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## PSC FORMALLY ADOPTS ASSERTION OF CONTINUING AUTHORITY OVER MPC'S ELECTRICITY RATES

The Montana Public Service Commission today formally adopted its assertion of continuing jurisdiction over Montana Power Company, including the generation assets MPC sold to PPL Montana, as a regulated public utility under existing state laws.

In a unanimous 5-0 vote, the PSC affirmed the position it had preliminarily taken on March 15, pending receipt of public comments regarding its action. The overwhelming majority of comments received by the PSC, including written ones and those heard at the PSC's special meeting last Saturday at the Capitol, supported the PSC's assertion of continued regulatory authority. PPL Montana, MPC and NorthWestern Corp., which is buying MPC's transmission and distribution systems, opposed the move.

The commission directed its staff to continue its legal analysis and to be ready soon to provide advice on what steps to take to implement the regulatory authority being asserted.

"Today the commission stepped up and took the leadership role in the electricity price crisis," PSC Chairman Gary Feland said. "I am comfortable with our legal analysis on this issue, but on the other hand, invite all interested parties to sit down together and reach a consensus on these matters that benefit the electricity consumers in Montana."

The PSC concluded from its legal analysis that Montana's electricity restructuring law provides that generation assets formerly owned by MPC cannot be transferred out of rate base until the PSC issues a final order on MPC's electricity restructuring transition plan. MPC filed its transition plan in 1997, but the PSC proceeding to consider the plan is still under way and no final order has been issued. According to the PSC, the generation assets, although now owned by PPL Montana, are considered regulated public utility assets over which the PSC retains regulatory authority regarding rates through the end of the transition period. The transition to a competitive electricity market for all MPC customers was slated to end as of July 2002, but the PSC last December extended the transition period to July 2004.

Commissioner Jay Stovall said, "We are not 're-regulating' by taking this step -- we are simply going forward with the authority we already have under law."

"We need to be realistic about what the commission can do," according to Commissioner Bob Rowe. "The commission cannot repeal energy supply competition, but we are attempting to soften the price shock on the road to competition. For the energy industry, we recognize the need to avoid a 'California situation,' where some companies may face extreme risk and uncertainty. In return, we need the energy industry to work with us to develop specific, significant, and workable strategies to provide customers reasonably priced power."

"We're damned if we do and damned if we don't, but it's better to be damned if we do," Commissioner Bob Anderson said. "However," he cautioned, "we should be mindful of the risk. This bold exertion of our authority is very unlikely to succeed in the courts. In the meantime, the public and the legislature could have high and false expectations that we can protect residential and small business customers of Montana Power from a doubling of their electric bills on July 1, 2002 due to deregulation. We must all continue to seek legislative solutions to that likelihood."

Commissioner Matt Brainard said, "I never let the risk of legal challenge stand in the way of doing what I think is right."

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