

UNITED STATES OF AMERICA
BEFORE THE
FEDERAL ENERGY REGULATORY COMMISSION

NorthWestern Corporation	Docket No. QM17-____-000
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**Application of NorthWestern Corporation
to Terminate Mandatory PURPA Purchase Obligations
in the Southwest Power Pool, Inc.**

Pursuant to Section 292.310(a) of the regulations of the Federal Energy Regulatory Commission, 18 C.F.R. § 292.310(a), implementing Section 210(m) of the Public Utilities Regulatory Policies Act of 1978 ("PURPA"), 16 U.S.C. § 824a-3(m), NorthWestern Corporation ("NorthWestern") hereby submits this Application to be relieved of the requirement to enter into new contracts or obligations to purchase energy and capacity made available by qualifying facilities ("QFs") that have a net capacity greater than 20 megawatts ("MW") and are located within its South Dakota service territory effective the date of this Application, October 4, 2016. As discussed below, NorthWestern belongs to the Southwest Power Pool, Inc. ("SPP"), a Commission-approved Regional Transmission Organization¹ that satisfies the criteria of Section 292.309 of the Commission's regulations.

¹ See *Southwest Power Pool*, 109 FERC ¶ 61,009 (2004), *order on reh'g*, 110 FERC ¶ 61,137 (2005).

I. Background

A. Description of NorthWestern

NorthWestern is a public utility engaged in the generation, transmission, and distribution of electricity, and the supply and transportation of natural gas. NorthWestern owns and operates electric transmission facilities in Montana and South Dakota. Its Montana and South Dakota transmission facilities are neither physically connected nor within the same electric reliability region. This Application addresses only NorthWestern's South Dakota electric utility operations within SPP and not those in Montana.²

NorthWestern owns facilities in eastern South Dakota that serve approximately 62,800 retail customers with a 2015 peak demand of approximately 306 MW, average daily load of 187 MW, and an annual electric load of approximately 1.64 million MWhs. NorthWestern owns approximately 330 miles of 115-kV and 98 miles of 69-kV transmission facilities that have been placed under the SPP tariff. NorthWestern also owns limited transmission facilities that are currently under a Commission-approved open access transmission tariff ("South Dakota OATT").³

² Unless otherwise described, all subsequent references to "NorthWestern" are to the South Dakota electric operations of NorthWestern within the SPP footprint.

³ These facilities include 3 miles of 115-kV, 162 miles of 69-kV, and 595 miles of 34.5-kV lines. These lower-voltage facilities (69-kV and below) are used primarily for local distribution and to provide wholesale distribution service to six customers. As part of the settlement in NorthWestern's Rate Case, Docket No. ER15-2069-000, NorthWestern and SPP agreed that delivery service can be provided pursuant to Schedule 10 of the SPP Tariff, or through a similar mechanism, over these NorthWestern-owned facilities that are not being transferred to SPP's functional control to the current customers connected to those facilities. See *NorthWestern Corp.*, 156 FERC ¶ 63,046, P 13 (2016). This will enable NorthWestern to cancel its South Dakota OATT.

B. NorthWestern's Transition to SPP

NorthWestern joined SPP as a transmission-owning member effective October 1, 2015.⁴ Prior to joining SPP, NorthWestern's 115-kV transmission facilities were treated as part of the Integrated System, which included the transmission facilities of the Western Area Power Administration - Upper Great Plains ("WAPA"), Basin Electric Power Cooperative, and Heartland Consumers Power District (and others), all of which decided to migrate to SPP and transfer functional control of their facilities to SPP on October 1, 2015. Prior to integrating with SPP, NorthWestern's 115-kV transmission facilities were operated by WAPA pursuant to a network operating agreement between WAPA and NorthWestern. NorthWestern relied upon WAPA for a host of services needed to meet its local area load, including balancing authority services, ancillary services, and marketing services. When WAPA, Basin Electric, and Heartland decided to migrate their transmission facilities to SPP, NorthWestern similarly decided to migrate its transmission facilities to SPP.

