Update on PSC dockets/activities
Presented to Energy & Telecommunications Interim Committee
September 16, 2011

NorthWestern Energy

- Mill Creek (now Dave Gates) compliance filing. When the PSC approved NWE's construction of the Mill Creek Generating Station in May 2009, it directed NWE to submit a filing once the gas plant began commercial operation that would allow the Commission to conduct its final cost review of the plant and establish the revenue requirement to be included in electric rates. NWE submitted its compliance filing on March 31. According to NWE, the construction cost was $184.7 million, under the originally estimated cost of around $200 million. The hearing is scheduled for November 9.

- Quality Facilities tariff docket. The PSC will issue an order in this matter in October, readjusting the rates offered to small generators known as QFs. In this docket, NWE has proposed what the tariffed rates should be under federal law (Public Utilities Regulatory Policies Act) and state law, and two parties—the Consumer Counsel and the Montana Small Independent Renewable Generators—have intervened and presented testimony. The rate must be based on avoided cost.

- QF curtailment. NWE requested permission to curtail small generators. On Sept. 1, the PSC rejected the request and ruled that the utility's proposition was not consistent with the utility's filed tariff, nor with state or federal law. Essentially, NWE is not permitted to treat small generators differently than other generation assets.

- Spion Kop wind project. In May, NWE filed an application asking the PSC to pre-approve its purchase of the Spion Kop wind project. Spion Kop is planned to be a 40-MW wind project made up of 25, 1.6-MW turbines located in Judith Basin County. It is hoped to be in operation by the end of 2012. NWE estimates its cost will be about $86.1 million and the levelized rate for Spion Kop electricity is estimated to be just under $54 per MWh. A hearing is scheduled to be held in December.

- Petition for waiver from full compliance with the Community Renewable Energy Project purchase obligation. NWE says that it will not be able to comply with this provision of the Renewable Portfolio Standard, and is asking for a three-year waiver. The Consumer Counsel and the Natural Resources Defense Council have intervened. A hearing will be held February 15.

Montana-Dakota Utilities

- Electric rate case. MDU and the parties in this case filed a stipulation to resolve the contested issues. The PSC issued its final order in this docket approving the stipulation on August 2. MDU had originally asked for a $5.5 million rate increase (a 13% rate increase). The final order provides less than half of the original request—$2.6 million. This is MDU's third rate case in two decades. Driving costs upward are three items: development costs for Big Stone 2 and two other coal-fired that were discontinued; costs for two wind projects; and significant reduction in revenue from wholesale electricity sales due to the economic recession.

- Electric integrated resource plan (IRP). MDU filed its biennial electric IRP on August 15, outlining how it plans to fulfill its electrical needs in the future. Written comments on the plan are due October 28 and a public meeting on the plan will be scheduled later in the year.

Proposed sale & transfer of Park Water Co., owner of Mountain Water, to Carlyle Infrastructure Partners

Park Water is a California-based company which owns three water utilities, one of which is Mountain Water. It is a privately and closely held company, and the family which holds Park's stock wishes to sell it to Carlyle. Intervenors include the Consumer Counsel, the City of Missoula, and the Clark Fork Coalition. The hearing in this case will be held September 26 in Missoula, and the PSC hopes to issue a final order by the end of the year.

Energy West Montana

– General rate case. Energy West filed a rate case last fall seeking a rate increase of $363,316, later revised downward to $200,795. The hearing was held in Great Falls on July 13 and post-hearing briefing will complete in early October, with an order following shortly thereafter.

Electric City Power – waiver from RPS

The PSC held a hearing September 14 in Great Falls regarding this matter. Electric City Power failed to acquire sufficient renewable energy credits (RECs) in 2010 to comply with the state's renewable portfolio standard. It faces a fine of between $99,000 and $134,000, which can be passed on to ECP's ratepayers.

Telecom

- FCC USF and intercarrier compensation reform. The FCC continues to move forward in overhauling the federal universal service fund (USF) and intercarrier compensation (ICC) regime. The PSC filed comments on the FCC's reform proposal several times. We remain concerned about the loss of federal support to rural telephone companies which rely on direct subsidies (USF) and access charges (ICC) to support rural services. The FCC's final rule is expected to be issued by the end of the year.

Other

- Participating in regional transmission activities, such as Midwest ISO and Northern Tier Transmission Group. The Federal Energy Regulatory Commission's (FERC's) recently issued Order 1000 is a hot topic within those organizations. In the order, FERC reforms its electric transmission planning and cost allocation requirements for public utility transmission providers. According to a FERC summary, Order 1000 requires transmission planning at the regional level to consider and evaluate possible transmission alternatives and produce a regional transmission plan. It also requires the cost of transmission solutions chosen to meet regional transmission needs to be allocated fairly to beneficiaries.

Legislation & Rulemaking

- One Call, RPS clean-up, motor carrier reform. QF and motor carrier reform.

FERC Order 1000: Electric Transmission Planning and Cost Allocation

Order No. 1000 reforms the Federal Energy Regulatory Commission's (FERC) electric transmission planning and cost allocation requirements for public utility transmission providers. The rule builds on the reforms of Order No. 890.

Planning Reform:

- Public utility transmission provider must participate in a regional transmission planning process.
- Those planning processes must consider needs driven by public policy requirements established by state or federal laws or regulations.
- Public utility transmission providers in each pair of neighboring transmission planning regions must coordinate to determine if there are more efficient or cost-effective solutions to their transmission needs.

Cost Allocation Reforms:

- Regional organizations must formulate a method to allocate costs of new transmission facilities.
- Public utility transmission providers in neighboring transmission planning regions must have a common interregional cost allocation method for new interregional transmission facilities that the regions determine to be efficient or cost-effective.
- Participant-funding is permitted, but cannot be used as default method for Cost Allocation

Nonincumbent Developer Reforms:

- As part of its participation in an organized market (Midwest ISO), Montana-Dakota Utilities has an obligation to build needed transmission, and also has a right of first refusal (ROFR), allowing it to claim building rights to projects before others. FERC has now ordered that the ROFR be removed from tariffs for a transmission facility selected in a regional transmission plan for purposes of cost allocation.

Compliance:

- Public utility transmission provider's compliance filings for regional cost allocation and transmission planning are due 10/11/12.
- Public utility transmission provider's compliance filings for interregional transmission coordination and interregional cost allocation are due 4/11/2013.