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February 10, 2005

Ms. Pamela Bonrud, Executive Director
SD Public Utilities Commission
500 East Capitol
Pierre, SD 57501

Re: Docket No. EL04-016

Dear Ms. Bonrud:

NorthWestern Corporation, doing business as NorthWestern Energy, an intervenor in the above-entitled matter, herewith submits the original and eleven (11) copies of the testimony of Frank Bennett.

Please acknowledge receipt by stamping or initialing the duplicate copy of this letter attached hereto and returning the same in the enclosed self-addressed stamped envelope.

Sincerely yours,

A handwritten signature in black ink, appearing to read "Alan Dietrich", written over a white background.

Alan D. Dietrich
Vice President – Legal Administration &
Corporate Secretary

CC: Service List

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SOUTH DAKOTA PUBLIC
UTILITIES COMMISSION

BEFORE THE SOUTH DAKOTA PUBLIC UTILITIES COMMISSION
OF THE STATE OF SOUTH DAKOTA

RECEIVED
FEB 11 2005
SOUTH DAKOTA PUBLIC
UTILITIES COMMISSION

IN THE MATTER OF THE FILING BY)
SUPERIOR RENEWABLE ENERGY LLC ET AL.)
AGAINST MONTANA-DAKOTA UTILITIES CO.)
REGARDING THE JAVA WIND PROJECT)

DOCKET NO. EL04-016

TESTIMONY OF FRANK BENNETT ON BEHALF OF
NORTHWESTERN CORPORATION D/B/A NORTHWESTERN ENERGY

1 **Q. Please state your name and business address.**

2

3 A. My name is Frank Bennett and my business address is 40 East Broadway Street, Butte,
4 MT 59701.

5

6 **Q. Please describe your employment history.**

7

8 A. I am currently classified as an Electric and Natural Gas Default Supply Specialist with
9 NorthWestern Energy where I have been working with the Energy Supply group since
10 1996. In this capacity I have been working on Electric, Natural Gas, and Propane
11 contracts that help fulfill the requirement to provide supply to the core customers of our
12 Montana Utility. From 1991 through 1996 I worked as a Landman for The Montana
13 Power Company and North American Resources Company. During this time I worked
14 on Joint Operational type contracts with other corporations and with land and mineral
15 owners in an effort to explore and develop natural resources primarily in Montana,
16 Wyoming, and Colorado. From 1991 through 1984 I worked in various capacities within

1 the mineral industry, mainly for Altana Exploration Company and Roan Resources Ltd.,
2 in Alberta and Saskatchewan Provinces of Canada with additional work in Montana and
3 Colorado.

4
5 **Q. Please describe your educational background.**

6
7 A. I attended the Montana College of Mineral Science and Technology, which is now known
8 as Montana Tech of the University of Montana, taking classes in the Business and
9 Information Technology program. I received my degree from Montana Tech in 1994.

10
11 **Q. Have you testified as a witness in the past?**

12
13 A. Yes, I have testified before the Montana Board of Oil and Gas Conservation Commission
14 as a witness in land matters.

15
16 **Q. Please describe your testimony.**

17
18 A. I have read the testimony of Superior Renewable Energy, LLC. and Montana-Dakota
19 Utilities Co. submitted under this matter. In my testimony I discuss three issues that
20 compare the actual occurrences of NorthWestern Energy (NWE) with issues relevant to
21 this hearing. The first is how the attempt to estimate long term fixed avoided cost rates
22 has resulted in above-market rates paid to Qualifying Facilities (QF's) in the state of
23 Montana. Secondly, how NWE feels that environmental attributes should be separated

1 from the QF Contract. And lastly, how NWE's historical data for wind sites actual
2 capacity factors achieved in Montana compare to the proposed site.

3
4 **Q. How does NWE's avoided cost rate payments to QF's compare to its market
5 purchase prices?**

6
7 A. The regulatory process in Montana at the time of contracting with our QF's attempted to
8 set what was believed to be fair, long term avoided cost rates. This estimate created out-
9 of-market costs, that under current market prices, fails to meet the "just and reasonable"
10 and "(no) more than the avoided cost" tests as specified by Sec.292.304 under
11 18CFR292.304. Various QF contracts under long term avoided cost rates held by our
12 Montana Utility were estimated and fixed at escalating costs to NWE that resulted in
13 variations between 6% and 5% average escalation of the actual net per MWh rate paid.
14 During this same time period the actual change in gross domestic product for products
15 and wages as reported by WEFA changed on average 2%. As was indicated in the
16 testimony of Edward D. Key, NorthWestern agrees that the use of a market-based rate is
17 the best protection for the utility customer and the utility. In this example, using the last
18 full contract year of 2002-2003 resulted in out of market costs paid to QF's by NWE of
19 \$13.3912 per MWh which would have been avoided if we had used a market-based rate
20 in Montana. See attached Exhibit A.

