

NorthWestern Energy General Electric Rate Case

Frequently Asked Questions

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What are the changes to net metering that NorthWestern Energy is proposing?

NorthWestern Energy (NWE) is proposing a new, separate rate class for *net energy metering* customers (“NEM” or net metering, for example: rooftop solar). NEM 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 the table.

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)	--	7.69

1) Monthly base charge (“Basic Service Charge”) – \$5.60/month. The proposed amount for NEM customers is the same as the proposed monthly base charge for the residential customer class. There is no additional monthly charge for NEM customers being proposed, 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) Demand charge – \$7.69/kW. The proposal suggests a new demand charge for NEM customers, paid each month. This charge is calculated using the single hour of highest use during the month. In other words, the utility will bill a customer \$7.69 for each kilowatt used during that customer’s single highest-use hour during the

month. 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.

How would net metering credits be treated in the new proposal?

In the proposal, NEM customers will receive credits for exported energy at the proposed energy rate of \$0.0656/kWh. Importantly, **NEM credits cannot be used to offset neither the monthly base charge nor the demand charges**. Thus, no matter how much electricity a NEM customer supplies to the utility, he or she cannot reduce their base charge or demand charge. Under current net metering rules, NEM customers are credited at the current retail rate for residential customers which is \$0.1117/kWh. The new proposed value is therefore about half of the current one.

What are some of the key impacts that can be expected if the proposal is accepted?

Impacts for new NEM customers. If the PSC adopts the utility's proposal, new NEM customers will pay less per kilowatt-hour of electricity provided by the utility, but their monthly bills will not necessarily be lower because of the additional demand charge. **Net metering customers could see their bills be an average of 28% higher compared to their bills if the PSC maintains the current net metering program.** Further, this new rate structure could make it impossible to save money on energy bills by investing in solar. **Net metering customers could see a 33% reduction in their ability to save with solar with some customers potentially seeing an increase in their bills after installing solar.**

Impacts for 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 still has a small but developing solar industry. In Arizona, one utility implemented a similar demand charge in their rate structure for NEM customers. **One solar installer reported a 96% decline in sales immediately after the Arizona ruling.** A large market like Arizona may be able to absorb a shock like this to a small portion of the state served by the single utility changing its NEM rates. A smaller market like Montana's will struggle to rebound if changes are made by the largest utility in the state. The proposed rate design would devastate the industry in Montana.

Impacts for current NEM customers. By law, if the PSC accepts the utility's proposed rate changes, 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. Parties in the case disagree on whether this "grandfather" status can apply to a larger window of time beyond the PSC's order. For current customers, "grandfather status" can be lost by *expansion of a homeowner's system*.

Impacts for electric vehicle owners. NEM customers who 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 \$7.69/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 minimum of a \$57 monthly charge just for plugging in the car, in addition to the charges for the kilowatt hours used.

Who is involved in the NEM discussions in the rate case?

For context, there are fourteen different groups that have intervened in the case, each working on various issues that include: net metering, energy efficiency, Colstrip, low-income programs, and many more. Some are working on multiple issues, while others are focusing on a single issue. Some have dozens of witnesses submitting information on their behalf, while others have just one or two.

There are three groups, including the utility, that are involved in the net metering discussions. Those groups and a very brief summary of their positions are:

NorthWestern Energy (NWE): proposing significant changes to net metering. Read more about [those changes](#).

Vote Solar and Montana Renewable Energy Association (VS-MREA): Vote Solar and MREA co-intervened in the case, and are being represented by the national environmental law organization, Earthjustice. VS-MREA are advocating against the proposed changes to the NEM program. We are advocating to keep the program as it is.

Montana Consumer Counsel¹ (MCC): The Montana Consumer Counsel is working on multiple issues in the rate case docket. In the NEM discussions, MCC has supported NWE's position to make changes to net metering, including the creation of a new rate class, changes to kWh charges, and implementation of a demand charge. However, MCC has submitted testimony that suggests a value for the demand charge that is different than what NWE proposes. [Read more about their position.](#)

Montana Department of Environmental Quality (MDEQ): The Montana Department of Environmental Quality did not engage in the net metering discussions before or during the hearings. However, they discussed net metering in their post-hearing brief². Their advocacy strongly supported VS-MREA's advocacy.

What is NWE's justification for making changes to net metering?

The utility suggests there is a cost-shift happening between those who have net metering systems and those who do not. They suggest that by reducing their energy usage net metering customers reduce their bills too much and do not pay their fair share of costs associated with serving customers. The utility suggests that this is creating a cost-shift by which non-net metered customers are subsidizing those with net metered systems. To support their position, the utility points to its own cost-benefit analysis by the utility's hired consultant, Navigant Consulting. NorthWestern was required to produce this study per directions from House Bill 219, which passed in the 2017 Legislative Session. The study claims that the costs of net metering exceed the benefits of the solar generation provided.

