

Montana State Senate



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COMMITTEES:
ENERGY AND TELECOMMUNICATIONS
PUBLIC HEALTH
RULES
TAXATION

To: Chairman Keith Regier, Members of the House Federal Relations, Energy & Telecommunications Committee

RE: HB 188

This is a reaction to the John Fitzpatrick letter to Public Service Commission Chairman Bill Gallagher dated January 17, 2012.

The Fitzpatrick letter is a classic case of someone mixing apples and oranges, and I have come to suspect deliberately so. Mr. Fitzpatrick claims that an error he purports to appear at page 11 on a PSC report on power supply costs does not show the true cost of QF power supplies in the NorthWestern Energy supply portfolio. Unfortunately, Mr. Fitzpatrick does not acknowledge that there are two entirely different kinds of QFs at the core of this controversy and the only similarity between them is due to the QF nomenclature attached to them, similar to apples and oranges both being fruits.

The first kind of QFs are known as Tier II QFs. They are an old set of contracts, established in an old era of ratemaking under the State and Federal PURPA statutes. There is no denying that they are extremely expensive and costly to the ratepayers of NWE. During my tenure at the PSC, I was frustrated that there was nothing either the PSC or NWE could do to relieve ratepayers of that burden given those QFs' inherent property protections in contract law. You can pass HB 188 or you can kill HB 188. But in neither case do you affect the burden by even one penny represented by the Tier II QFs. Not one penny.

Mr. Fitzpatrick goes on to complain that the PSC report neglects to include the QF customer service charge that appears on customers' bills as part of cost of the QF contracts. Well, I'll accept responsibility for this. When this report project began during my last three months as chairman of the Montana PSC, we discussed extensively where and how to show the QF customer charges. We finally determined that we should show them in reports in the same place that NWE shows them in the bills they deliver to their electricity customers every month. It was

an NWE decision to show those charges in the transmission and distribution section of the customer's bill, and not the power supply cost portion of the customer's bill. I suspect that the NWE representation of those costs on the customer bill reflects their own accounting standards. Again, I repeat that I am responsible for how this particular matter appears on the report, and no subsequent PSC Commissioner has ever changed that determination, and Chairman Gallagher's alleged statement that "heads would roll at the PSC" suggests consequences for PSC staff for something that they are not responsible for.

But even if those charges were included in the power supply costs for Tier II QFs in the report, that has nothing at all to do with the QF I's that are the topic of HB 188. Mr. Fitzpatrick's insistence in his letter that Tier II costs be bundled with any representation of QF I costs is simply preposterous. I suspect he only does it because that is the only way he can possibly represent QF I costs as a burden on the company and the company's customers. I believe that we can rely on the numbers shown by the PSC report. Those numbers are all based on data delivered to the PSC by NWE. PSC staff has not relied on data from any other source for these reports. If there are errors, it would have to be inherent in the information delivered by NWE itself. It appears Mr. Fitzpatrick is really disputing the PSC presentation, not actual facts, with the confusing and superfluous information, he claims in his letter.

In his letter, Mr. Fitzpatrick "respectfully" demands (commands?) that the PSC correct the error, an error, if it exists, I have just shown his company, and perhaps me, but certainly not anyone at the current PSC, is responsible for.

I believe, at the very least, the House Federal Relations, Energy, and Telecommunications Committee, should delay action on HB 188. For the Committee to pass this bill at this time would encourage Mr. Fitzpatrick that his strategy of misrepresentations has been given license on this and other issues that may come up during the legislative session. I am happy to spend time with any current Commissioner and any member of the legislature to fully vet any of the frequently confusing and arcane details of the matter.

Sincerely,

A handwritten signature in cursive script that reads "Greg Jergeson". The signature is written in black ink and is positioned below the word "Sincerely,".

Greg Jergeson
Senate District 17
Former PSC Commission Chair