

## For Immediate Release

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### PSC Reduces NorthWestern Rates by \$3.5 Million

#### Commission finds that some customers paid an unfair share of utility's property taxes

**Helena, Mont.** – The Montana Public Service Commission resolved an error in the way NorthWestern Energy allocates property tax expense among its customers, leading to a reduction in rates for the utility's residential and business customers.

At issue is how property tax expense is divided among various customer classes. Each year, NorthWestern uses a tax tracker to adjust rates to collect increases or reductions in taxes resulting from the Department of Revenue's annual valuation of the company's property. Last year, property taxes paid by NorthWestern constituted \$148 million. Between 2012 and 2016, property taxes for NorthWestern's electric utility increased nearly 60 percent.

PSC Chairman Brad Johnson, R-East Helena, said, "Millions of dollars in additional expenses are rammed through this tracker each year under an impossibly short 45-day statutory deadline."

In early 2017, NorthWestern failed to answer Commission questions about how it allocated these expenses to retail customers regulated by the Montana PSC and large users regulated by the Federal Energy Regulatory Commission. Afterwards, the Commission adopted new rules to require utilities to submit more data in each year's tax tracker application. The information provided this year led the Commission to order refunds.

Travis Kavulla, R-Great Falls, the vice-chairman of the Commission, explained that the current allocation methodology treats retail customers like a sponge by allocating tax expense to wholesale customers on the basis of a fixed percentage of revenue, leaving residential and commercial customers to soak up the balance.

"As Montana taxes increase faster than other expenses on NorthWestern's transmission system, the amount of the cross-subsidy from retail to wholesale customers has continued to grow," he added. "The new methodology fairly allocates these taxes based on the actual use of the electric transmission system."

The Commission's order requires NorthWestern to adjust rates by \$3.498 million. That amount will be recalculated annually based on the relative usage of the transmission system by

wholesale and retail customers. For a typical residential customer using 750 KWh per month the total bill impact in 2018 will be a decrease of approximately \$0.14 per month or 0.16 percent.

Commissioners agreed on making the change in methodology. However, commissioners were split on whether to apply the changes to the 2017 tax year, or whether to adopt the changes beginning in 2018. Ultimately, the Commission voted 3-2 to apply the adjustment to both the 2017 and 2018 tax years. Voting for the motion were commissioners Kavulla, Roger Koopman, R-Bozeman, and Tony O'Donnell, R-Billings. Commissioners Johnson and Bob Lake, R-Hamilton, dissented.

The Commission's full order can be read here:

<http://psc.mt.gov/Docs/ElectronicDocuments/pdfFiles/D20171186FO7580a.pdf>

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*Made up of five 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.*