

BEFORE THE PUBLIC UTILITIES COMMISSION
OF THE STATE OF SOUTH DAKOTA

*In the Matter of the Complaint by Oak Tree Energy LLC against
NorthWestern Energy for refusing to enter into a Purchase Power Agreement*

EL11-006

Prefiled Direct and Rebuttal Testimony of

Pamela A. Bonrud

On behalf of NorthWestern Energy

January 12, 2012

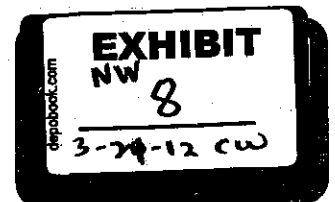


Table of Contents

Introduction and Qualifications	1
Purpose of Testimony	1
REO Relationship to Oak Tree Complaint	2
Precedent of a the Commission's Decision.....	2

Exhibits

None

1 **Testimony**

2 **Introduction and Qualifications**

3 **Q: Please state your name and business address for the record.**

4 A: Pamela A. Bonrud, 3010 West 69th Street, Sioux Falls, South Dakota 57108.

5 **Q: By whom are you employed and in what position?**

6 A. I am employed by NorthWestern Energy, as its director - Government and Regulatory Affairs
7 working in our South Dakota and Nebraska service areas.

8 **Q. Please describe your education and business experience.**

9 A. I have been employed at NorthWestern Energy since November 2005. I was first employed as
10 the director - South Dakota and Nebraska Regulatory Affairs, and in September 2006 my duties
11 were expanded to director - Government and Regulatory Affairs. I have held this position since
12 then. From December 2002 to November 2005, I was the executive director of the South
13 Dakota Public Utilities Commission in Pierre, South Dakota. Prior to that, I was the executive
14 director of the Lewis and Clark Rural Water System in Sioux Falls, South Dakota, from May 1993
15 to December 2002. I also worked for the State of South Dakota in Pierre at the Department of
16 Environment and Natural Resources working on major water project development and the
17 Department of Health in the public health area from 1985 to 1993. I received a Bachelor of
18 Science degree and a Master of Science degree in microbiology from South Dakota State
19 University in Brookings, South Dakota.

20 **Purpose of Testimony**

21 **Q. What is the purpose of your prepared direct and rebuttal testimony?**

22 A. I will address the fact that Oak Tree believes NorthWestern Energy has a mandatory
23 requirement under the South Dakota Renewable, Recycled and Conserved Energy Objective
24 ("REO") and the importance of the precedent that will be established by the Commission's
25 decision in this matter.

1 **REO Relationship to Oak Tree Complaint**

2 **Q. Does NorthWestern Energy have a mandatory requirement under South Dakota's REO as**
3 **indicated by Oak Tree in its response to NorthWestern Energy's Data Request 1-6 in this**
4 **docket?**

5 **A. No.** In its response to Data Request 1-6, Oak Tree states, "[T]here does not appear to be
6 sufficient renewables currently controlled by NWE to make up the remainder of the 5% needed
7 to meet the state RPS goal." Oak Tree's testimony seems to imply that there is a mandatory
8 requirement.

9 However, the 2008 South Dakota Legislature established a voluntary REO for retail providers of
10 electricity in South Dakota. SDCL 49-34A-101 states, "This objective is voluntary, and there is no
11 penalty or sanction for a retail provider of electricity that fails to meet this objective."

12 **Precedent of a the Commission's Decision**

13 **Q. Should the Commission be concerned with the precedent that its decision in this matter could**
14 **have on the electric utilities in South Dakota, the overall costs of electric utility resources**
15 **needed to serve NorthWestern Energy's customers, and its impact on customer rates going**
16 **forward?**

17 **A. Yes.** South Dakota public utilities—NorthWestern Energy in this case—need to secure and
18 maintain a portfolio of electric resources to meet various federal and state objectives that
19 evolve over time. These objectives generally include a diverse portfolio of resources,
20 consideration of Qualifying Facilities (QFs) contracts under PURPA, the South Dakota REO,
21 energy conservation/demand side management, and looming federal environmental policies
22 regarding electric generation. The Commission needs to consider the overall impact of all these
23 factors on an electric utility's portfolio of resources at any point in time and on its customer
24 rates as the Commission is asked to make decisions related to these objectives—a QF contract in
25 this instance.

