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PSC PROPOSES TO EXTEND PERIOD FOR TRANSITION TO ELECTRIC SUPPLIER CHOICE

The Montana Public Service Commission proposed Wednesday to extend the implementation of full customer choice of electricity suppliers from July 2002 until July 2004. The PSC cited as reasons for its proposal the lack of a competitive electricity supply market in the state and the need to ensure a firm power supply exists for Montana Power Company's retail customers at an affordable price.

The rate moratorium on MPC's electric rates will expire July 1, 2002. If the PSC adopts the proposal, MPC would be responsible for purchasing electricity from the market to provide default supply service to its non-choice customers during the extended transition period. MPC would be entitled to fully recover these electricity supply costs in rates.

Under Montana's electric utility restructuring law, the transition period was slated to end on July 1, 2002, at which time customers who had not chosen a competitive electricity supplier would be assigned to one. However, the law authorizes the PSC to extend that date by two years if it finds choice is not administratively feasible or that it would adversely affect reliability, or that Montana customers or suppliers would be disadvantaged because a workably competitive market does not exist. The PSC proposes to extend the transition period based on its determination that, without allowing more time for the transition, customers would be disadvantaged due to the lack of competitive electricity supply markets.

In support of its finding, the PSC cited these factors:

- While market activity within some customer segments has been greater than in others, to date the percentage of all MPC customers who have moved to choice is less than 5/10ths of a percent.
- 23 of Montana's 25 rural electric cooperatives have opted not to restructure or offer retail choice. Only one competitive supplier is offering real alternative electricity supply products to MPC's residential and small business customers and that supplier recently informed its customers they will be returned to MPC service because market prices are above regulated, rate moratorium prices.
- The Northwest Power Planning Council suggests that the demand-supply imbalance contributing to higher wholesale prices will likely persist for several years.
- The Federal Energy Regulatory Commission has yet to fully implement its goal of open, independent, regional electricity transmission systems, which are prerequisites for workable wholesale and retail electricity supply markets.
- Given the current and projected wholesale market prices, it is unlikely that competitive suppliers will be able to offer electricity to the majority of MPC's retail customers at prices below rate-moratorium prices, which suggests it is very likely that electricity supply markets will not be workably competitive on July 1, 2002.

The PSC is seeking comments on its proposal from interested persons. Comments should be mailed to Dennis Crawford, PSC, PO Box 202601, Helena MT 59620-2601, by November 17. Alternatively, comments may be submitted electronically on the PSC's website at <http://psc.state.mt.us/Public Comment/Public Comment.htm>.

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