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PSC ISSUES ORDER IN MPC ELECTRIC RESTRUCTURING CASE

The stage is set for Montana Power Company's large customers to be able to choose their electricity suppliers beginning July 1 and for pilot choice programs for small customers to begin in November as a result of an order issued by the Public Service Commission Tuesday.

The PSC directed MPC to "unbundle" customers' rates to separate the supply portion from the delivery portion and implemented an accounting mechanism to track MPC's stranded costs from July 1 until the PSC makes a final decision on this issue in the second phase of this case, which will occur later this year after the company sells its power plants.

The commission also addressed issues affecting the transition of MPC's residential and small commercial customers to supplier choice. MPC's pilot program proposal for phasing in supplier choice for small customers was approved, except the PSC rejected MPC's proposed cap on the number of customers any single supplier could enroll in the pilot program. In the initial phase of the pilot programs, 5 percent of MPC's residential, commercial and irrigation customers will be eligible to sign up with the electricity suppliers of their choice on a first-come, first-served basis, starting in November. If the pilot runs smoothly in the initial phases, MPC will expand the pilot by another 5 percent of customers in June 1999, and by 10 percent in August 1999 and each month thereafter until all MPC's customers are eligible for choice by April 2000.

In the order, the PSC also:

- Approved MPC's plan for educating customers about the coming changes to their electricity service.
- Denied as confusing to customers MPC's proposed "delivery service charge" to recover distribution costs. Instead, MPC was directed to continue the existing monthly service charge and recover the remainder of distribution and transmission charges through separate charges based on individual customers' usage. To help customers understand rate unbundling, MPC must provide informational worksheets to customers that show them how to compute their bills for each unbundled rate component.
- Adopted standards of conduct for MPC to prevent the company from discriminating against competing suppliers in favor of its own affiliates.
- Deferred a decision on whether entities other than MPC should be able to provide metering and billing services for customers. The commission will initiate a separate proceeding to consider these issues.

Issuance of this order ends the first phase of the PSC's consideration of MPC's plan for electric restructuring that was filed last July. The company's announcement in December that it would sell its generation assets made it necessary for the PSC to delay its final decision on "stranded costs" until the sale is completed. Stranded costs refer to electricity supply costs that are currently recovered in regulated utility rates but which would not be recoverable under the market prices that will prevail in the unregulated supply market. Because MPC has decided to sell its generation, the sale price will provide guidance as to whether and how much stranded costs MPC faces. Another issue to be taken up later is the company's proposal for a universal system benefits program to fund public purposes such as low-income energy assistance, conservation and renewable resources.

PSC Chairman Dave Fisher said, "The order issued today "is a milestone on the road to competition in the electricity industry in Montana. It provides a new incentive to attract industry to Montana as well as to retain the industries we now have that provide good-paying jobs for Montanans."

"Another brick has fallen from the wall that has kept electric customers captive to the utility," according to

Commissioner Danny Oberg. "With this order, large customers gain access to the marketplace on July 1 and an improved pilot program for residential customers is implemented. I am most pleased that residential customers will be able to access the marketplace well ahead of the deadlines established by the Legislature."

Commissioner Bob Anderson said, "With this order, Montana Power's largest customers can test the market for better deals on electricity. Also, small customers can begin to decide if they want to participate in the pilot program and become shoppers for electricity. In the meantime, we'll

continue to wrestle with the larger issues resulting from MPC's sale of dams and generators."

According to Commissioner Nancy McCaffree, "The commission unanimously approved this order, which paves the way for Montana Power customers, both large and small, to choose their electricity suppliers."

"We accomplished a great deal for competition in strengthening affiliate interest safeguards and providing clearer pricing," Commissioner Bob Rowe said. "We accomplished a great deal for customers in improving the pilot and education programs. The parties deserve credit for the substantial improvements which have been achieved in these programs over the course of this case so far."

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