

NorthWestern Energy General Electric Rate Case Implications for the future of Montana’s Solar Industry

PROPOSED CHANGES (Impacts discussed below)

NorthWestern Energy (NWE) is proposing a new, separate rate class for net energy metering customers (“NEM” or net metering, for example: rooftop solar). Net metering customers would no longer be in the same rate class as other residential customers; their rates will be different. The proposal only suggests changes to *residential* net metering customers.

Residential customers currently have a two-part rate structure that includes 1) a basic monthly service charge and 2) an energy charge. NorthWestern Energy is proposing a new structure for NEM customers that has three parts: 1) a monthly service charge, 2) an energy charge, and 3) a new type of monthly charge called a demand charge. The three parts of the proposed rate structure are described below.

1) Monthly base charge – \$5.60/month. This is the same as the proposed monthly base charge for residential customer class. There is no additional monthly base charge for NEM customers, although this is a significant increase for both NEM and residential customers from the current rate of \$4.10/month.

2) Energy charge – \$0.0656/kWh for the energy used during the month. This is lower than the residential customer class, meaning NEM customers pay less for the energy they use. See below for more on NEM credits.

3) Energy demand charge – \$8.64/kW. The proposal suggests a new demand charge for NEM customers, paid each month. This charge is calculated using the single hour of highest average kW supplied during the month. In other words, the utility will determine the single hour of highest energy use during the monthly billing cycle and multiply that by the \$8.64. While demand charges have been in use for large industrial customers for some time, no residential customers in NorthWestern’s service territory have been subject to these charges.

Proposed Rate Structures for Residential Customers and NEM Customers

Charge	Residential Customer Proposal	NEM Customer Proposal
Basic Service Charge (\$/month)	5.60	5.60
Energy Charges (\$/kWh)	0.1136	0.0656
Supply portion	0.0656	0.0656
Transmission portion	0.0115	--
Distribution portion	0.0365	--
Other Charges (\$/kWh)	0.0023	0.0023
Demand Charges (\$/kW)	--	8.64

How net metering credits are treated

In the proposal, NEM customers will receive retail-rate credits for exported energy. However, the proposed retail rate for NEM customers (and thus the credits) is the \$0.0656/kWh energy rate proposed in the NEM customer class. Importantly, **NEM credits cannot be used to offset neither the monthly base charge nor the demand charges**. Right now, NEM customers are credited at the current retail rate for residential customers which is \$0.1117/kWh. The new proposed value is about half of the current one.

POTENTIAL IMPACTS OF THE PROPOSAL

On new NEM customers

By law, customers who install a NEM system *after the Public Service Commission (PSC) issues their final ruling* on this rate case will be subject to whatever changes the PSC makes. If the proposed changes are adopted as is, new NEM customers will pay less for the energy they use, but their monthly bills will not necessarily be lower. New NEM customers will be significantly impacted by the proposed demand charge. Based on average energy use values suggested in NWE's proposal, **the average customer would pay approx. \$50 in demand charges each month**. As mentioned above, NEM credits will NOT be able to offset these charges. This new rate structure could make it impossible to save money on energy bills by investing in solar.

On current NEM customers

By law, customers who install a NEM system *before the PSC issues their final ruling* on this rate case are grandfathered into the current NEM policies and rate structure. However, interconnection procedures state that an *expansion of a homeowner's system or a transfer of ownership* (i.e. if the home is sold) constitutes a new classification of service. **A new classification of service would negate the grandfathering clause** since the system is being connected after the PSC adopts their final ruling. Particularly for those selling their home, this new rate structure could negatively affect property values.

On electric vehicle owners

NEM customers who also own an electric vehicle would be significantly affected by the new demand charges. Electric vehicles typically pull a large amount of energy from the grid, and thus could be drastically affected by demand charges that are costing them \$8.60/kWh for charging their vehicle. **This new structure will drastically affect electric vehicle owners**. A level 2 charger for the Nissan LEAF, for example, may draw 6.6 kW from the grid, levying a \$57 monthly charge just for plugging in the car.

On the solar industry

The Montana solar industry is composed of mostly small, local businesses with a handful of employees. Although Montana has an excellent solar resource, it has a small but developing solar industry. Drastic changes like the proposed rate structure would shock and potentially decimate the industry. Recently, a utility in Arizona implemented a similar demand charge in their rate structure for NEM customers. **One solar installer reported an 96% decline in sales immediately after the Arizona ruling**. A large market like Arizona may be able to absorb a shock like this. A smaller market like Montana's will struggle to rebound.

TIMELINE

The PSC has not yet issued an official procedural order (i.e. a timeline) for the docket. Certain information below (in italics) is speculation based on typical timelines for rate cases.

- September 28, 2018: NWE filed a general electric rate case with the PSC
- October 19, 2018: Deadline for parties to apply to intervene in the rate case*
- *November 2018 through April 2019: intervenors prepare their case, including requesting information and data from NWE to understand the issues and get explanations for the proposed changes.*
- *(Expected) May 2019: Formal hearings commence*
- *(Expected) June/July 2019: Montana Public Service Commissioners issue a final ruling*

*MREA has intervened in the rate case to protect net metering, in partnership with Vote Solar and EarthJustice.

Find out more and stay up to date:

montanarenewables.org/programs/general-electric-rate-case/