



NORTHWESTERN ENERGY'S 2024 RATE CASE

NorthWestern Energy Wants to Raise Your Rates... AGAIN

NorthWestern Energy has returned to the Montana Public Service Commission (PSC) asking for permission to reach into customers' pockets for another rate increase to prop up its budget-busting and heavily polluting fossil fuel investments. Unfortunately, these increases have resulted in Montana having among the highest electricity rates in the region (and fourth highest energy costs in the country), and still climbing if NorthWestern has its way.

NorthWestern Energy is allowed to operate as a monopoly utility in Montana to streamline energy infrastructure in the state. Rather than having 10 competing utilities run power lines down your street, the idea is that this infrastructure is consolidated under one monopoly entity. In exchange, Montanans elect five Public Service Commissioners who are supposed to regulate the monopoly and prevent exploitative practices. Unfortunately, NorthWestern Energy and the PSC have demonstrated a lack of accountability time and time again.

As a regulated utility, NorthWestern must submit an application to the PSC whenever the utility wants to raise customers' rates. This application kicks off a rate case, a months-long PSC review in which anyone can petition to formally intervene, contributing to the case's record to advocate for various interests. NorthWestern's last rate case included interveners representing environmental interests, state and federal government agencies, industry groups, energy developers, and specific companies. This information-gathering process typically includes informal opportunities for public participation through a public hearing and comment period.

AT A GLANCE

- NorthWestern Energy is requesting a 26% increase to base electricity rates after electricity rates were raised by 28% in the fall of 2023. Montanans already have some of the highest electricity rates in the region and the fourth-highest energy costs in the country.
- NorthWestern wants to charge customers more than \$2.3 billion in lifetime costs for the Yellowstone County Generating Station methane gas plant near Laurel.
- NorthWestern wants a blank check to charge customers for undisclosed future investments in the Colstrip coal-fired plant which could well exceed \$2 billion. This blank check would likely increase to reflect NorthWestern's increased ownership if the utility successfully acquires additional shares of the nation's dirtiest coal plant.
- The Colstrip plant is old and unreliable, operational only half the time we need it, such as during the January 2024 cold snap and the July heat wave.
- The utility makes a fixed rate of return on capital investments, meaning NorthWestern would make a huge profit on the excessively expensive YCGS gas plant if allowed by the PSC, just like it earns on the Colstrip plant. While customers foot the bill, NorthWestern is disincentivized to invest in more affordable forms of energy such as wind, solar, and storage.

The Cost of Power

The most- and least-expensive states based on their average monthly energy bills, including electricity, heating oil, natural gas and motor fuel.

Highest energy cost		Lowest energy cost	
STATE	AVERAGE MONTHLY ENERGY COST	STATE	AVERAGE MONTHLY ENERGY COST
1. Wyoming	\$1,591	36. Nevada	\$538
2. North Dakota	\$840	37. Georgia	\$533
3. Iowa	\$798	38. South Carolina	\$533
4. Montana	\$787	39. Tennessee	\$524
5. Minnesota	\$782	40. Oklahoma	\$477
6. Massachusetts	\$759	41. California	\$476

Montana has fourth highest energy costs in the nation

The New York Times reports that Montana's costs for average monthly consumption and price of electricity, natural gas, home heating oil and motor fuel rank higher than 46 other states.

THERE'S ALSO AN INTERIM RATE INCREASE.

While most of the rate case process will focus on assessing the full scope of NorthWestern's requested rate increase, the utility included in its application a request for interim rate increases to go into effect October 1.

MEIC is pushing back on unprecedented elements of this interim request that would illegally and excessively charge customers for the Yellowstone County Generating Station methane gas plant before assessing whether this investment was necessary to meet customer needs. If the PSC approves part or all of this request in the interim and later finds that these increases were excessive, NorthWestern would be forced to credit back the overcharge to monthly customer bills. However, NorthWestern would be allowed to reimburse customers over a much longer period than the utility had been over-collecting.

YELLOWSTONE COUNTY GENERATING STATION AND SKYROCKETING ELECTRIC RATES.



Last fall, the PSC approved a 28% electric rate increase for NorthWestern's residential and small business customers, and now the utility is requesting an additional 8.3% increase. Together, that compounds to a 39% increase in residential customers' electric bills in front of the PSC within a year. However, NorthWestern is not telling the whole story because the fine print of its application reveals an underlying 26% increase to fixed base electric rates, offset by reduced variable rates that are frequently adjusted up and down.

The Yellowstone County Generating Station (YCGS) methane gas plant near Laurel is driving this requested increase. While the plant's construction alone cost NorthWestern upwards of \$320 million, previous estimates show that ratepayers may be on the hook for over \$2.3 billion dollars. NorthWestern is hiding the true cost of the plant, claiming it will save customers \$58 million in annual electricity purchases from the market. Even if that were true – and there is no evidence to suggest it is – those savings would not pay for the plant.