On June 29, 2015, NorthWestern submitted a filing with the Commission stating its intention to join SPP and requesting approval of a formula rate template and formula rate protocols to calculate its annual transmission requirement, effective October 1, 2015 ("Rate Case").⁵ On June 30, 2015, SPP filed corresponding revisions to the SPP Tariff to incorporate NorthWestern's proposed formula rate into the SPP Tariff.⁶ On September 30, 2015, the Commission issued an order accepting the proposed formula

⁴ *NorthWestern Corp.*, 152 FERC ¶ 61,250 (2015).

⁵ Docket No. ER15-2069-000.

⁶ Docket No. ER15-2075-000.

rate template and protocols, and set the justness and reasonableness of these matters for hearing.⁷ The parties reached a settlement, which was certified to the Commission on September 13, 2016.⁸

C. SPP's Integrated Marketplace

The Commission accepted SPP's filing to revise its Open Access Transmission Tariff to implement its Integrated Marketplace, effective March 1, 2014.⁹ SPP's Integrated Marketplace, which began functioning on March 1, 2014, includes the following major market-design components: (1) day-ahead energy and operating reserve markets; (2) day-ahead and intra-day Reliability Unit Commitment (RUC) processes; (3) a real-time balancing market; (4) price-based co-optimized energy and operating reserve procurement; (5) a market-based congestion management process including a market for transmission congestion rights and allocation of auction revenue rights; (6) consolidation of 16 Balancing Authority Areas in the SPP footprint into a single Balancing Authority Area operated by SPP; (7) a Multi-Day Reliability Assessment performed prior to the day-ahead market to manage the commitment of long-start resources; and (8) market monitoring and mitigation with an internal Market Monitoring Unit (Market Monitor).¹⁰

⁷ *NorthWestern Corp.*, 152 FERC ¶ 61,250 (2015).

⁸ *NorthWestern Corp.*, 156 FERC ¶ 63,046 (2016).

⁹ *Southwest Power Pool, Inc.*, 141 FERC ¶ 61,048 (2012), *order on reh'g and clarification*, 142 FERC ¶ 61,205 (2013).

¹⁰ *Southwest Power Pool, Inc.*, 147 FERC ¶ 61,212, at P 2 (2014).

II. Communications and Correspondence

Service in this proceeding should be made upon and all communications regarding this Application should be directed to the following persons:

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III. Application

Pursuant to Section 292.310(a) of the Commission's regulations, an electric utility seeking termination of its PURPA purchase obligation is required to file an application that sets forth the factual basis upon which relief is requested, and describes why the conditions set forth in Section 292.309(a)(1), (2), or (3) have been met. In accordance with 18 C.F.R § 292.310, NorthWestern provides the following information required by Section 292.310(d).

A. Reliance on 18 C.F.R § 292.309(a)(2)

In this Application, NorthWestern relies on 18 C.F.R § 292.309(a)(2), which provides that an electric utility shall not be required to purchase electric energy from a QF if the Commission finds that the QF has nondiscriminatory access to:

(i) Transmission and interconnection services that are provided by a Commission-approved regional transmission entity and administered pursuant to an open access transmission tariff that affords nondiscriminatory treatment to all customers; and

(ii) Competitive wholesale markets that provide a meaningful opportunity to sell capacity, including long-term and short-term sales, and electric energy, including long-term, short-term and real-time sales, to buyers other than the utility to which the qualifying facility is interconnected. In determining whether a meaningful opportunity to sell exists, the Commission shall consider, among other factors, evidence of transactions within the relevant market[.]

