

NEWS RELEASE – IMMEDIATE

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MONTANA PUBLIC SERVICE COMMISSION

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EWM taxes increased; rate hike likely

HELENA – The PSC yesterday approved an accounting order requested by Energy West Montana and Cut Bank Gas Company, clearing the way for eventual customer rate increases to cover the property tax hikes announced for both utilities by DOR after a 3-year audit.

While the precise amount of increase on each rate class won't be determined until the commission takes further action, the estimated financial impact of the tax boost is \$362,423 for EWM and \$32,282 for CBG. It is standard regulatory practice for tax expenses to pass through to the ratepayer.

These planned increases followed an “unusual and circuitous path,” according to Commissioner Roger Koopman (R-Bozeman,) “going from increase to decrease to increase again. It appears, one way or the other, DOR was going to get its added revenues out of utility customers’ pockets.”

Initially, the Department of Revenue changed its assessment methodology from locally to centrally assessed, resulting in a total valuation increase of over 50 percent for the two companies, from \$22,052,897 to \$33,443,132. However, when their calculation was found to be in error, the DOR's backed off the appraisal to \$18,313,220 -- a 17 percent decrease. At the same time, the state assessors bumped the tax rate on the two utilities from approximately 4.5 percent to at least double that (the exact rate not yet known.)

Commissioners voted 5 to 0 to approve the accounting order, but this action did not in itself increase consumer rates. The order allows the two companies – both subsidiaries of Hearthstone -- to now track the actual incremental increase in property tax expense. Meanwhile, the DOR's assessment increase can still be challenged, and the utility companies will also be bringing a compliance filing before the commission, based on actual 2019 volumes and DOR invoices, once received. Afterwards, a rate case or tracker filing at the PSC will be necessary to implement any customer rate increases.