21
22 The utility customers in Montana and in South Dakota would also benefit from a position
23 Mr. Key supports, in the length of terms under QF contracts. Having terms of ten years

1 or less, would allow NorthWestern to renegotiate contracts under current market
2 conditions and save the customers and the utility from absorbing any rates that would
3 have been estimated to be above-market rates under a longer term contract.
4

5 **Q. Should environmental attributes be considered within the QF avoided cost**
6 **calculation?**
7

8 A. NWE believes that environmental attributes from QF generation called Tradable
9 Renewable Certificates (Green Power) should remain a separate market from traditional
10 power offerings. This separation will allow those customers who desire to pay the
11 market rate for Green Power to purchase it from sources that market them. There is a
12 separate certification process for Green Power that would add additional costs for core
13 customers of a utility having to include and attempt to value these attributes with avoided
14 costs. Under the calculation of specific "Factors affecting rates for purchases" found in
15 Sec. 292.304, Subpart (e) under 18CFR292.304 used for avoided cost calculations there
16 is no mention of environmental attributes. Information on this national certification
17 processes can be found at web sites like "www.green-e.org" which states, "The Green-e
18 Program is now certifying Tradable Renewable Certificates (TRCs)." Another additional
19 source is the Bonneville Power Administration web site. In the BPA web site they use
20 the term "Green Tag" to refer to this separate tradable market in environmental attributes.
21 The avoided costs should focus only on actual generation costs and not try to incorporate
22 a separate market offering that should be allowed to establish its own market rates.
23

1 **Q. How does the rating and actual historical capacity factor of NWE compare to the**
2 **Java information?**

3
4 A. Actual historical generation of NWE from wind generation located at sites with a similar
5 wind resource rating as measured by the Department of Energy, have failed to reach the
6 Capacity Factor (CF) estimates provided on page 6 of the testimony from Jeff Ferguson.
7 Within the web site of the Department of Energy's Office of Energy Efficiency and
8 Renewable Energy is the Renewable Resource Data Center that has links to the United
9 States Annual Wind Resource Potential maps. Utilizing this map in locating the Montana
10 wind generation locations shows the sites in Montana rated outstanding and excellent,
11 with northern South Dakota rated as excellent and good. The Java site rating is within
12 the existing NorthWestern wind resources ratings. Our historical evidence shows that our
13 wind generators achieve a maximum of 40% CF during the winter months and maintain
14 less than 20% CF during the summer months. We cannot predict the CF of the Java site
15 but our experience with wind generation indicates lower CF from this source. See
16 Exhibit B and C.

17
18 **Q. Does this conclude your testimony?**

19
20 A. Yes.

**Exhibit A
To the Testimony of
Frank Bennett**

SDPUC Testimony
NorthWestern Energy
QF sampling for avoided cost forecast

Per MWh Actual Cost

Contract Year	Hydro QF	% Change	Thermal QF	% Change	Wind QF	% Change	WEFA	GDP
1998-99 Total	\$52.8285	6.1487%	\$45.0718	9.7684%	\$20.7736	19.0204%	1998	1.0277%
1999-00 Total	\$54.5095	3.1819%	\$46.8655	3.9796%	\$23.1943	11.6525%	1999	1.7294%
2000-01 Total	\$60.5638	11.1070%	\$49.8557	6.3803%	\$21.1187	-8.9486%	2000	2.7000%
2001-02 Total	\$62.1857	2.6780%	\$51.5749	3.4485%	\$21.7717	3.0920%	2001	2.0448%
2002-03 Total	\$76.7090	23.3547%	\$58.1253	12.7006%	\$21.9256	0.7069%	2002	1.5267%
2003-04 Total	\$70.2034	-8.4809%	\$55.0289	-5.3271%	\$22.7887	3.9364%	2003	2.2556%
Total Average Change:		6.3316%		5.1584%		4.9099%		1.8807%

Actual Rate Summary

2002-03 Avg QF Cost: \$52.2533
2002-03 Avg Market Cost: \$38.8621
Out of Market: (\$13.3912)

