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PSC wraps up NWE rate case; rejects net metering demand charge

HELENA – The Montana Public Service Commission completed action today on NorthWestern Energy’s general rate case for retail electric service, resolving a number of remaining contested issues dealing with net metering, demand side management, decoupling, hazard tree removal, Colstrip Unit 4 and other matters.

The commission held a previous work session on October 30, approving NWE’s revenue requirement and an overall utility rate increase of \$6.5 million – down from the \$34.9 million requested in the company’s original filing. The approval was in the form of a Stipulation negotiated by NorthWestern and intervening parties, and allowed for no adjustments or fine tuning by the commission.

Today’s action included the following decisions:

- (1) Rejection of NorthWestern’s net metering plan, including their proposed demand charge that would have increase monthly bills for new net metered customers by an estimated \$45-50. The creation of a new rate class was also denied at this time. The Commission took issue with the “net load” methodology used by NWE to develop key data, admonishing the utility for failing to follow the commission’s prescribed methods. NWE will need to come back to the commission with a stronger proposal. Passed unanimously.
- (2) Adoption of a Fixed Cost Recovery Mechanism – commonly known as “decoupling” – on a four year pilot project basis. The FCRM is intended to reduce a utility’s incentive to maintain or increase energy sales by breaking the link between sales volume and the recovery of fixed costs for transmission, distribution and production. Passed 4-1, with Koopman dissenting.
- (3) Rejection of the Demand Side Management (DSM) Stipulation. DSM is required by state law, and includes various energy efficiency programs underwritten available to and funded by consumers. The Stipulation would have created a separate DSM stakeholder group, and would have increased costs by making DSM expenditures utility assets on which NorthWestern could earn an equity return. The commission also ended the practice of enhancing the cost effectiveness tests by 10%, in order to qualify marginal programs. Unanimous votes.
- (4) Rejection of the proposed investigation docket on Colstrip Unit 4 concerning decommissioning costs, environmental remediation and various revenue requirement issues. Motion passed 4-1, Koopman dissenting.

- (5) Approval of a minimum annual expenditure of \$3.2 million for the continuation of NorthWestern's hazard tree removal program, which began in 2018. Also require NWE to submit a report to the commission detailing current status and future plans. Passed unanimously.
- (6) Rejection of a proposed \$150 charge for reconnections of electric service after business hours. Ordered NWE to create a new filing to better justify this charge. Passed unanimously.
- (7) Approved the ordering of NWE and the Federal Energy Administration to begin good faith negotiations, and to arrive at a plan for Malstrom AFB to be able to take advantage of inexpensive hydroelectric power through the Western Area Power Administration (WAPA.) Passed unanimously.

Today's decisions concluded the PSC's action on the NorthWestern general rate case. The commission has until December 26 to issue its final Order on this docket.