B. Factual Basis upon which Relief is Requested

In this Application, NorthWestern relies on the rebuttable presumption set forth in 18 C.F.R. § 292.309(g), which provides that SPP satisfies the criteria of Section 292.309(a)(2)(i). The Commission has determined that QFs in SPP have nondiscriminatory access to transmission and interconnection services pursuant to an open access transmission tariff that affords nondiscriminatory treatment to all customers.¹¹

As discussed below, NorthWestern respectfully submits that its transmission system, which is now embedded in the SPP footprint, provides nondiscriminatory access to competitive wholesale markets within SPP that provide a meaningful opportunity to QFs to sell short-term and long-term energy and capacity and real-time energy. The

¹¹ See, e.g., *Nebraska Public Power District*, 156 FERC ¶ 61,043 (2016); *Arkansas Electric Cooperative Corp.*, 153 FERC ¶ 62,162 (2015); *Xcel Energy Services, Inc., et al.*, 122 FERC ¶ 61,048 ("January 2008 Order"), order on reh'g, 124 FERC ¶ 61,073 (2008).

Commission has repeatedly found that SPP operates a competitive market that satisfies Section 292.309(a)(2)(ii).¹²

C. Transmission Studies and Related Information

Section 292.310(d)(3) of the Commission's regulations requires an applicant to submit certain transmission studies and related information when seeking to be relieved of its PURPA purchase obligation. NorthWestern submits the following information to satisfy Section 292.310(d)(3).¹³

1. Long-Term Transmission Plan

The Commission's regulations require applicants to provide information about their long-term transmission plans, whether conducted by the applicant, regional transmission organization, independent system operator, or other relevant entity.¹⁴ The relevant long-term transmission plan in this case is that conducted through the Commission-approved transmission planning process of SPP. SPP's Integrated Transmission Planning ("ITP") process was approved by the Commission more than five years ago.¹⁵ SPP's ITP process is an iterative three-year process that includes 20-Year, 10-Year, and Near-Term Assessments. The ITP integrates three SPP processes: the Extra

¹² *Id.*

¹³ In Order No. 688-A, the Commission confirmed that utility applicants may provide hyperlinks to relevant studies on the Internet rather than submitting copies of documents attached to the applications for relief from PURPA Purchase Obligations. *New PURPA Section 210(m) Regulations Applicable to Small Power Production and Cogeneration Facilities*, Order No. 688-A, 119 FERC ¶ 61,305, at P 112 (2007), *aff'd sub nom. Am. Forest & Paper Ass'n v. FERC*, 550 F.3d 1179 (D.C. Cir. 2008) ("We clarify, moreover, that an applicant can provide a hyperlink to the relevant studies, if available, rather than submitting complete studies and reports").

¹⁴ 18 C.F.R. § 292.310(d)(3)(i).

¹⁵ *Southwest Power Pool, Inc.*, 132 FERC ¶ 61,042 (2010), *order on reh'g*, 136 FERC 61,050 (2011).

High Voltage Overlay, the Balanced Portfolio, and the SPP Transmission Expansion Plan Reliability Assessment.

Documents related to the ITP are available at

<https://www.spp.org/engineering/transmission-planning/>. The most recent reports include:

- ITP20: 2013 Integrated Transmission Plan 20-Year Assessment Report (July 30, 2013)¹⁶
- ITP10: 2015 Integrated Transmission Plan 10-Year Assessment Report (Jan. 20, 2015)¹⁷
- ITPNT: 2016 Integrated Transmission Planning Near-Term Assessment¹⁸
- 2016 STEP: 2016 SPP Transmission Expansion Plan Report (Jan. 5, 2016)¹⁹

2. *Transmission Constraints*

The Commission's regulations require applicants to provide information about known and anticipated transmission constraints on their respective transmission systems, as well as any proposed mitigation, including transmission construction plans.²⁰ As part of its Commission-approved regional transmission planning process under Order No. 890 and Order No. 1000, SPP and its stakeholders utilize a comprehensive planning approach, which includes performing various studies to identify transmission issues, such as transmission constraints, and evaluating projects in the context of addressing these issues.

¹⁶ Available at https://www.spp.org/documents/20438/20130730_2013_itp20_report_clean.pdf.

¹⁷ Available at https://www.spp.org/documents/26141/final_2015_itp10_report_bod_approved_012715.pdf.

