



Montana Public Service Commission
1701 Prospect Avenue
PO Box 202601
Helena MT 59620-2601

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For more information, contact:
Bob Rowe – 406-444-6167
Will Rosquist – 406-444-6359

PSC APPROVES ELECTRICITY DEFAULT SUPPLY GUIDELINES

The Montana Public Service Commission has approved guidelines for NorthWestern Energy to follow as the company procures electricity on behalf of its 290,000 mostly residential and small business customers who have not chosen an alternative supplier.

In its role as default supplier, NorthWestern must assemble a portfolio of supply contracts to provide electricity to these retail customers. By law, the company must be able to recover its prudently incurred costs for that service. The guidelines will provide the basis for PSC reviews of the prudence of NorthWestern's default supply resource planning and procurement actions and, if followed by the company, will enhance the likelihood of the PSC granting the company full recovery of its default supply-related costs.

The PSC led a successful collaborative effort to develop the procurement guidelines after the commission's rejection last June of several contracts in NorthWestern's first electricity supply portfolio proceeding on grounds the selection process used by the company was flawed. Representatives of the PSC, NorthWestern, consumer organizations, competitive suppliers, and other interested parties participated in the series of meetings held last summer and fall to draft the guidelines. The PSC held a hearing on the guidelines in January at which every witness supported them. The PSC also revised portions of the guidelines in response to comments and suggestions submitted by various parties.

"The PSC is working hard to provide residential and small business electric customers reasonable predictability about future supply and prices," according to PSC Chairman Bob Rowe. "Along with our work on House Bill 509, the portfolio guidelines are important in moving Montana forward, and getting beyond the divisive energy debates of the past several years."

Rowe added he was pleased that the open-to-all, collaborative process the PSC used to develop the guidelines, and then to develop the original version of House Bill 509, helped bridge many of the divisions that have existed in the wake of electricity deregulation in Montana.

Key elements of the approved guidelines include:

- Identifying NorthWestern's default supplier responsibility to plan and manage its electricity resource portfolio in a manner that results in adequate, reliable, efficient and long-term default supply services at the lowest total cost.
- Provisions that promote the incorporation in the portfolio of cost-effective energy conservation and efficiency resources.
- An emphasis on the importance of NorthWestern using an open and transparent planning and procurement process that produces resource plans that can be understood by everyone. NorthWestern should document its default supply portfolio planning, management and procurement activities to justify the prudence of its decisions.
- Direction to NorthWestern to establish and consult with a default supply portfolio advisory committee comprised of representatives of a broad array of stakeholders in the procurement process.

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