

## **PSC acts to modernize NorthWestern's resource planning process**

**Helena, Mont.** – The Montana Public Service Commission this week adopted guidance to modernize NorthWestern Energy's resource planning process.

The Commission's action has three major goals. It ensures that NorthWestern will consider a wide range of both existing and new energy resources to meet customer needs. It advises the utility on how to better measure its need for certain products that are needed to reliably supply power to customers so that the company does not procure more resources than it needs. In addition, the Commission's guidance applies a 15-year limit to the utility's resource planning timeframe, consistent with recent orders the Commission adopted limiting contracts with independent developers of power generation.

At a Tuesday work session, commissioners voted unanimously to provide the additional guidance in advance of NorthWestern's next Resource Procurement Plan, which is due in December 2018.

"It doesn't matter whether it's a gas plant owned by the utility, or a wind farm developed by an independent power producer, in today's environment of surplus electricity the Commission is questioning the wisdom of locking consumers into excessively long supply arrangements across the board," said Chairman Brad Johnson, R-East Helena.

The supplemental comments issued by the Commission also suggest that NorthWestern should evaluate its capacity needs on a region-wide basis, rather than treating the utility as isolated from the wider market.

"I have little doubt that if NorthWestern pursued the strategy reflected in its last plan, customers would pay much, much more than they needed to over the course of time. The utility could take a lesson from farmers. Sometimes, it's better to call in the custom cutters than to buy a brand new combine," said Vice-Chairman Travis Kavulla, R-Great Falls.

The Commission also encouraged NorthWestern to look for existing resources to meet its needs. The comments said NorthWestern "unreasonably" excluded existing resources from its competitive solicitation process, which established a floor of 20 years.

Uncommitted capacity at Colstrip and the Hardin Generating station, a large wind farm on the Hi-Line, hydroelectric generators throughout the northwest, and "demand response," where customers temporarily reduce their consumption during times of system stress, were among the resources identified in the comments. The Commission urged NorthWestern to model the value of these resources as the utility considers what it needs to meet customer demand in the future.

“There are existing plants and renewable facilities just sitting there waiting for a contract, which could provide a substantial benefit to ratepayers in the near to medium term,” said Commissioner Tony O’Donnell, R-Billings.

Meanwhile, the Commission praised continued efforts by NorthWestern to explore new technologies, including pumped hydro, battery storage, geothermal, and other renewable resources. In November, NorthWestern held a widely attended forum dedicated to hearing from entrepreneurs and innovators pursuing emerging technologies in Montana.

Tuesday’s action was preceded by a number of developments. In February, the Commission issued a lengthy [set of comments](#) critiquing NorthWestern’s last Resource Procurement Plan, which identified very large needs for capacity—a term that describes a resource able to produce energy reliably during times of the greatest system stress. To that end, the utility suggested an “economically optimal portfolio” would lead it to acquire an additional 500 MW of natural gas generating capacity in the next 18 years. The Commission’s comments raised concerns with how the company had measured its future needs, the range of alternatives considered by the company to meet those needs, as well as the level of public involvement throughout the planning process.

In June, the Commission held a technical capacity conference intended to better define the amount and characteristics of the “capacity” NorthWestern needed. This fall, in response to a public notice issued by the Commission, interested parties submitted comments on NorthWestern’s biannual planning status report. Fifteen institutions, including advocacy groups, resource developers, trade associations, and a regional planning organization, in addition to 36 individuals, submitted comments. Nearly all commenters raised concern with the openness and transparency of NorthWestern’s planning process, as well as with the scope of resource alternatives evaluated by the company to meet future needs.

To view the Commission’s complete supplemental comments, visit:

<http://www.psc.mt.gov/Docs/ElectronicDocuments/pdfFiles/N20151191SuppComments.pdf>

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