Meanwhile, there is no penalty if NorthWestern's market purchase forecasts are wrong. Montanans can't afford to pay \$2.3 billion for a plant that may save us \$58 million a year. If shareholders want to take on that risk, so be it. But financially-strapped Montana families should not be on the hook for a bad investment.

YELLOWSTONE COUNTY GENERATING STATION CONT.

Unpacking NorthWestern's requested rate increase causes even more concern. While electric rates are composed of numerous line item charges, NorthWestern's earnings from rates can be effectively divided into two components:

- A base rate from fixed infrastructure investments that earn a hefty return for shareholders on each dollar spent building or buying a plant (e.g. constructing a gas plant at NorthWestern's requested 10% return on equity for its shareholders or buying a coal plant at a 10.3% return for shareholders), and
- A rate that is adjusted quarterly to cover variable expenses and is passed directly to customers (e.g. fuel to power a gas plant, coal for a coal plant, or power bought or sold between utilities in the region). This is called the Power Cost and Credits Adjustment Mechanism (PCCAM).

These components are addressed separately at the PSC, but NorthWestern has combined them in its application, obscuring the true extent of the increase. In reality, NorthWestern is requesting permission to increase the base electricity rate by a whopping 26% in this rate case! It appears that the utility may have fabricated the 8.3% number by artificially reducing its PCCAM rate by 43% – in other words, NorthWestern is saying that the next quarter's PCCAM rate will be 43% lower than the previous quarterly PCCAM rate.

NorthWestern's explanation for this decrease is incomplete and somewhat misleading, asserting that YCGS will reduce its need to purchase electricity from the market. However, close review of the application reveals that the utility anticipates nearly doubling market purchases (rather than reducing them), with these purchases offset by an unprecedented (nearly sixfold) increase in market sales. NorthWestern is showing it will have a net reduction in PCCAM costs by selling nearly six times more energy into the regional market, an unprecedented increase that the utility does not justify in its filing. It's unclear if the outdated and constrained transmission system could even move that much electricity annually. This is how NorthWestern hides its 26% base rate increase within an 8.3% overall increase. Of course, there is no penalty if NorthWestern fails to sell that much power into the market, in which case rates would skyrocket even more in a future quarterly PCCAM filing when customers finally face the full 26% base rate increase. What NorthWestern lacks in providing details, it makes up for by hiding the ball and jacking up electricity rates.

THE VOLATILE COST OF METHANE GAS.



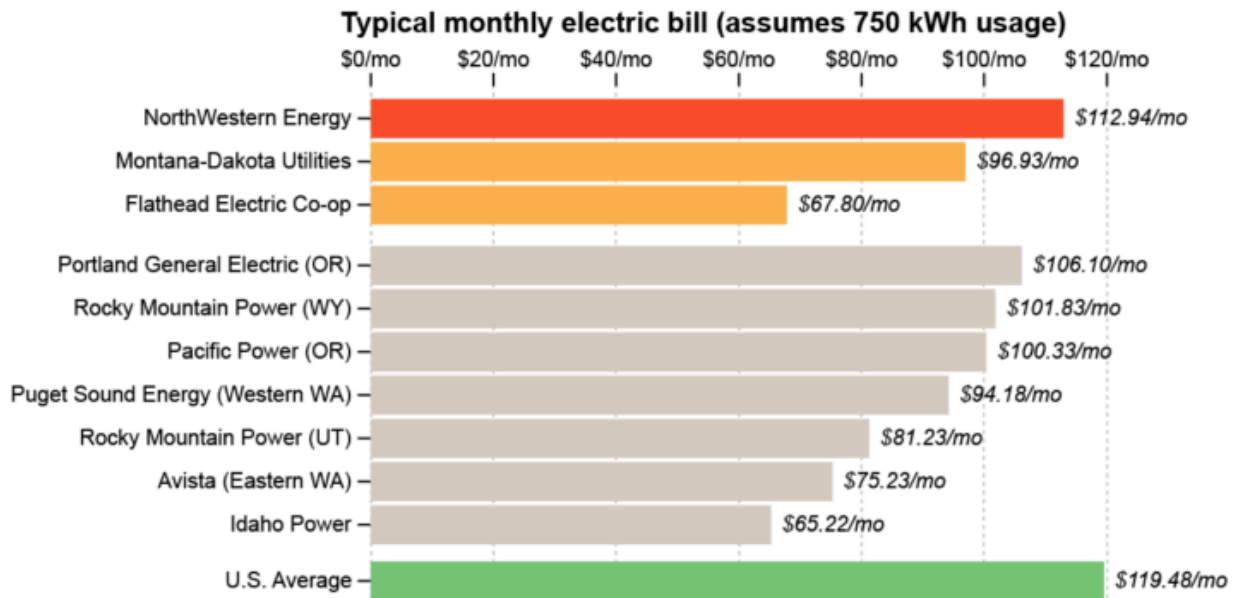
Unfortunately, NorthWestern’s greed doesn’t stop there.