26 **Q. What is the most critical attribute that the Commission should take into consideration as it**
27 **makes decisions related to any or all of the objectives listed above?**

28 **A. The cost effectiveness of any new electric utility resource against other alternatives and the**
29 **ultimate impact of that resource on the costs reflected in customer rates. For example, under**
30 **the South Dakota REO statute, SDCL 49-34A-104, before a retail electricity provider or its**
31 **generation supplier makes a decision regarding the use of a recycled, renewable, or conserved**
32 **energy resource to meet the REO, it is required to make an evaluation to determine if the use of**
33 **that renewable, recycled, or conserved energy resource is reasonable and cost effective in**
34 **relation to other electricity resource alternatives. For QFs, it is important that the Commission**
35 **focus on a utility's true avoided cost, which is actually representative of its other resource**

1 alternatives as compared to that QF contract. That same standard applies to energy
2 conservation/demand side management resources as well.

3 **Q. How does all of this relate to this Oak Tree complaint?**

4 A. It is natural for a QF to want the avoided cost to be as high as possible in order to financially
5 support the economics of the projects the QF wants to develop. This was indicated by
6 Mr. Lauckhart in his direct testimony on Page 4 where he stated, "Oak Tree is first and foremost
7 interested in selling its power at a price that allows the wind project to be financed, built and
8 operated over its expected lifespan." While Oak Tree does not like the fact that NorthWestern
9 Energy's avoided costs are low and do not sufficiently support the economics of this project,
10 leading to the filing of this complaint with the Commission, it should not change the fact that
11 NorthWestern Energy's avoided costs are what they are and may be lower than what is needed
12 for that particular QF project to be built.

13 **Q. How important is it that the Commission get its decision right in determining what the
14 avoided costs are for NorthWestern Energy as it relates to this Oak Tree complaint?**

15 A. The decision that the Commission will reach in this proceeding is foundational in that it will be
16 the first decision in South Dakota history regarding avoided cost for use in a QF negotiated
17 contract under PURPA. The Commission must carefully weigh the evidence that will be
18 presented in this case to get to the "nuts and bolts" of what NorthWestern Energy's avoided
19 costs are as it concerns the Oak Tree Complaint and future QFs. It is NorthWestern Energy's
20 belief that the avoided cost calculation method presented and supported through its collective
21 testimony best represents what the Commission should recognize in its final decision for this
22 complaint. The Commission's decision will set the course for future contract negotiations
23 between QFs and NorthWestern Energy or other regulated electric utilities. It will also provide
24 clarity for the Commission and interested parties in future dockets, which could minimize future
25 complaint filings. The final decision reached by the Commission in this matter will have far-
26 reaching impacts on customer rates as QFs begin to establish their business presence in South
27 Dakota.

28 **Q. Does that conclude your prepared direct testimony?**

29 A. Yes, it does.

Affidavit of Pamela A. Bonrud

STATE OF SOUTH DAKOTA)

: ss

COUNTY OF LINCOLN)

Pamela A. Bonrud, being first duly sworn upon oath, states and alleges as follows:

1) I am the Director of Government and Regulatory Affairs for NorthWestern Corporation d/b/a NorthWestern Energy.

2) I have read this document and am familiar with its contents, and the same are true to the best of my knowledge and belief.

Further affiant sayeth naught.

Dated at Sioux Falls, South Dakota, this 12th day of January, 2012.



Pamela A. Bonrud

SUBSCRIBED AND SWORN to before me this 12th day of January, 2012.



Dori L. Quam

Notary Public, South Dakota

My commission expires: 2/4/2016

