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For More Information: PSC Chair Travis Kavulla at 406.444.6166
PSC Public Information Specialist at 406.444.6171

PSC Agrees to Settle Major NorthWestern Rate Case

The Montana Public Service Commission (PSC) voted 3-2 today to agree on a settlement regarding the rate structure of NorthWestern Energy's (NWE) electric service.

The utility, the Consumer Counsel, and other consumer and environmental advocacy groups had filed petitions for judicial review in the Lewis and Clark County district court, seeking an overhaul of last year's rate case. The settlement agreed to today is acceptable to those groups as well.

"The PSC's real work is not often highlighted in the press, but this major rate case—the most important decision in the current PSC's term of office—demonstrates that even amidst a testy political atmosphere, the agency is still very capable of doing its work. I'm proud that the commission could work out a compromise that is agreeable to all parties and good for all Montanans," said PSC Chairman Travis Kavulla.

"The decision today will save NorthWestern customers a great deal of money," Kavulla added.

The settlement, which is expected to be accepted by a district judge, will allow all parties to the rate case to avoid protracted litigation at a significant expense to ratepayers. Commissioners Kavulla, Gutsche, and Vincent voted in favor of the settlement; Commissioners Gallagher and Molnar opposed it.

The settlement results from a rate case decided in December 2010, weeks before two new commissioners, who disagreed with the final order, were sworn into office. The settlement throws out controversial aspects of NorthWestern rates, including a decoupling mechanism which would have guaranteed the utility a minimum amount of revenue and an inverted block rate structure which charges customers more per kilowatt-hour depending on their consumption. The settlement includes a \$650,000 reduction in consumer rates, and in return increases NorthWestern's authorized return on equity by 0.25 percent.

Made up of 5 elected commissioners, the PSC works to ensure that Montanans receive safe and reliable service from regulated public utilities while paying reasonable rates. Utilities regulated by the PSC generally include private investor-owned natural gas, electric, telephone, water, and sewer companies. In addition, the PSC regulates certain motor carriers, and oversees natural gas pipeline safety and intrastate railroad safety.

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