PSC NEWS

Montana Public Service Commission
1701 Prospect Avenue
PO Box 202601
Helena MT 59620-2601

February 9, 2006

For more information, contact:
Al Brogan – 406-444-6179
Leroy Beeby – 406-444-6188

PSC DISALLOWS $9.9 MILLION OF NORTHWESTERN ENERGY'S PROPERTY TAX TRACKER REQUEST

The state Public Service Commission voted unanimously yesterday to disallow $9.9 million of NorthWestern Energy's request for an $18 million rate increase due to the company's increased property taxes. However, $1.7 of the disallowance is related to increased taxes on the company's transmission assets and will be the subject of further review by the PSC upon submittal by NorthWestern of information that will allow the PSC to ensure that Montana customers' electric rates include costs only for state-regulated transmission assets and do not include costs for wholesale transmission assets.

Montana law allows a public utility to file rate schedules with the PSC that contain provisions for the automatic adjustment and tracking of certain state and local taxes paid by the utility. NorthWestern's proposed rates to recover increased taxes automatically took effect on an interim basis on January 1, but yesterday's decision by the PSC to disallow over half of the requested rate increase will require NorthWestern to reduce those interim rates accordingly.

NorthWestern Energy's filing in this proceeding requested higher electric rates to cover increased property tax expenses in the amount of $12.9 million and requested higher natural gas rates to cover increased property tax expenses in the amount of $5.2 million. The PSC decided to disallow a $7.4 million electric rate increase and a $2.5 million natural gas rate increase.

Besides the problem related to NorthWestern's transmission assets, the PSC identified these other errors that resulted in disallowances: the inclusion of tribal taxes in the company's request; failure by the company to adjust its request to take into account the net change in tax liability caused by the deductibility of property taxes against federal and state income taxes; and a tax increase that NorthWestern attributed to unexplained increases in original cost of company assets between 2004 and 2005.

NorthWestern's appeal of the PSC order in last year's property tax tracker case is pending in Helena district court. This appeal relates to the PSC's disallowance or reduction of NWE's request to reflect income tax deductibility of property taxes.

###