Having received PSC approval this July for a 33% rate increase to all gas customers, NorthWestern’s current request includes an additional 17% residential gas rate increase. That adds up to a 56% total increase in the same month! Compounded with last year’s 13% increase, that’s a 76% increase in front of the PSC within a year.

While the costs of expensive gas used to fuel YCGS are technically factored into electricity rates, using more gas to fuel this plant could further strain an already volatile gas market. Luckily for NorthWestern, and unluckily for the rest of us, fuel costs are passed directly to its customers in our bills.

How a typical NorthWestern Energy electric bill stacks up

Here’s how rates charged by Montana’s largest power supplier as of Nov. 1, 2023, compare to utilities across the region and the U.S. average.



Data: Utility records, U.S. Energy Information Administration.

Graphic: Amanda Eggert & Eric Dietrich / MTFP



A BLANK CHECK FOR “COLSTRIP COMPLIANCE”?

Buried within NorthWestern’s application is the request to create a “Reliability Compliance Balancing Account” for future “compliance costs necessary to continue to operate Colstrip.”

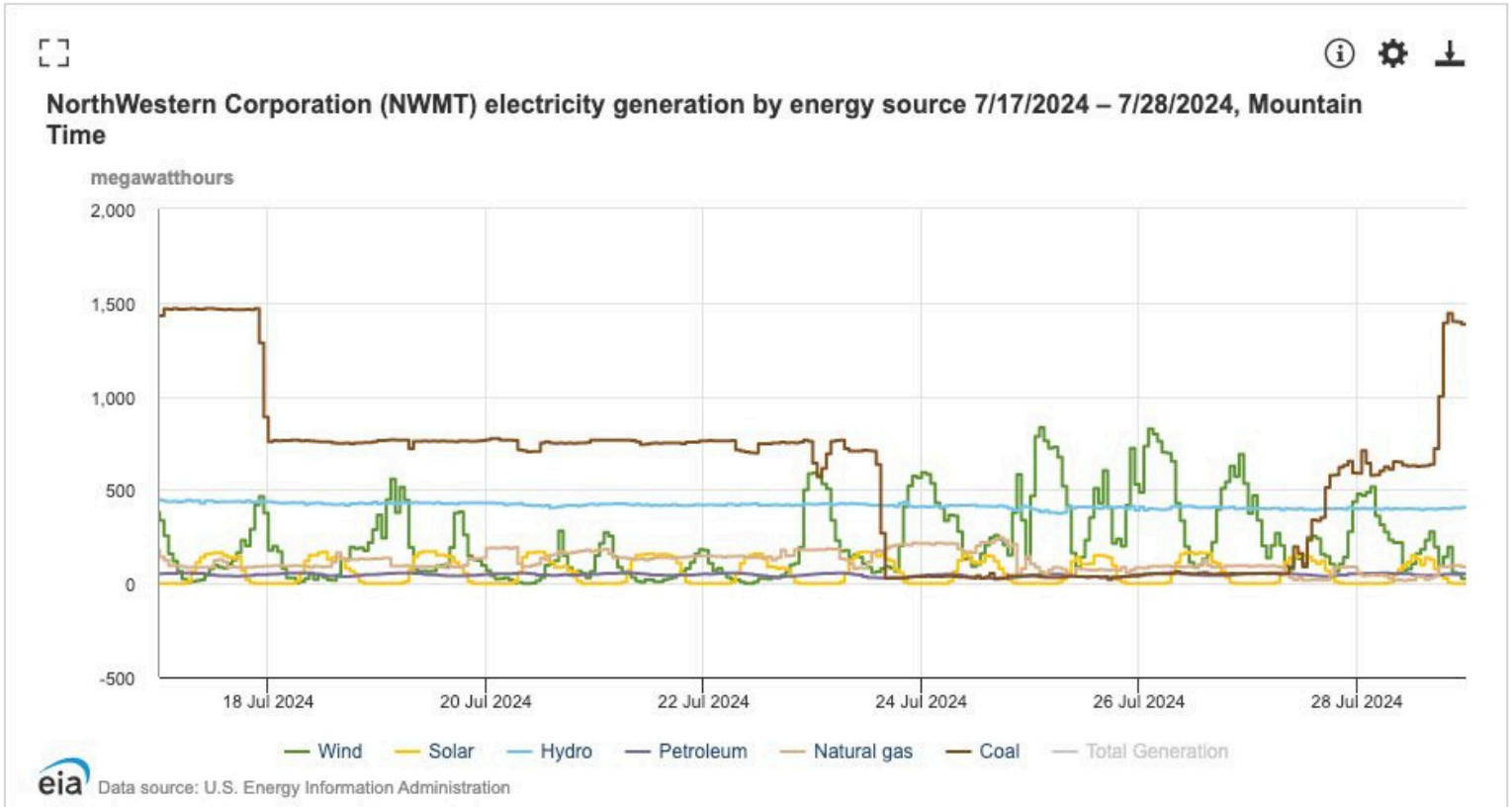
In other words, NorthWestern is asking for money to comply with growing regulations so it can keep the Colstrip plant open as long as possible. The utility provides no details on how much money it will collect from customers, what it will buy with that money, or whether there are less expensive alternatives. The utility certainly doesn’t mention that it intends to quadruple its ownership share of the plant, which will quadruple the amount it will charge customers for these undisclosed “compliance costs.” This request asks for nothing less than a blank check from the PSC, charging customers an undisclosed fee on a per kilowatt-hour basis for any and all expenses incurred to bring the country’s dirtiest coal plant in compliance with national pollution standards.