¹⁸ Available at <https://www.spp.org/documents/42676/final%202016%20itp%20near-term%20assessment%20spp%20board%20approved.pdf>.

¹⁹ Available at https://www.spp.org/documents/34209/2016_step_report_final_01-26-2016_bod_approved_revised_08-04-2016.pdf.

²⁰ 18 C.F.R. § 292.310(d)(3)(ii).

SPP's 2015 State of the Market Report²¹ provides the most recent annual discussion of transmission issues. The Spring 2016 State of the Market Report²² provides the current year's updated information on transmission constraints and congestion in SPP.

3. Congestion

The Commission's regulations require applicants to provide information regarding the levels of congestion on their transmission systems, if available.²³ As part of the transmission planning process of SPP, SPP performs several congestion-based studies, which include in-depth analyses of the most congested flowgates in the SPP footprint, and identify transmission investments that would be required to address chronic congestion. In its Spring 2016 State of the Market Report,²⁴ the SPP Market Monitoring Unit identified the most congested transmission corridors and their associated flowgates in the SPP footprint. This report also includes a list of transmission projects that are proposed or under construction that will help alleviate the congestion. SPP Transmission Planning reports²⁵ provide detailed information on each of the individual projects.

As noted in the Spring 2016 State of the Market Report, the regions experiencing the most congestion in SPP are the Texas Panhandle corridor, the Western

²¹ SPP Market Monitoring Unit, 2015 STATE OF THE MARKET (Aug. 15, 2016), *available at* https://www.spp.org/documents/41597/spp_mmu_state_of_the_market_report_2015.pdf

²² SPP Market Monitoring Unit, Spring 2016 STATE OF THE MARKET REPORT, MARCH – MAY 2016 (June 24, 2016), *available at* https://www.spp.org/documents/39211/spp_qsom_2016spring.pdf

²³ 18 C.F.R. § 292.310(d)(3)(iii).

²⁴ *See* n.17, *supra*.

²⁵ *Available at* <https://www.spp.org/engineering/transmission-planning/>.

Oklahoma corridor, and the Western Kansas corridor—not areas within NorthWestern’s SPP footprint. Information on congestion in SPP is available in the reports listed above.

4. *System Impact Studies*

The Commission’s regulations require applicants to provide information concerning relevant system impact studies for the generation interconnections for the applicant’s transmission systems that are already completed.²⁶ Because SPP is now the transmission provider for NorthWestern for its load in South Dakota, system impact studies for generation interconnections to the NorthWestern transmission system in South Dakota are performed under the direction of, or in collaboration with, SPP.²⁷ Information on generation interconnections is available from SPP at <https://www.spp.org/engineering/generation-interconnection/>.

5. *Available Transfer Capability and OASIS*

The Commission’s regulations require applicants to provide information pertinent to showing whether the applicant has available transfer capability (“ATC”)²⁸ and to provide a link to the applicant’s OASIS from which a QF may obtain the applicant’s ATC information.²⁹ SPP is the transmission provider for NorthWestern. Information about ATC can be found on SPP’s OASIS at <https://www.oasis.oati.com/SWPP/index.html>.

²⁶ 18 C.F.R. § 292.310(d)(3)(iv).

²⁷ As noted earlier in footnote 4 above, NorthWestern currently maintains an OATT for service on limited facilities.

²⁸ 18 C.F.R. § 292.310(d)(3)(v).

²⁹ 18 C.F.R. § 292.310(d)(3)(vi).

D. Process for QFs to Arrange Transmission Service

Section 292.310(d)(4) of the Commission's regulations requires the applicant to describe the process, procedures, and practices that QFs interconnected to the applicant's system must follow to arrange for transmission service to transfer power to purchasers other than the applicant. A QF directly interconnected to NorthWestern's facilities that have been placed under the SPP tariff must follow SPP's procedures for requesting transmission service to transfer power to purchasers other than NorthWestern. A QF interconnected to NorthWestern's facilities that have not been transferred to SPP would follow the procedures in NorthWestern's South Dakota OATT.

