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NORTHWESTERN ENERGY UNCOLLECTIBLE ACCOUNTS NOT RELATED TO CURRENT SUPPLY COSTS

Montana Public Service Commission Chairman Greg Jergeson would like to respond to a story that has been circulating in Montana concerning NorthWestern Energy's uncollectible accounts. The story states that the level of NorthWestern Energy's uncollectible accounts has caused an increase in the rates that other NorthWestern customers pay. That is not true. While uncollectible accounts are a legitimate business expense that a regulated utility is able to recover in their transmission and distribution rates, any change in the calculation of amount of uncollectible accounts that can be recovered in rates can only occur when the PSC makes a decision on a rate case brought to the agency. There have been no recent changes, since May 8, 2001, to NorthWestern's transmission and distribution rates, which are regulated by this Commission, and, therefore, no increase in the amount of uncollectible accounts that may be recovered by NorthWestern from other customers. To the extent that uncollectible accounts have increased recently, NorthWestern has been covering those costs with savings in other operational expenses or with reductions in the utility's earnings. Non-paying customers generally experience more costs to their accounts when service is reconnected. Deposits, interest on past due bills, the past due bill amounts, and reconnection fees all could be required prior to reconnection.

Utility bills for NorthWestern customers have clearly gone up in recent years, particularly for natural gas. Those increases are driven by the unregulated or "market based" commodity costs, primarily natural gas that NorthWestern delivers to its customers. NorthWestern does not make any profit on the actual energy they sell—it is a direct pass through from the energy producers to the customer. As those market based commodity costs have risen, more Montanans have experienced additional difficulty in paying their utility bills, thus uncollectible accounts have risen. While some customers qualify for utility bill assistance through the Universal System Benefit fund and through LIEAP, those resources are inadequate to meet the entire need created by increasing utility bills.

Market prices for natural gas have also adversely affected the customers of Montana's other two major utilities, Montana Dakota Utilities and Energy West Montana.