

Electricity Supply

Res. Supply:

(January) Res. Supply = $457 \times \$0.0637790 = \28.15

(December) Res. Supply = $960 \times \$0.064298 = \61.73

Res. Supply for 12/10/13 – 01/10/14 = \$90.88

This charge is the residential electric supply, or the electricity consumed in the residence. A monthly bill is based on kWh used, in total, at the end of each month. One watt-hour is the equivalent of 1 watt of power used for 1 hour. On the NorthWestern Energy bill, the customer used 1417 kWh, but only 10 days of that was in January under the rate of \$0.0637790. Of the bill, 21 days were in December and the rate was \$0.0642980.

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Electricity supply service means the provision of electricity supply and related services through power purchase agreements, the acquisition and operation of electrical generation facilities, demand-side management, and energy efficiency programs. 69-8-103, MCA.

How does NorthWestern Energy decide to charge those rates per kWh for electricity supply service? And why do they change month-to-month? NorthWestern Energy submits electric supply cost rate schedules and adjustments to the PSC. Much of the electric supply cost is based on long-term contracts NorthWestern has, for example, with PPL Montana, Citigroup Energy, Invenergy, and small qualifying power production facilities. Part of the charge is the amount NorthWestern collects from its customers to pay those electricity suppliers and producers. NorthWestern also has to plan for short-term purchases and spot market purchases to accommodate the needs of its customers – for example, when the temperatures reach triple digits, and air conditioners run 24 hours a day.

NorthWestern Energy also establishes fixed costs for its own generation – Colstrip Unit 4, the Dave Gates Generating Station, and the Spion Kop wind farm. The PSC approves \$/kWh rates for the generation owned by NorthWestern, allowing the utility to earn a reasonable profit while maintaining customers “just and reasonable” rates.

An example of the role of the PSC in implementing these laws and determining customer’s electricity supply rates is evident in the rates that took effect January 1, 2014 for NorthWestern customers. In 2013, the Dave Gates Generating Station was down for several months for repairs. NorthWestern requested that the PSC allow them to pass on a significant amount of the repair costs to customers. Some of those costs were passed on to ratepayers, but the PSC found that “to allow NorthWestern to recover an additional \$1.4 million for incremental regulation costs would not result in just and reasonable rates for consumers.” (Docket No. D2012.5.49 Order No. 7219h).

Adjustments are made to electric supply rates for a variety of reasons.

NorthWestern, since 2004, has included energy conservation and efficiency programs in its portfolio. These programs are called demand-side management programs. The PSC approves rates that allow NorthWestern to earn a reasonable profit. Demand-side management programs then reduce these approved profits. This is often referred to as lost revenue, and NorthWestern files applications with the PSC to “true-up” these lost revenues.

NorthWestern adjusts its electric supply costs monthly and submits an annual “tracker” to the PSC to account for any over or under collection of costs through the year.

The PSC also must allow a public utility to file rate schedules containing provisions for the automatic adjustment and tracking of Montana state and local taxes and fees paid by the utility. (69-3-308, MCA). Part of those taxes and fees also include a fee that each utility pays to fund the Consumer Counsel (69-1-223, MCA) and the PSC. The PSC is required to allow immediate recovery of the fee by a utility in its rates and charges on an annual basis. (69-1-224, MCA). The change took effect in January, and the result is differing rates for not only supply, but also transmission, and distribution costs in December 2013 and January 2014. The change in rates is often referred to as a “tax tracker” docket at the PSC. The 2014 Electric and Natural Gas Tax Tracker uniformly decreased electric transmission and distribution rates by 0.25 percent. (Docket No.D2013.12.83). The tax tracker remains open.

The PSC in late January 2013 wrote NorthWestern a letter urging the utility to disclose, in a customer's bill, the amount of state and local taxes and fees assessed against the utility that the customer is paying. Montana law states that a utility “may” disclose those amounts, but a utility is not required to disclose them.

A public utility may separately disclose in a customer's bill the amount of state and local taxes and fees assessed against the public utility that the customer is paying. 69-3-308, MCA.