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PSC COMPLETES REVIEW OF NORTHWESTERN ENERGY'S PLAN FOR PROCUREMENT OF ELECTRICITY DEFAULT SUPPLY RESOURCES

The state Public Service Commission today completed its review of NorthWestern Energy's default electricity supply resource procurement plan by adopting comments that identify the PSC's concerns about the plan and ways to remedy them.

NorthWestern, in its role as the default supplier of electricity to 300,000 Montana customers, must procure electricity supply to meet the needs of its current and future customers. The purpose of the procurement plan, which the utility submitted to the PSC in January, is to demonstrate how NorthWestern plans to meet this obligation. The PSC is required by state law to review the plan and to provide an opportunity to the public to comment on it prior to issuing its own written comments on the plan.

“Developing the default supply plan and identifying specific resources to serve NorthWestern's customers are among the most important responsibilities facing the company and the Public Service Commission,” according to PSC Chairman Bob Rowe. “Today's action by the PSC gives NorthWestern clear guidance as they continue to revise their plan for obtaining electricity for its default supply customers.”

In its comments, the PSC found that NorthWestern's plan demonstrates a major step forward in establishing adequate, reliable and reasonably priced electricity supply service. The Commission also noted NorthWestern's innovative way of communicating information about the plan to customers, including through a web page. The PSC also determined there is room for improvement. A fundamental concern identified by the PSC was that the procurement plan has a short-term focus extending only to July 2007, while the PSC's default supply guidelines contemplate a long-term resource planning analysis.

Other concerns identified by the PSC in its comments included:

- The computer software NorthWestern uses to simulate the interaction of customer usage and supply sources, while powerful and very detailed, may be too expensive and time consuming to use for the long-term analysis the Commission feels is necessary. The PSC asked NorthWestern to research whether other available software would enhance its long-term modeling capability.
- NorthWestern needs to provide more technical detail for key variables the company inputs into its computer simulation program.

- The plan did not address options for replacing large power supply contracts with PPL Montana that expire in 2007. The PSC asked NorthWestern to immediately begin assessing strategies for this part of its portfolio.
- The plan did not adequately address uncertainty related to deregulation, which allows customers to buy electricity from other suppliers and to switch from other suppliers back to NorthWestern.
- NorthWestern appeared to spend too much time studying the general mix of resources that could be included in its resource portfolio. The PSC asked NorthWestern to move quickly to the critical next steps of refining the size and type of resources needed and actually acquiring the needed resources.
- NorthWestern did not adequately recognize the environmental costs and risks related to various plans for supplying electricity. The PSC asked NorthWestern to include these costs and risks in the future and develops ways of providing this information to customers.

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