

## NorthWestern Energy Bill -- Electricity

NorthWestern Energy serves about 340,000 electric customers in Montana. Major changes to Montana energy policy largely brought NorthWestern to the state. In January 1997, the Montana Power Company (MPC) and a number of Montana's large energy customers brought forward Senate Bill No. 390, sponsored by Sen. Fred Thomas, to deregulate retail electricity supply in Montana. Montana decided to deregulate electricity supply and opted to allow some Montana consumers to choose, given a competitive market, their own electricity supplier. At the time, it was a fundamental policy shift for the state from regulating the price of electricity supply to allowing competitive markets to set the price of electricity supply.

MPC sold most of its generating units to PPL Montana at the end of 1999. The remainder of the generating units, contracts, and leases, as well as the entire distribution utility, was sold to NorthWestern Energy in February 2002.

Competitive choice, however, did not develop for small residential and commercial customers in the state, and in 2007, the Montana Legislature undid portions of the Electric Utility Industry Restructuring and Customer Choice Act. The "reregulation" bill, as it was often called, allows NorthWestern Energy to own electric power plants again and to dedicate the power it produces to Montana customers. House Bill No. 25, sponsored by Sen. Alan Olson, significantly tailored customer choice, limiting the ability of retail customers with a monthly demand of less than 5,000 kilowatts to migrate to other electricity suppliers if those customers were receiving electricity from a public utility prior to October 2007.

If you are a small customer of NorthWestern who did not choose an alternative electricity supplier prior to October 2007, you are now part of the electricity supply load that is regulated by the PSC. With changes made by the 2007 Legislature, NorthWestern Energy also is pursuing its own generation assets, and a new set of guidelines is in place for the PSC to follow in approving NorthWestern Energy's efforts to procure an electricity supply resource.

After deregulation and prior to "reregulation" MPC/NorthWestern customers had the option of buying their energy supply from a company other than MPC/NorthWestern. Regardless, MPC/NorthWestern always delivered that energy. Since 1998, NorthWestern Energy customers have paid three electric sub-rates including: electric supply rate, distribution rate, and transmission rate. An overview of a NorthWestern Energy bill accounts for this separation. NorthWestern provides its customers with what is called a "bundled" bill, although the bill does break out rates into delivery charges (which include distribution and transmission) and electric supply. **Figure 1** below provides an overview of the various components of residential electric rates.

The NorthWestern Energy bill used an example is from a 1,100 square foot home that uses baseboard electric heat and a small natural gas furnace in the lower level. The bill accounts for usage between December 10 and January 10. The total monthly usage at 1417 kWh is significantly higher than average residential usage, which is 750 kWh. The

average, however, is based on an average of 12-months. Weather often dictates month-to-month use.

Calculating your NorthWestern electric bill, requires a review of two different bills. The billed usage is spread over 31 days, 10 in January 2014 and 21 in December 2013. On the bill provided, the rates displayed are only for January 2014. NorthWestern is required to display the current rates in effect. But rates can change from month-to-month for a variety of reasons. Rates from December 2013 and January 2014 are necessary to determine your actual costs.

To calculate the charges on a bill, a customer also must recognize that about 32 percent of the kWh was prorated on a per-day basis under the January 2014 rates and 68 percent of the kWh was prorated on a per-day basis under December 2013 rates. A phone call to the company showed that 960 kWh were prorated to December and 457 kWh were prorated to January. The bill, however, does not show the breakdown by each month.

## Components of NorthWestern's Residential Rates in 2013

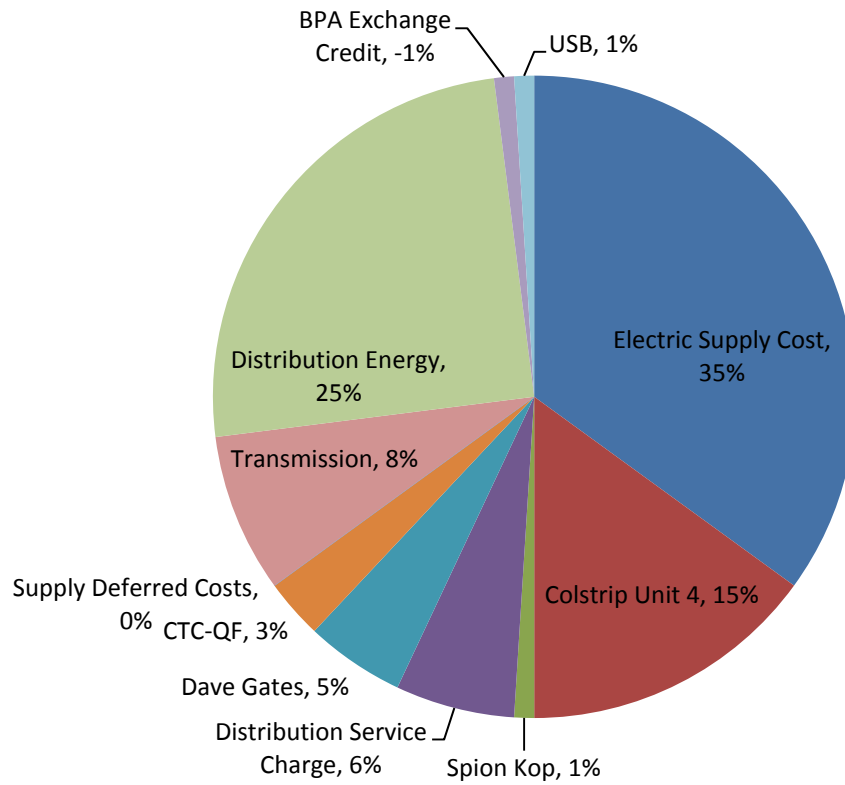


Figure 1: Source: NorthWestern Energy