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MONTANA PUBLIC SERVICE COMMISSION

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## **Montana Public Service Commission upholds \$8.2 million electricity rate reduction**

Commission stands by March 29 decision

**HELENA, Mont. – August 16, 2016** – The Montana Public Service Commission voted 3-2 Tuesday to uphold a multi-million dollar rate reduction approved March 29, rejecting NorthWestern Energy’s request for reconsideration on the Commission’s decision to disallow costs related to a 2013 outage of Colstrip Unit 4 to be passed on to ratepayers.

At issue is \$8.2 million in electricity market purchases made by NorthWestern to serve their Montana customers following the 2013 outage of Colstrip Unit 4, the result of a core malfunction. NorthWestern purchased the electricity to replace power that would otherwise have been generated at the Colstrip facility.

"I'm not sure what part of 'no' NorthWestern doesn't understand," said Commissioner Roger Koopman, R-Bozeman. "Certainly, they had a right to bring this before us again. But as strongly as some of us felt that the CU4 outage was avoidable, and that the utility should have exercised greater prudence, the company needed to bring to us some very compelling new arguments. Clearly, they did not. And so, I for one was not about to undermine a very important previous decision that protected consumers from an unjustified rate increase."

NorthWestern Energy is authorized by law, pending Commission approval, to use a regulatory mechanism known as an "electricity tracker" to recover through rates prudently incurred costs associated with serving their customers. On March 29, the Commission found that the market purchases in question did not meet the requirements under state law for NorthWestern to pass the costs on to ratepayers.

"After providing NorthWestern Energy numerous opportunities to convince this commission why we should allow them to charge ratepayers for this outage, they have failed to do so," said Commission Chairman Brad Johnson, R-East Helena. "After reviewing NorthWestern’s additional arguments, I saw no convincing evidence for us to overturn the significant rate decrease that we approved in March."

Intervening parties to the proceeding, the Montana Consumer Counsel and the Montana Environmental Information Center/ Sierra Club, argued that NorthWestern should have explored outage insurance to protect ratepayers in such an event, as well as investigate the possibility of requiring that the manufacturer, Siemens, pay for the electricity market purchases. The core malfunctioned immediately following a routine maintenance on the unit.

The incremental cost of the replacement power market purchases had been included into rates on an interim basis, and so the disallowance of the cost recovery resulted in a refund to NorthWestern's customers.

During the March 29 work session, the Commission also raised concerns with NorthWestern's disclosure of information in the proceeding. NorthWestern proposed to recover these costs from customers within its application filed May 29, 2014. The application acknowledged but did not quantify the incremental replacement power costs attributable to the outage. NorthWestern also failed in their original application to provide a Root Cause Analysis explaining the determined cause of the core malfunction.

Commissioners Brad Johnson, R-East Helena, Roger Koopman, R-Bozeman, and Travis Kavulla, R-Great Falls, voted to reject NorthWestern's request for reconsideration; Commissioner Bob Lake, R-Hamilton, and Commissioner Kirk Bushman, R-Billings, dissented.

"I fully support legitimate reasons to reduce electricity rates for consumers, but I do not believe the Commission had the legal authority to do what we did in this situation," said Commission Bob Lake.

"This Commission has recently made numerous short-sighted decisions that are harmful to Montana ratepayers in the long-term, and this is just one more example," said Commissioner Kirk Bushman.

To view the full docket, visit: <http://1.usa.gov/1RHO5yk>

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