

Exhibit 19

No. 11

NORTHWESTERN'S SUPPLEMENTAL RESPONSES

- 5-6) Please refer to NorthWestern's response to Staff Data Request 3-8.
- a) Please provide NorthWestern's FERC tariff, and identify the applicable pages that require reimbursement for transmission customers.
 - b) How are QFs classified if they are not considered transmission customers?
 - c) When will NorthWestern complete its review of this process and determine its position?

Original Response of January 3, 2016:

- a) NorthWestern has provided Appendix 6 of Attachment 5 of its OATT, which is the Standard Large Generator Interconnection Agreement. Section 11.4 outlines the requirement to reimburse Interconnection Customers for Network Upgrades required for interconnection. This information is located on pages 49-50 of the agreement provided. They are considered QF Interconnection Customers.
- b) FERC has stated:

The Commission has specifically held that: (1) the QF's obligation to the purchasing utility is limited to delivering energy to the point of interconnection by the QF with that purchasing utility [and] (2) the QF is not required to obtain transmission service, for either itself or on behalf of the purchasing utility, in order to deliver its energy from the point of interconnection with the purchasing utility to the purchasing utility's load.

Pioneer Wind Park, LLC, 145 FERC ¶ 61,215, 62,168-169 (2013). FERC elaborated in footnote 73:

PacifiCorp will be the transmission customer, taking delivery of the QF's output at the point of interconnection between Pioneer Wind and PacifiCorp, with the resulting responsibility to transmit Pioneer Wind's QF output from the point of interconnection between Pioneer Wind and PacifiCorp across PacifiCorp's transmission system to PacifiCorp's loads.

This is not to suggest the QF is exempt from paying interconnection costs, *see* 18 C.F.R. §§ 292.101(b)(6), 292.306 (2013), which may include transmission or distribution costs directly related to installation and maintenance of the physical facilities necessary to permit interconnected operations. 18 C.F.R. § 292.101(b)(6) (2013). Such permissible interconnection costs do not, however, include any costs included in the calculation of avoided costs. *Id.* Correspondingly, implicit the Commission's regulations, transmission or distribution costs directly related to installation and maintenance of the physical facilities necessary to permit interconnected operations may be accounted for in the determination of avoided costs if they have not been separately assessed as interconnection costs.

- c) *Id.*, n. 73. Therefore, QFs are generators that are designated to serve native customer load. The utility, not the QF, is the transmission customer. If interconnection costs that are originally paid by the QF are subsequently reimbursed, then those cost should not be considered to have been paid by the QF and should be accounted for in the determination of avoided cost. If this is not done, then NorthWestern's customers will pay more for the QF's output than they would have paid for alternative energy. FERC has provided a two-step test to establish when the project is considered a state jurisdictional QF project.
1. Is the seller a QF?
 2. If yes, is the seller contractually restricted to sell its output to only the interconnected utility/transmission provider?

The jurisdiction for the project becomes the state when both of these are yes.

NorthWestern believes that if the Juhl projects are interconnected and enter into the contracts that they are requesting before this Commission, then the South Dakota Public Utility Commission has jurisdiction over interconnection and allocation of interconnection and transmission costs.

Supplemental Response of January 5, 2017: [The placement of c) has been corrected in this supplemental response.]

Response:

- a) NorthWestern has provided Appendix 6 of Attachment 5 of its OATT, which is the Standard Large Generator Interconnection Agreement. Section 11.4 outlines the requirement to reimburse Interconnection Customers for Network Upgrades required for interconnection. This information is located on pages 49-50 of the agreement provided. They are considered QF Interconnection Customers.
- b) FERC has stated:

The Commission has specifically held that: (1) the QF's obligation to the purchasing utility is limited to delivering energy to the point of interconnection by the QF with that purchasing utility [and] (2) the QF is not required to obtain transmission service, for either itself or on behalf of the purchasing utility, in order to deliver its energy from the point of interconnection with the purchasing utility to the purchasing utility's load.

Pioneer Wind Park, LLC, 145 FERC ¶ 61,215, 62,168-169 (2013). FERC elaborated in footnote 73:

PacifiCorp will be the transmission customer, taking delivery of the QF's output at the point of interconnection between Pioneer Wind and PacifiCorp, with the resulting responsibility to transmit Pioneer Wind's QF output from the point of interconnection between Pioneer Wind and PacifiCorp across PacifiCorp's transmission system to PacifiCorp's loads. This is not to suggest the QF is exempt from paying interconnection costs, *see* 18 C.F.R. §§ 292.101(b)(6), 292.306 (2013), which may include transmission or distribution costs directly related to installation and maintenance of the physical facilities necessary to permit interconnected operations. 18 C.F.R. § 292.101(b)(6) (2013). Such permissible interconnection costs do not, however, include any costs included in the calculation of avoided costs. *Id.* Correspondingly, implicit the Commission's regulations, transmission or distribution costs directly related to installation and maintenance of the physical facilities necessary to permit interconnected operations may be accounted for in the determination of avoided costs if they have not been separately assessed as interconnection costs.

Id., n. 73. Therefore, QFs are generators that are designated to serve native customer load. The utility, not the QF, is the transmission customer. If interconnection costs that are originally paid by the QF are subsequently reimbursed, then those cost should not be considered to have been paid by the QF and should be accounted for in the determination of avoided cost. If this is not done, then NorthWestern's customers will pay more for the QF's output than they would have paid for alternative energy.

- c) FERC has provided a two-step test to establish when the project is considered a state jurisdictional QF project.

Is the seller a QF?

If yes, is the seller contractually restricted to sell its output to only the interconnected utility/transmission provider?

The jurisdiction for the project becomes the state when both of these are yes. NorthWestern believes that if the Juhl projects are interconnected and enter into the contracts that they are requesting before this Commission, then the South Dakota Public Utility Commission has jurisdiction over interconnection and allocation of interconnection and transmission costs.

Exhibit 19

No. 12

5-3) Has the Company received any executable price offers related to wind in 2016? If so, please provide any and all such offers, and explain why NorthWestern did not execute the offer.

Response: NorthWestern did not receive any executable price offers for wind in 2016. NorthWestern received an unsolicited offer from a counterparty that would be located in the Upper Midwest Zone. The offered base price, with escalation, for the 99 MW project equated to a 20 year levelized cost of \$21.61 per MWh. This price does not reflect any possible upgrade or congestion costs to NorthWestern's load. Due to the offeror's requested confidentiality terms, NorthWestern is unable to provide the offer detail.

Although NorthWestern would hesitate to add an unsolicited resource to its portfolio, NorthWestern considered the proposal to add 99 MW of intermittent wind resource to its portfolio. When it received the offer, NorthWestern had 125 MW of intermittent wind generation in its portfolio serving an average load of approximately 185 MW per hour. NorthWestern determined that having a total of 224 MW of intermittent wind to serve its load would add significant market sales to the portfolio and significantly increase the market risk to NorthWestern customers. Although it did not model the offered resource, NorthWestern believes that the offered price is consistent with its estimated avoided cost for the Juhl projects. NorthWestern expects the estimated avoided cost for 99 MW of wind would be lower than the Juhl avoided cost. This value of the 99 MW project would have been further reduced due to increased costs associated with known congestion in the UMZ between the proposed project and NorthWestern's load. This size project was not a good fit for NorthWestern's portfolio at this time.