Exhibit B
To the Testimony of
Frank Bennett

NorthWestern Energy
QF Wind Generation
4 Plant Locations Wind Energy Resource Class 5 & 6

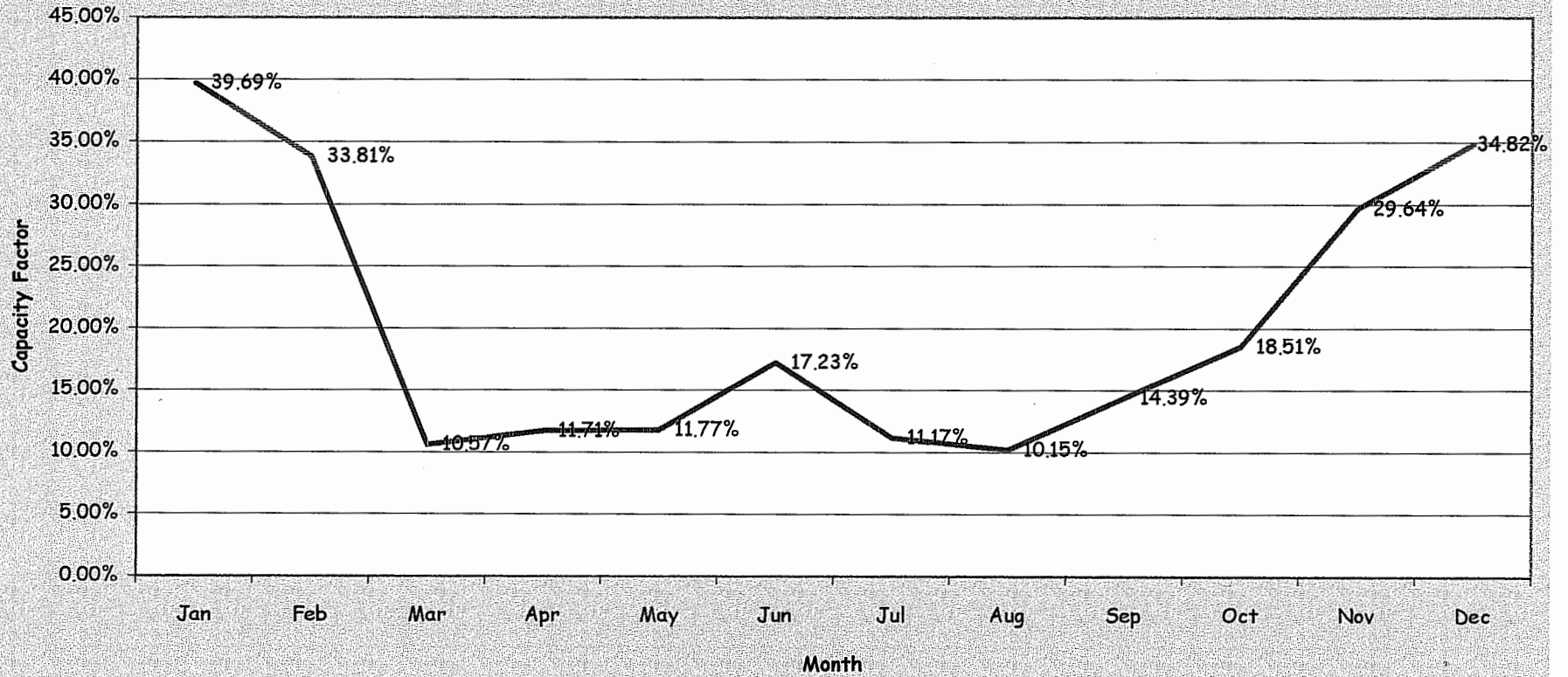
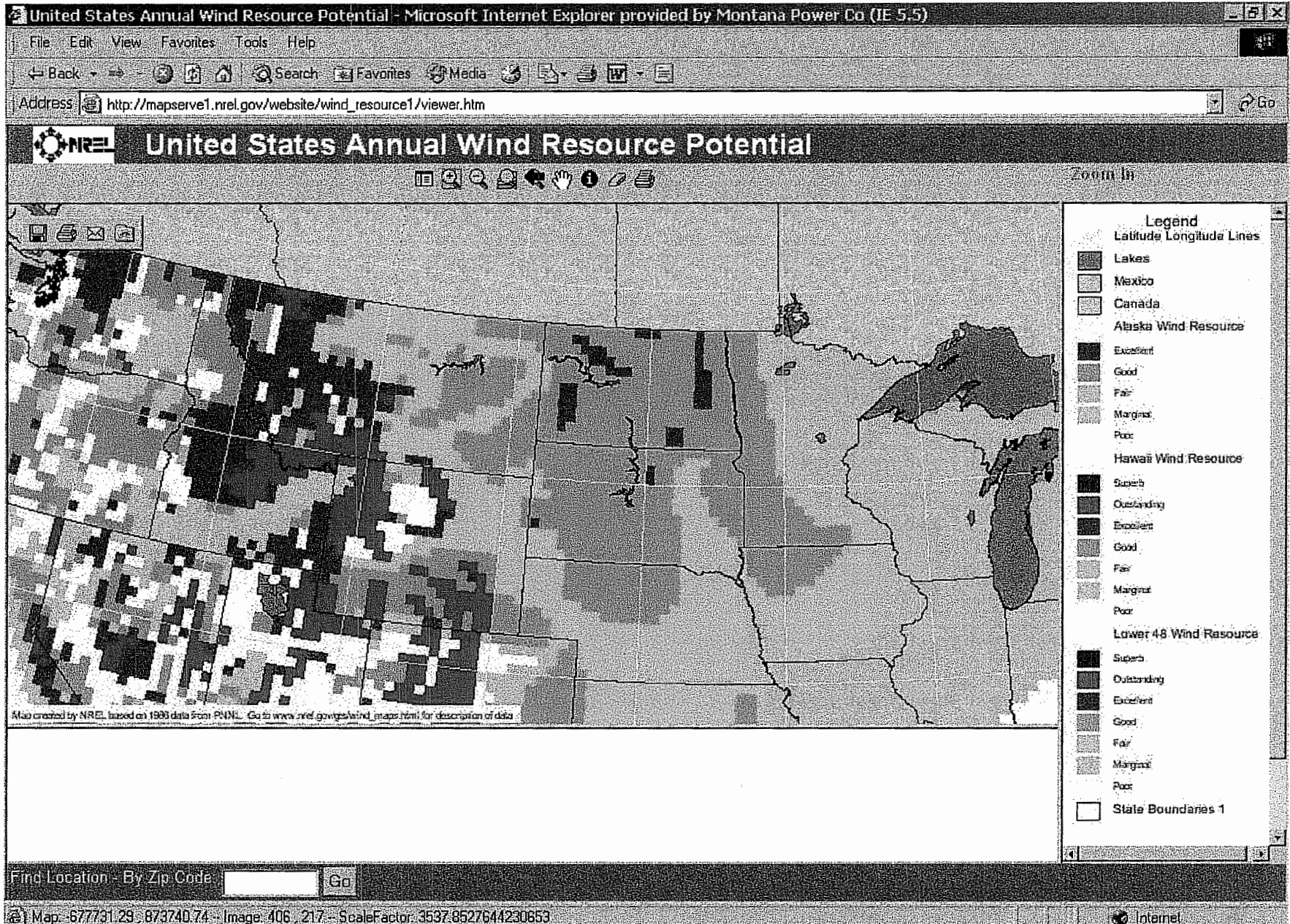