NorthWestern conveniently left out that these compliance costs will likely exceed \$2 billion – that’s billion with a “b” – while some have estimated that this number could even exceed \$3 billion.

In 2018, the U.S. Department of Energy analyzed the cost of installing carbon capture and storage (CCS) at the Colstrip Power Plant and determined that it would cost over \$1.3 billion to reduce only 63% of the CO₂ emissions, decreasing the plant’s energy output in the process. Operating that carbon capture technology would cost an additional \$108 million annually. In addition, if the Colstrip plant owners are to be believed, they have said that installing industry-standard pollution controls for toxic air pollution could cost customers in excess of \$600 million. Every similar coal plant in the nation has already installed this technology. That’s why the Colstrip plant has the highest toxic emissions rate of any of the 237 coal units EPA analyzed.

So, while NorthWestern seeks to nearly quadruple its ownership in the plant as the self-proclaimed only utility in the US investing in more coal energy, it is asking for a blank check to pay for the upgrades, on top of the 26% increase, without considering the far less expensive alternatives to generate electricity.

THE COLSTRIP PLANT IS NOT RELIABLE.



NorthWestern claims it needs an increased share of the Colstrip plant because the plant provides reliable power. Nothing could be further from the truth.

NorthWestern doesn't bother to provide information in its application on why the Colstrip plant is necessary to ensure reliability on the power grid, other than a blind assertion that it is.

In fact, the Colstrip plant has experienced frequent outages during some of the coldest and hottest days of 2024, while historic data shows that the plant only provides 51% dependable capacity, far from NorthWestern's asserted 99%.

**WHEN CUSTOMERS NEED POWER THE MOST,
IT IS A COIN TOSS WHETHER THE PLANT
CAN PROVIDE IT. THAT'S NOT RELIABLE.**

WHAT ABOUT CLEAN AND AFFORDABLE WIND AND SOLAR ENERGY?

NorthWestern Energy operates as a monopoly utility in Montana, with the elected Public Service Commissioners serving as the last line of defense between the utility and Montana ratepayers. Unfortunately, the PSC and the Montana Consumer Counsel (MCC) have bowed to NorthWestern's requests time and time again, leaving ratepayers defenseless.

NorthWestern has now built YCGS, the most expensive type of gas plant there is, and is trying to saddle customers with the expensive, unreliable, and decrepit Colstrip plant. Why? Because the utility makes a fixed rate of return on its capital investments, funded by ratepayers. The more money it spends, the more money it rakes in for its shareholders and executives' multi-million dollar salaries.

Without a PSC and MCC that demand protections for customers, it is no wonder that NorthWestern is making no further investments into wind and solar, the cheapest forms of energy available. While other states are stepping in to take advantage of Montana's second-highest wind energy potential and fourth-highest solar energy potential in the nation, NorthWestern doubles down on the most expensive electricity-generating resources available as reflected directly in our skyrocketing electric bills.



WHO MAKES DECISIONS ABOUT ENERGY RATES IN MONTANA?

- The elected commissioners that serve on the Montana Public Service Commission (PSC) are responsible for regulating public utilities like NorthWestern Energy and must balance utilities needs with customer needs.
- The legislatively-appointed Montana Consumer Counsel (MCC) is responsible for advocating on behalf of the interests of consumers of regulated utilities before the Montana Public Service Commission and in select matters under the jurisdiction of federal agencies and state and federal courts.
- Montana state legislators write and pass bills that can impact how the PSC and MCC operate.