives rise to one REC, and this REC embodies all environmental attributes of that renewable energy generation.
- N. "Seller," for purposes of this schedule, is any individual, partnership, corporation, association, government agency, political subdivision, municipality, or other entity that:
  - a. Operates a QF; and
  - b. Has entered into an Agreement(s) with the Utility stipulating the terms and conditions of the interconnection and separately the sale of electric power to the Utility.
- O. "Transmission Provider" means the public utility (or its Designated Agent) that owns, controls, or operates facilities used for the transmission of electric energy in interstate commerce and provides transmission service.
- P. "Transmission System" means the facilities owned, controlled, or operated by the Transmission Provider that are used to provide transmission service.

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- Q. "Utility" means North Western Energy.
- 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 may either retain RECs or provide them to the Utility in exchange for \$3.44 per megawatt-hour which will be added to the Avoided Energy and Capacity Rate.
  - 4) Ancillary Services: Seller must contractually agree to the provision of ancillary services for the term of the Agreement and may either self-supply these services under terms acceptable to NorthWestern or pay the Utility for these services according to NorthWestern's Open Access Transmission Tariff ("OATT"). Seller is responsible for the cost of Ancillary Services for the QF provided in accordance with the OATT less the cost of Ancillary Services for a non-variable energy resource scaled for the QF's avoided capacity, and this total value will be deducted from payments to Seller as an offset to the Avoided Energy and Capacity Rate. Payment to the Utility for selection of service through the OATT, including payment from Sellers who receive an Option 2 Rate upon expiration of an Agreement, will result in a deduction from the total monthly payment made to the QF to reflect the provision of ancillary services.
  - 5) Hourly Metering: Sellers are required to install interval metering capability if necessary to support the Rate Option chosen.
  - 6) Network Upgrades: Any Seller must pay for network upgrade costs, including both generator interconnection and transmission service. Seller represents and warrants that Seller will not seek reimbursement from NorthWestern or the Transmission Provider for Network Upgrades.

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.