Exhibit C
To the Testimony of
Frank Bennett



**STATE OF SOUTH DAKOTA
BEFORE THE
PUBLIC UTILITIES COMMISSION**

In the Matter of the Complaint filed by Superior)
Renewable Energy LLC, et al. against)
Montana-Dakota Utilities Co. regarding the)
Java Wind Project)

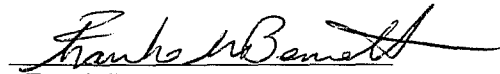
Docket No. EL04-016

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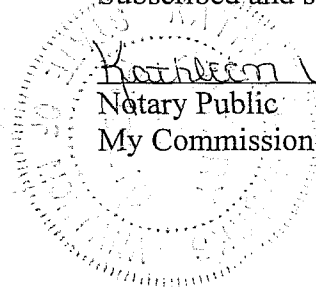
County of Silver Bow

State of Montana

Frank Bennett, being first duly sworn, deposes and says that the Testimony of Frank Bennett submitted in the above-captioned proceeding was prepared by him, with the assistance of others working under his direction and supervision, that he is familiar with the contents thereof, and that the statements set forth therein are true and correct to best of his knowledge, information and belief.


Frank Bennett

Subscribed and sworn before me this 7th day of February, 2005.

 Kathleen Upcraft
Notary Public

My Commission Expires: Oct 20, 2008

SOUTH DAKOTA PUBLIC UTILITIES COMMISSION
DOCKET NO. EL04-016
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