Information on obtaining transmission service from SPP is available at <http://www.oasis.oati.com/SWPP/index.html>.

Information about obtaining transmission service on NorthWestern's non-SPP facilities is available at <http://www.northwesternenergy.com/our-company/about-us/electric-transmission>.

E. Interconnection Agreements

Section 292.310(d)(5) of the Commission's regulations requires that, if QFs will be required to execute new interconnection agreements or to renegotiate existing agreements so that they can effectuate wholesale sales to third-party purchasers, the applicant must explain the procedures for obtaining such new agreements, detail any applicable charges, and explain any differences in these two factors for QFs as compared to other generators or applicant-owned generation.

For NorthWestern’s facilities that have been placed under the SPP tariff, any generator seeking to engage in wholesale sales to third-party purchasers must follow the SPP interconnection procedures. Such procedures apply whether the interconnecting facility is classified as a QF or another type of resource, including a NorthWestern-owned resource. The SPP generation interconnection page is available at <https://www.spp.org/engineering/generation-interconnection/>.

For NorthWestern’s facilities that have not been transferred to SPP, any generator seeking to engage in wholesale sales to third-party purchasers would follow the procedures in NorthWestern’s South Dakota OATT. These procedures apply whether the interconnecting facility is classified as a QF or another type of resource, including a NorthWestern-owned resource.

F. Notice to QFs

Sections 292.310(b) and (c) of the Commission’s regulations require provide that a utility seeking to terminate its PURPA purchase obligation must identify all potentially affected QFs,³⁰ including names and addresses of such QFs, as well as certain other information.³¹

³⁰ 18 C.F.R. § 292.310(c)(1)-(5) define all potentially affected QFs to include: “(1) Those qualifying facilities that have existing power purchase contracts with the applicant; (2) Other qualifying facilities that sell their output to the applicant or that have pending self-certification or Commission certification with the Commission for qualifying facility status whereby the applicant will be the purchaser of the qualifying facility’s output; (3) Any developer of generating facilities with whom the applicant has agreed to enter into power purchase contracts, as of the date of the application ..., or are in discussion as of the date of the application filed pursuant to this section, with regard to power purchase contracts; (4) The developers of facilities that have pending state avoided cost proceedings, as of the date of the application ...; and (5) Any other qualifying facilities that the applicant reasonably believes to be affected by its application filed pursuant to 18 C.F.R. § 292.310(a).”

³¹ Pursuant to 18 C.F.R. § 292.310(c), an electric utility seeking to terminate its PURPA Purchase Obligation must submit the following information in its application for each potentially affected QF: (1) the docket number assigned if the QF filed for self-certification or an application for Commission certification of QF

Attachment 1 to this Application includes the information required by the Commission's regulations for potentially affected QFs. To the extent certain information is not included in Attachment 1, NorthWestern seeks a waiver of the requirement to provide that information, inasmuch as NorthWestern has engaged in extensive efforts and gone to considerable lengths to gather the information required by the Commission's regulations. NorthWestern is unaware of any other potentially affected QFs over 20 MW, or other proposed QFs of any size. NorthWestern does not have any power purchase contracts with QFs over 20 MW; is not purchasing the output of QFs over 20 MW; has not agreed to enter into any power purchase contracts with developers of generating facilities; and is unaware of any developers of facilities over 20 MW that have pending state avoided cost proceedings,³² as of the date of this application. NorthWestern has used due diligence to ascertain whether there are any other potentially affected QFs over 20 MW, or other proposed QFs of any size.

NorthWestern will provide a copy of the Application to the potentially affected QFs listed in Attachment 1 and the South Dakota Public Utilities Commission. Notice of the Application will be posted to the SPP OASIS.

status; (2) the net capacity of the QF; (3) the location of the QF depicted by state and county, and the name and location of the substation where the QF is interconnected; (4) the interconnection status of each potentially affected QF, including whether the QF is interconnected as an energy or a network resource; and (5) the expiration date of the energy and/or capacity agreement between the applicant utility and each potentially affected QF.

