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Montana Supreme Court affirms PSC's decision to deny \$1.4 million electricity rate increase for Northwestern Energy

Helena, Mont.—September 28, 2016—Following nearly three years of litigation, a five-justice panel of the Montana Supreme Court unanimously affirmed on Tuesday a 2012 order issued by the Montana Public Service Commission rejecting a request by Northwestern Energy to increase electricity rates related to an unforeseen power plant outage.

In January 2012, just thirteen months after the Dave Gates Generation Station (“DGGs”) was acquired by NorthWestern Energy, a three-month plant outage required NorthWestern to purchase electricity from third parties. Even while the plant was not in service, NorthWestern was allowed to collect almost \$8.3 million for DGGs’ costs. After accounting for all of these regular DGGs costs, NorthWestern asked for an additional \$1.4 million in order to be made fully whole for its purchases of replacement power during the outage, which the Commission denied.

The Commission also made changes to NorthWestern’s Lost Revenue Adjustment Mechanism (LRAM), which was a program designed to compensate a utility for the revenue lost due to the utility’s energy efficiency efforts. The LRAM was ended by the Commission through a separate proceeding in October 2015.

Montana District Court Judge Brad Newman of Butte upheld the Commission’s 2012 order in August 2015.

In affirming the PSC’s order in his decision for the majority, Supreme Court Justice Jim Rice wrote that, “The Commission had substantial evidence to rely upon and it appropriately used its expertise to evaluate that evidence.”

“I am very pleased with the Court’s decision in this matter as it is a huge win for consumers across Montana,” said PSC Chairman Brad Johnson, R-East Helena. “Private utilities must shoulder some of the risk when making business decisions as it is not the role of the PSC to act as a rubber stamp and allow all unforeseen costs to be passed on to consumers.”

PSC Vice Chairman Travis Kavulla, R-Great Falls, said “I appreciate the Supreme Court's ruling. I hope it will refocus NorthWestern Energy on providing quality service at a reasonable cost, rather than litigating against the Public Service Commission when we find that the company has operated its facilities poorly or incurred costs unwisely. Other industries would not be in a position to pass along to the consuming public the costs that NorthWestern wished to charge its ratepayers in this matter. By disallowing them, the Commission made clear that it expects good performance from the utility, and hopefully NorthWestern will take the Supreme Court's affirmation of our decision to heart.”

To view the Montana Supreme Court's full decision, visit: <http://bit.ly/2cVZ4rL>

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