

Montana Public Service Commission — News Release

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PSC Decreases Energy West Rates, Rejects Negotiated Contracts

The Montana Public Service Commission voted unanimously today to finalize a rate case filed by Energy West Montana (EWM), which provides natural gas service to Great Falls, Cascade, and West Yellowstone.

The decision reduces rates for gas-distribution service, lowers the authorized rate of return for the company, and rejects special negotiated contracts that EWM had negotiated with several large interests in Cascade County.

The decision reduces the annual revenues of the company by \$230,432, subject to small adjustments as the rate case is finalized. An average 2.45% rate decrease will result for customers of EWM's gas-distribution service, in addition to other rate decreases resulting from further Commission actions.

In a separate docket, effective today, the Commission ordered EWM to refund \$273,574 in gas commodity costs that had been over-collected, as the price of natural gas continues to fall.

The Commission also rejected the company's proposed capital structure of 73% equity and 27% debt, instead imputing a 55-45 equity-debt ratio for the purposes of calculating a company-wide rate of return. Equity pays a higher return than debt, and so imputing a more reasonable equity-debt balance results in a lower authorized rate of return for EWM.

The Commission did not adopt EWM's proposal to substitute a high monthly fixed customer charge for volume-based rates.

Finally, the Commission rejected EWM's negotiated contracts with Benefis Hospital, Pasta Montana, Redi-Mix, and several customers in Cascade. EWM had negotiated special deals with those companies on the basis that they could bypass natural-gas service offered by EWM, and either receive service from other sources or burn other fuels. The Commission found there not to be a credible bypass threat. The affected customers will be transitioned onto standard tariffs, and the difference in cost will be rebated to EWM's other customers.

Additionally, EWM will be required to prove that its contract with Montana Refining Company is in compliance with a tariff provision that there be a "credible bypass threat" before customers may benefit from lower negotiated rates.

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