



NorthWestern Energy Rate Case

Costs that Should Not Be Charged to Customers

NorthWestern Energy's rate case is in its final months after the hearing before the Public Service Commission (PSC) concluded in June. What remains is post-hearing briefs from NorthWestern and intervening parties will be complete at the end of August. Then the PSC will issue a final decision sometime this fall. MEIC intervened in the rate case along with the NW Energy Coalition, Natural Resource Defense Council (NRDC), and District XI Human Resource Council, advocating for reliability, affordability and consideration of the environment. Here is an overview of our arguments to the Commission:

High Level Arguments:

- 1. The Commission should cap Yellowstone County Generating Station (YCGS) gas plant cost recovery at the level of less-costly and cleaner energy resource alternatives.**
- 2. The Commission should open a dedicated docket to responsibly plan for Colstrip's future and protect consumers from the escalating costs of this unreliable resource.**
- 3. The Commission should direct NorthWestern to evaluate and mitigate climate change risks and disallow life-extending Colstrip plant investments that worsen this risk.**
- 4. The Commission should address acute affordability issues by minimizing base rate increases and ordering improvements to bill affordability programs for low- and moderate-income customers.**

Specific Arguments:

- **YCGS**
 - The resource planning and request for proposals that resulted in selecting YCGS were not reasonable and resulted in an imprudent acquisition of this [\\$320 million plant](#).
 - The Commission should:
 - Disallow cost recovery for construction cost overruns,
 - Disallow cost recovery for two units that did not come online,
 - Disallow cost recovery above the costs that would've been incurred had NorthWestern instead pursued lower-cost alternative resources,
 - Disallow cost recovery for increased operations and maintenance expenses associated with NorthWestern's inflated annual operating projections for the plant, from 2,600 to 6,000 hours/year, and
 - Cap cost recovery for YCGS in light of climate costs that NorthWestern ignored.
- **Colstrip**
 - Costs of maintenance for the aging Colstrip plant are doubling. NorthWestern's customers will be responsible for 55% of those costs after the end of this year compared to the 15% they are responsible for currently.

- The Commission should:
 - Reject NorthWestern’s proposed “Reliability Compliance Balancing Account,” an unprecedented ratemaking mechanism to charge customers an unknown sum for future investments in the plant.
 - Disallow \$4,573,787 in cost recovery for unjustified expenses at the Colstrip plant. This does not include the installation costs for dry storage of coal ash waste, and
 - Open a dedicated docket to explore increasing costs and risks associated with the aging Colstrip plant, including rising fuel costs, reliability issues, decommissioning timelines, community and workforce transition, and replacing the plant’s power and grid services.
- **Climate Change**
 - The Commission should use the Social Cost of Greenhouse Gases to accurately assess the true costs of NorthWestern’s fossil fuel investments.
- **Federal Energy Regulatory Commission (FERC) Transmission Revenue Credit**
 - NorthWestern has not been crediting customers with the full FERC transmission revenues that they are entitled to, pocketing the difference. For 2024, that difference is \$9.6 million. The Commission should require FERC revenue credits to be based on current year actuals, not a trailing three-year average, and should make NorthWestern true up these revenues and credits in the annual Power Costs & Credits Adjustment Mechanism (PCCAM) filing so these benefits flow to customers, not to shareholders.
- **Return on Equity (ROE)**
 - The Commission should reject NorthWestern’s requested 10.8% ROE, and establish the utility’s ROE at no more than the 9.65% that has been approved for its other generation resources.
- **Affordability**
 - The Commission should
 - Reject NorthWestern’s proposal to shift costs from larger industrial customers to residential customers, and
 - Enact changes to NorthWestern’s current discount rate programs and supplemental programs to support low- and moderate-income households.
- **Power Costs & Credits Adjustment Mechanism (PCCAM)**
 - The Commission should rebuke NorthWestern for hiding the true bill impact to customers of its proposed rate increase through an illusory PCCAM base reduction that is based largely on inflated and unsubstantiated market sales projections. These market sales have not materialized, and as a result, the true impact to residential bills, even after NorthWestern’s partial settlement, would be as much as a [15% increase](#), far higher than the utility’s purported 4% increase.