For Immediate Release

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PSC Limits Duration of Energy Contracts, Siding with Ratepayer Advocate

HELENA, Mont. – In a major decision Thursday, The Montana Public Service Commission voted to cap the length of long-term electricity supply arrangements entered into by NorthWestern Energy to a maximum of 10 years.

The Commission's decision follows concerns raised by both commissioners and the Montana Consumer Counsel (MCC), the state's ratepayer advocate. That office suggested that "forecasting error" related to long-term market predictions for electricity and natural gas could leave NorthWestern Energy customers paying too much.

The issue came to light during a proceeding to establish a new standard rate available to small, renewable energy projects up to 3 megawatts in size known as Qualifying Facilities (QFs). However, the Commission decided to apply this standard across the board, holding all energy projects, whether they are owned by the utility or independent developers, to the same standard.

In testimony submitted to the commission, MCC witness Jamie Stamatson had argued that "basing rates that consumers will ultimately pay 25 years in the future on a forecast that will be stale for most of the contract's life is excessively risky."

The Commission agreed, voting to accept MCC's recommendation to reduce contract length to a maximum term of 10 years with rates to be recalculated at the five year mark. The Commission also voted to update the QF standard rate biannually in order to reflect the most recent market information.

Speaking to his motion, Commissioner Roger Koopman, R-Bozeman, said,

"It's not the role of the Commission to guarantee anyone's business success. Nor is our job to pick favorites in the energy field. It is our job to maintain a level playing field that is fair to both the ratepayer and energy entrepreneurs. Current long-term, fixed rate contracts discriminate against the consumer, with the ratepayer bearing all the risks. That's profoundly unfair and beginning today we need to start fixing it."

"I'm pleased to see the Commission come together today in defense of the ratepayer," said Chairman Brad Johnson, R-East Helena. "Our actions will help to mitigate the risk associated with relying on long-term price forecasts that are at best imperfect in the setting of rates customers pay for electricity."

Vice-Chairman Kavulla, R-Great Falls stressed that the Commission's decision applies to both independent power producers, and utility-owned assets

"What's good for the goose is good for the gander. In the past, Montanans have paid excessive rates because of both NorthWestern's and independent developers rosy projections of market price. All of those entities should have their projects evaluated under a more realistic, shorter time frame," he said. "I thank my colleagues for understanding the central importance of an even playing field."

Contract length wasn't the only point of disagreement during the hearing. Parties disputed the degree to which solar can be depended upon to provide energy reliably during periods when demand on the utility's system peaks, an attribute described as "capacity" in the industry.

"The Commission struggled to balance the strong performance of solar on hot summer days with its weak contribution on winter nights. In the end, we found that a capacity value of a little more than 6 percent accurately reflects solar's capacity contribution to NorthWestern. However, we look forward to hearing more about this issue in the coming years," said Travis Kavulla, R-Great Falls.

The new rate available to projects up to 3 megawatts in size, breaks payments to Solar QFs up into two separate periods. In times when energy demand is high, NorthWestern must pay $31.54 per megawatt hour (MWh), but when demand drops off, the rate falls to $23.32 per MWh. The rate also includes a separate payment of $9.10 per MWh to be made during heavy load hours in December, January, February, July, and August in order compensate QFs for the added capacity that they provide to the utility system.

"The Commission's action today creates an even playing field for the ratepayer, the QF, and the utility, allowing the market, not the Commission, to be the arbiter of renewable investment in Montana," said Commissioner Tony O'Donnell, R-Billings.

"A shorter term contract is in the best interest of ratepayers, especially in light of today's low energy market prices," said Commissioner Bob Lake (R-Hamilton).

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