

NEWS RELEASE
MONTANA PUBLIC SERVICE COMMISSION

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PSC approves natural gas properties in rates

HELENA - The Montana Public Service Commission has approved NorthWestern Energy's request to place a north-central Montana natural gas production and gathering property into rates.

The Commission voted 4-1 Thursday to approve the utility's application to rate base its 2010 purchase of the Battle Creek Natural Gas Field.

The Commission determined that NorthWestern's purchase of Battle Creek was prudent and in the public's interest.

"With gas prices hitting a 10-year low, the time is ripe for NorthWestern to acquire reliably-producing gas fields to ensure stable, low prices for their customers," PSC Chairman Travis Kavulla said.

NorthWestern paid \$12.4 million for a 65-percent stake in the Blaine County field, which is expected to continue producing for the next 47 years.

NorthWestern took over operations at Battle Creek on Oct. 1, 2010 after purchasing a 58.5-percent interest from Helis for \$11.4 million and another 6.5-percent interest from Energy Consultants for \$1 million.

The field includes about 49 miles of gathering lines and meter houses to wells, a dehydration system and compressors.

In production since 1978, the Battle Creek system captures natural gas at the wellhead before compressing, dehydrating and delivering it to NorthWestern's natural gas transmission line north of Chinook.

The utility's interest in Battle Creek includes 8.4 billion cubic feet of natural gas reserves as well as ownership interests in 165 wells.

Before the acquisition, the utility purchased all of the natural gas it supplies its customers with on the open market. Those costs are passed through to customers.

NorthWestern estimates that a residential customer using 100 therms will see an increase of \$0.54 per month. Yet the Battle Creek purchase will help insulate from future market instability and improve rate stability for customers, the company said.

Natural gas market prices have ranged from over \$7 per million British thermal units in November 2007 to over \$3 this month.

The Battle Creek purchase represents about 2.5 percent of the utility's natural gas supply, but NorthWestern's business plan calls for 50 percent, or more, of owned reserves to meet its natural gas needs in the future, according to testimony before the PSC.

The Montana Consumer Counsel and NorthWestern Energy reached a stipulation on Battle Creek that will help act as a guide for the utility's future gas acquisitions.

Commissioner Bill Gallagher said he's looking forward to reviewing future natural gas production field purchases made by the utility.

"Twenty years from now, looking back on the rock bottom natural gas prices of today, NWE and its customers are going to be both happy and sad--happy that NWE bought a natural gas field and locked in a near the bottom price for some of the natural gas we need for the next 30-50 years, but sad that they did not buy more," he said.

Commissioners John Vincent and Gail Gutsche joined Commissioners Kavulla and Gallagher in voting to allow Battle Creek into rates. Commissioner Brad Molnar voted no.

For more information, contact PSC Communications/Research Director Justin Post at 406.444.6171. Follow the PSC at [Twitter.com/@MT_PSC](https://twitter.com/MT_PSC) or visit [Facebook.com/MontanaPSC](https://facebook.com/MontanaPSC).