³² Aurora County Wind, Brule County Wind, and Davison County Wind, listed on Attachment 1, have a joint proceeding before the South Dakota Public Utilities Commission for determination of avoided cost (SDPUC Docket No. EL16-021).

G. Signature of Authorized Individual

Section 292.310(d)(7) of the Commission's regulations requires applicants to provide the signature of an authorized individual evidencing the accuracy and authenticity of information provided by the applicant. NorthWestern has provided the required signature and verification in Attachment 2 to this Application.

IV. Conclusion and Request for Relief

For the reasons set forth above, NorthWestern respectfully requests that the Commission grant this application to relieve it from its PURPA purchase obligation within its South Dakota electric service territory within the SPP footprint with respect to QFs with a capacity greater than 20 MW, effective October 4, 2016.

Respectfully submitted this 4th day of October, 2016.

NorthWestern Corporation

s/ Al Brogan _____

Al Brogan
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Certificate of Service

Pursuant to Rule 2010 of the Commission's Rules of Practice and Procedure, I hereby certify that I have this day served the foregoing document upon each person designated on the official service list compiled by the Secretary in this proceeding.

Dated at Helena, Montana, this 4th day of October, 2016.

NorthWestern Corporation

s/ Al Brogan _____

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Project Company Information	Docket No.	Net Capacity	Location of QF & Interconnecting Substation	Interconnection Status Energy or Network Resource	Expiration Date of PPA
<p>Brule County Wind</p> <p>Juhl Energy, Inc. 1502 17th St. SE Pipestone, MN 56164</p> <p>Cory Juhl cjuhl@juhlenergy.com (507) 777-4310</p>	QF16-87-000	20 MW	Brule County, SD	Not interconnected	N/A
<p>Aurora County Wind</p> <p>Juhl Energy, Inc. 1502 17th St. SE Pipestone, MN 56164</p> <p>Cory Juhl cjuhl@juhlenergy.com (507) 777-4310</p>	QF16-76-000	20 MW	Aurora County, SD	Not interconnected	N/A
<p>Davison County Wind</p> <p>Juhl Energy, Inc. 1502 17th St. SE Pipestone, MN 56164</p> <p>Cory Juhl cjuhl@juhlenergy.com (507) 777-4310</p>	QF16-77-000	20 MW	Davison County, SD	Not interconnected	N/A

Project Company Information	Docket No.	Net Capacity	Location of QF & Interconnecting Substation	Interconnection Status Energy or Network Resource	Expiration Date of PPA
<p>Oak Tree Energy Wind</p> <p>conEdison Development 100 Summit Lake Drive Valhalla, NY 10595</p> <p>Aude Schwarzkopf schwarzkopfa@coneddeve.com (914) 328-7422</p>	<p>QF10-449-002</p>	<p>19.5 MW</p>	<p>Clark, SD</p> <p>QF-owned substation near Clark, SD</p>	<p>Interconnected as a Network Resource</p>	<p>8/4/2033</p>

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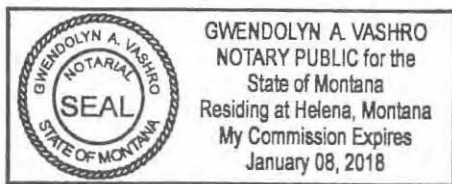
Verification

I, Heather H. Grahame, being duly sworn, depose and say that I am Vice President and General Counsel of NorthWestern Corporation and have authority with respect thereto. I have read the foregoing Application and, based on my knowledge, information, and belief, all of the statements contained therein pertaining to NorthWestern Corporation are true and accurate.



Heather H. Grahame
Vice President and General Counsel

Signed and sworn to before me this 3rd day of October, 2016, by Heather H. Grahame.



Gwendolyn A. Vashro
Name: GWENDOLYN A. VASHRO
Notary Public for the State of Montana
Residing at: HELENA, MT
My Commission expires: January 8, 2018