

Service Date: May 18, 2017

DEPARTMENT OF PUBLIC SERVICE REGULATION
BEFORE THE PUBLIC SERVICE COMMISSION
OF THE STATE OF MONTANA

IN THE MATTER of the Montana Public Service) REGULATORY DIVISION
Commission's Review of Rates to Recover)
NorthWestern Energy's Electricity Supply Costs) DOCKET NO. D2017.5.39

NOTICE OF COMMISSION ACTION

House Bill 193 (2017) ("HB 193") eliminates the mandatory electricity supply cost recovery mechanism, also known as a cost tracker, in Mont. Code Ann. § 69-8-210(1) effective July 1, 2017. That date corresponds with the end of NorthWestern Energy's ("NorthWestern") current annual tracker cycle. After July 1, 2017, the Montana Public Service Commission ("Commission") cannot reauthorize NorthWestern to track supply costs and make interim rate adjustments under Mont. Code Ann. § 69-8-210(1). The Commission retains discretionary authority to implement cost tracking mechanisms under general rate making procedures contained in Chapter 3 of Title 69.

NorthWestern may require some kind of cost tracker after July 1, 2017 because existing tariff rates may not provide a reasonable opportunity to recover certain significant supply costs. However, because the Commission cannot fully implement a new cost tracker by July 1, 2017, it is interested in considering alternatives that would establish an interim cost tracker, one that is simpler and less burdensome than the current tracker. This would be contingent on NorthWestern's filing, at a minimum, a comprehensive electric supply revenue requirements case that contains a proposal for a longer-term cost tracker by September 30, 2017. This approach would allow the Commission to implement a new tracker by the middle of calendar year 2018, approximately one year after HB 193's effective date.

The Commission directs NorthWestern to provide supply cost information sufficient to allow the Commission to implement, on an interim basis, any of the following three alternatives:

- 1) An interim cost tracker with an initial base supply cost rate that reflects projected costs for purchased power and fuel derived from PowerSimm supply cost modeling for the

time period July 1, 2017 to June 30, 2018, based on current forward market price indications for electricity and natural gas. Other input assumptions, such as generating unit performance and constraints, historical weather, historical loads, and probability distributions used in stochastic analyses, should reflect those in NorthWestern's 2015 Resource Procurement Plan. However, known resource portfolio changes, such as new multi-year, unit-specific power purchase agreements, should be incorporated, so long as they are contractually obligated to be in service during the coming twelve-month period. NorthWestern should provide the modeled mean, 5th percentile, and 95th percentile projected total monthly unit supply costs and total 12-month unit supply cost. NorthWestern should separate variable fuel and purchased power costs from fixed generation asset cost of service costs and multi-year PPA costs. NorthWestern must provide supporting data, in electronic form.

- 2) An interim cost tracker that is similar or identical to the one established pursuant to Mont. Code Ann. 69-8-210(1), which could serve as a starting point for establishing a modified cost tracker.
- 3) Any other interim cost tracker proposal that NorthWestern thinks would be workable and consistent with the intent of HB 193.

NorthWestern must file an application for a new, interim supply cost tracking mechanism by June 2, 2017. The Commission will hold a discovery conference on June 9, 2017, 1:00 p.m. to 4:00 p.m., where any interested person may ask questions about NorthWestern's filing. NorthWestern will make available personnel who are able to answer questions about its application, and in particular its PowerSimm modeling runs and the compilation of the work papers supporting the above-described options. The Commission will provide interested persons until June 14, 2017 to provide information or comments on NorthWestern's application. NorthWestern, in its application, and interested persons, in their information and comments, should consider the following questions:

- Which of the tracking mechanisms described in NorthWestern's application should be adopted?
- What modifications, if any, to NorthWestern's proposal(s) should be made and why?
- Should the Commission make the continued availability of a tracking mechanism contingent upon the filing of an electric supply revenue requirements case by September

30, 2017, or would it be more appropriate to make it contingent upon the filing of a full electric general rate case?

- Should the Commission continue to authorize monthly tracking adjustments?
- How should the Commission provide for NorthWestern's DSM program (*e.g.*, should the replacement tracker reflect budgeted DSM expenses in calculation of supply rate, create a regulatory asset, or consider another approach)?
- Should the Commission permit inclusion in the cost tracker of other costs, such as planning and administrative costs?
- Should the rates established on an interim basis effective July 1, 2017, be true-up at the end of the approved interim rate period based on actual costs and, if so, how?

The Commission may issue an order on the above noticed issues, but may also defer a resolution on particular issues until the proceeding in which an electric revenue requirement and permanent tracking mechanism are established.

NorthWestern must file separately its 2016-2017 tracking year true-up in Docket No. D2016.7.52 and not this Docket.

Done and dated this 16th day of May, 2017, by a vote of 5 to 0.

BY THE MONTANA PUBLIC SERVICE COMMISSION

BRAD JOHNSON, Chairman
TRAVIS KAVULLA, Vice Chairman
ROGER KOOPMAN, Commissioner
BOB LAKE, Commissioner
TONY O'DONNELL, Commissioner