Update on PSC dockets/activities
Provided to Energy & Telecommunications Interim Committee
July 18, 2014

NorthWestern Energy

- Application for PSC approval of NorthWestern's proposed $900 million acquisition of PPL's hydro facilities in Montana. The PSC's hearing in this case started July 8 and finished today. Parties will submit post-hearing briefs in the next few weeks. The PSC should issue a final order in September.

> *[See the "Electronic Documents" section of the PSC website under Docket No. D2013.12.85 to view the documents filed in this proceeding.]*

- Annual electricity supply tracker. NorthWestern seeks to recover a claimed under-collection of about $32 million in electricity supply costs. The PSC granted interim approval of the rate increase, effective July 1. (Interim rates are subject to refund, plus interest, if the rates approved in the PSC's final order represent a decrease from interim rates.)

- Annual natural gas supply tracker. The PSC granted interim approval of a $500,000 decrease in natural gas supply rates, effective July 1.

- NorthWestern/Greenfield QF contract. In April, NorthWestern filed a petition requesting the PSC to set the terms and conditions of a qualifying facility (QF) contract with Greenfield Wind, LLC. Greenfield and NorthWestern are unable to mutually agree on the terms of a power purchase power agreement for the sale of electricity from Greenfield's proposed 25-MW wind project southwest of Fairfield. NorthWestern requests: (1) a rate of either $26.72 without renewable energy credits (RECs) or $39.73 with RECs, which NorthWestern says reflects its current avoided cost; and (2) a $1.5 million performance guarantee from Greenfield. NorthWestern also asks the Commission to find that Greenfield has not created a legally enforceable obligation. Montana law requires the PSC to issue a decision within 180 days of the filing.

- Lost Revenue Adjustment Mechanism (LRAM) proceeding. The PSC initiated a contested case proceeding in June in which it will consider whether to continue the LRAM that has been in place for NorthWestern since 2005 for both electric and natural gas energy efficiency programs. Because NorthWestern collects most of its revenue through volumetric, dollar-per-kilowatt-hour rates, any successful effort to reduce the number of kilowatt-hours sold reduces the amount of revenue collected, including revenue approved for utility-owned assets and returns to its shareholders. Previous commissions had approved the LRAM, finding that the absence of some means to recover these lost revenues creates a financial disincentive for NorthWestern to invest in energy efficiency programs that have a beneficial impact to the overall cost of the electricity supply portfolio. The current commission has expressed skepticism about continuing the LRAM status quo.

Montana-Dakota Utilities

- MDU plans to file a natural gas rate case in the near future.

Energy West

On April 29, the PSC issued a *Notice of Non-Compliance and Opportunity To Comment* concerning the violation by Energy West Incorporated and its subsidiary Energy West Montana of a ring-fencing provision of the PSC's final order in a recent Energy West financing

proceeding. The provision required that, for the term of the line-of-credit financing, EWM must always have $11.2 million available for its use, less the amount actually drawn from the line of credit it shares with other subsidiaries of EWI. Energy West reported it had violated the requirement, but had remedied it in a timely manner. The PSC requested comments from interested parties concerning the appropriate level of Commission response to the violation. The PSC will determine what, if any, enforcement action is necessary, taking into consideration the comments it received from the Montana Consumer Counsel and from Energy West.

CenturyLink

- Petition for waiver of tariff filing requirements. In October, CenturyLink petitioned the PSC for a waiver of the statutory requirement that it must file tariffs or price lists for the regulated services it offers. If approved by the PSC, rate regulation for the major regulated local telecom provider in Montana would be eliminated. Bresnan Broadband, Blackfoot Communications, Ronan and Hot Springs Telephone Companies, and the Montana Consumer Counsel have intervened in the docket. The hearing is scheduled to begin September 22.

Other issues

- City of Missoula/Mountain Water condemnation case. The PSC filed a petition for intervention in this district court case in early July. The petition is pending.