

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

Responsive Testimony of
Dennis L. Wagner
On behalf of NorthWestern Energy

Submitted February 24, 2012

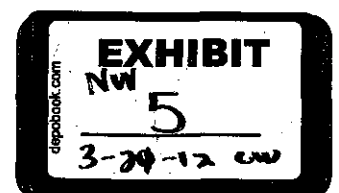


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Exhibits

None

1 **Testimony**

2 **Introduction**

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

4 A: My name is Dennis L. Wagner. I am employed by NorthWestern Energy. My business address is
5 600 Market Street West, Huron, South Dakota 57350.

6 **Q: Are you the same Dennis L. Wagner that has previously filed testimony in this docket?**

7 A: Yes.

8 **Purpose of Testimony**

9 **Q: What is the purpose of your responsive testimony?**

10 A: The purpose of this testimony is to respond to Brian Rounds's testimony by clarifying certain
11 issues related to capacity.

12 **Q: Please summarize your testimony.**

13 A: This response testimony is for clarification on how accredited capacity is determined and that it
14 is not an automatic 20% as stated in Mr. Rounds's testimony. The second part is to clarify the
15 statement on impact of capacity value on the overall available cost calculation.

16 **Accredited Capacity**

17 **Q: How is accredited capacity obtained and how is capacity determined for a new wind farm in**
18 **MISO's footprint?**

19 A: I would like to explain a little better how accredited capacity is established and how history of
20 the wind farm output is necessary for determining the wind farm accreditation. We cannot
21 assume that Oak Tree accreditation is going to be 20%. Wind accreditation in South Dakota
22 varies for a variety of different reason. The data collected from year to year is inconsistent. Due
23 to the fluctuating nature of the data, MISO (Midwest Independent Transmission System
24 Operator, Inc.) has established a system that derives accredited capacity over a 10-year period.

25 In MISO according to their "Resource Adequacy Business Practice Manual (BPM-011-r8)" for
26 planning year 2010–2011 the MISO footprint saw an average of 8% wind capacity credit. For the
27 year 2011–2012, the accredited wind capacity average is 12.9%. It also states that any new wind
28 farm that comes on line will use the MISO system-wide average for 2011–2012 of 12.9% for its

1 first year. After that it will be based on historical data during peak conditions on yearly average
2 added together over time and averaged.

3 **Capacity Value**

4 **Q: How is capacity value determined?**

5 **A:** I would like to clarify how the value of capacity is determined. First, I do want to make it clear
6 that NorthWestern Energy only needs capacity for the "summer season" or four months of the
7 summer. We will not need any winter capacity for a number of years due to the addition of
8 Aberdeen Generation Station #2.

9 Utilities vary how they determine a price for capacity. It has a lot to do with supply and demand
10 plus availability of transmission. NorthWestern's Avoided Capacity Cost starting in 2016 would
11 be equal to the ability to lower the amount of purchased capacity from Basin Electric Power
12 Cooperative or another provider. Using the Basin contract as guidance for pricing and terms,
13 NorthWestern purchases capacity for the 6 summer months at rates of \$5.00 per kW-month for
14 the first 5 megawatts of the contract amount for the term and \$11.00 per kW-month for the
15 contract amount above 5 megawatts for the month. The cost NorthWestern would be able to
16 avoid would equal the accredited QF capacity at the contracted Basin rate. The annualized
17 avoided cost for each megawatt that would be avoided starting in 2016 based on this contact
18 would be \$66,000 per megawatt using the \$11.00 per kW-month avoided. Assuming the Oak
19 Tree facility would produce 76,652 MWh per year, the price for 1 megawatt of capacity per
20 MWh produce would equal \$0.86 per MWh generated.

21 **Q: Does this conclude your Responsive Testimony?**

22 **A:** Yes.

Affidavit of Dennis L. Wagner

STATE OF SOUTH DAKOTA)

COUNTY OF YANKTON)

: ss

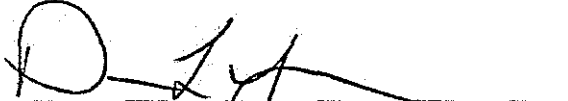
Dennis L. Wagner, being first duly sworn upon oath, states and alleges as follows:

1) I am the Director of South Dakota Production 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 Yankton, South Dakota, this 19 day of February, 2012.


Dennis L. Wagner

SUBSCRIBED AND SWORN to before me this 19th day of February, 2012.


Notary Public, South Dakota
My commission expires: March 6, 2012

