



## PUBLIC SERVICE COMMISSION

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**Bob Rowe, Chairman**

December 30, 2003

Mr. Mike Hanson  
NorthWestern Energy  
125 South Dakota Avenue  
Sioux Falls, SD 57104

Mr. Dennis Lopach  
NorthWestern Energy  
208 N. Montana Ave.  
Helena MT 59601

Mr. Pat Corcoran  
NorthWestern Energy  
40 East Broadway St.  
Butte MT 59701

*(Delivered electronically)*

Re: Delayed electric portfolio filing

Dear Messrs. Hanson, Lopach and Corcoran,

I am dismayed, but unfortunately not surprised, by the letter to Ms. Whitney dated December 15, explaining that NorthWestern has been unable to complete the default procurement plan by the latest target date, due to factors "most notably" including "competing demands on our staff's time." The letter expresses NorthWestern's "*hope* that the plan will be filed in January." (Italics supplied.)

*"He that lives upon hope will die fasting."* Benjamin Franklin.

I understand that NorthWestern intends to review the plan, when completed, with the Advisory Committee required by and operating under the Commission's electric default supply portfolio guidelines. I also understand that, as the plan stood in late 2003, it included some number of issues that were identified but not resolved in the plan, and to that extent may have constituted something less than a complete plan under the Commission's guidelines.

Default energy service, both electricity and natural gas, is a core obligation of the distribution system. It is not an ancillary concern. NorthWestern acquired the system with full understanding of this obligation, the terms, the complexity, and the fundamental importance to core customers. In turn, that obligation was an express part of the legislative bargain struck by NorthWestern's predecessor, Montana Power Company, which accomplished a massive reallocation between shareholders and

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customers of benefits and risks in the delivery of energy services. NorthWestern was fully aware of this and determined that acquiring the system, including the default supply obligation, was a commercially sound transaction. Indeed, the Montana distribution operation is by far the largest and strongest part of NorthWestern's commercially viable enterprise.

I acknowledge the complexity of the default supply undertaking, and also several important steps NorthWestern has taken, especially including what appears to be increasingly productive use of the Advisory Committee. I also appreciate the efforts of NorthWestern's Montana employees (in this context particularly including Mr. Corcoran) who have had to accommodate repeated policy and "regime changes" at the corporate level, while continuing to provide good service to Montanans.

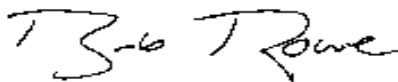
The Commission through the Guidelines and implementation efforts, and the Legislature through House Bill 509 and Senate Bill 247 have provided NorthWestern with an extraordinary amount of direction and support. Over the past year, including my letter to you of May 27, 2003, I have expressed concern about sufficiency of NorthWestern staffing, internal systems, and other issues. The December 15 reference to "competing demands on our staff's time" indicates that the assurances we received in response are no longer accurate.

NorthWestern has been aware of the December 15, 2003 deadline at least since October 16, 2003, the date it was published as a proposed rule in the Montana Administrative Register. NorthWestern had the opportunity to file written comments or to appear at the rule hearing on November 25, 2003, to explain the status of the plan and to urge a later deadline. NorthWestern did neither. (NorthWestern's failure to appear at a rulemaking hearing implementing legislation that it had championed is itself notable.) Instead NorthWestern ignored the rule (which reads "A DSU must file...."), and only filed a letter of explanation after the deadline, and at the request of Commission staff. This is inexcusable administrative practice for an entity like NorthWestern.

It is now time for NorthWestern to deliver. Please provide by January 16 a specific explanation of the status of the electric portfolio, an explanation of what steps you are taking to resolve outstanding issues, and a timeline for submission both to the Advisory Committee and the filing with the Commission of a complete electricity plan. The report should identify any subject areas in the Commission's rules and/or items in the plan's table of contents that are incomplete.

I look forward to your prompt and complete reply.

Sincerely,

A handwritten signature in black ink that reads "Bob Rowe". The signature is written in a cursive, slightly slanted style.

Bob Rowe

cc: Mr. Bob Nelson, Montana Consumer Counsel