What is the Montana Consumer Counsel's position?

The Montana Consumer Counsel (MCC) and their witnesses have stated that they support NWE's proposal. The MCC has stated that they agree that there is a cost shift, based on the utility's cost-benefit analysis. However, they disagree with some of the calculations in the analysis. They suggest that some of the benefit categories are over-valued (specifically, the avoided environmental compliance costs and the avoided transmission costs).

Importantly, the MCC has suggested several changes to the calculations that the utility is using to justify its rate increase for all of its customers. In recalculating many of these values, the MCC arrived at a different demand charge for net metering customers than the one the utility proposed. The MCC suggests a demand charge of \$4.49/kW (compared to the utility's proposed \$7.69/kW). This is 41% lower than the utility's proposal. VS-MREA still strongly oppose the implementation of a demand charge. [VS- MREA's opposition is discussed more below.](#)

What is Vote Solar/MREA's response to the proposal and general position?

Vote Solar and MREA strongly disagree to proposed changes to net metering. **VS-MREA suggest that the net metering program is operating in a healthy and fair manner, is fair to both participating and non-participating customers, and that no changes should be made at this time.** To support our position, VS-MREA makes a number of key points, including:

¹ The Montana Consumer Counsel is the consumer advocate for Montanans. The Office of the Consumer Counsel is established by the Montana Constitution, and the job of the MCC is "to advocate on behalf of consumers of regulated utilities before the Montana Public Service Commission" and other venues. Find out more: <https://leg.mt.gov/occ/>

² MREA has posted a copy of MDEQ's brief to our website for easier access. We also included MREA's brief, as well as NWE's opening and closing briefs. To download any of these documents, visit: <http://montanarenewables.org/programs/general-electric-rate-case/>

The NEM cost-benefit analysis was not conducted properly. Vote Solar has demonstrated that the study that was conducted did not fully value many of the benefit categories and significantly inflated costs in the study. Vote Solar has demonstrated this by showing deficiencies in some of the data used, by pointing out incorrect methodology used, and by addressing incorrect values for inputs into the study's calculations. Vote Solar has shown that when conducted properly, the cost-benefit analysis shows the benefits of the net metering program exceed its costs and results in net benefits for all ratepayers.

Demand charges are inappropriate for NEM customers. Demand charges are rarely used for residential customers. They can be hard to understand, and – most importantly – they can be extremely difficult for residential customers to react to. The demand charge that the utility is proposing is a “non-coincident” peak demand charge. This means that the residential customer will pay the demand charge no matter when it happens – it doesn't have to coincide with when the grid is experiencing stress. In order to try to adjust their energy use to the demand charges, the residential customer would need to constantly monitor their home energy use, including every single appliance in their home each hour of the day, each day of the month. Since they have little connection to the electricity usage that causes the utility's costs, and because the steps necessary to respond to demand charges are neither practical nor appropriate for residential customers, subjecting those customers to demand charges would be baseless and bad policy.

These drastic changes will devastate the solar industry. MREA expects the proposed changes will have [devastating impacts on the solar industry](#) in Montana. If adopted as proposed, the new rates will drastically change the economics of installing solar. Nationally, the cost of solar has been dropping significantly and solar is becoming more accessible. The proposed changes may set the industry back, undo much of that progress, and make it impossible to save money on energy bills by investing in solar.

[What do I have to do to be grandfathered?](#)

There is an active discussion about this question in the case. **No matter what the outcome of that discussion, if your system is fully installed before the PSC's decision is issued, you will be grandfathered.** If that is not an option, then it will depend on the ruling in the case.

If the PSC decides to make changes to the net metering program, MREA and Vote Solar are advocating for a grace period after the ruling to ensure that projects planned but not yet installed will be grandfathered. We suggested a 60-day grace period from the day the written order on the ruling is produced. Our suggestion is that anyone who files an interconnection request before the end of the grace period would have the opportunity to be grandfathered. If they submit the request ahead of that 60-day deadline, they would have one year to complete their installation in order to retain their grandfathering status.

NorthWestern Energy has argued that a grace period is not allowed by law. However, they have also suggested that a grace period can be provided and that completion of the electrical inspection, instead of filing the interconnection request, before the PSC's decision should be used to define “grandfathered” systems. The electrical inspection usually happens after the installation is complete and before the utility installs the net meter. While this removes some concerns about intentionally slowing down the process to preclude grandfather status, inspection is something customers still have little control over and local jurisdictions may experience processing delays if there is a surge in requests. Using the interconnection request as the step to ensure grandfathering and allowing for a one-year installation window, rather than inspection, would allow more breathing room for customers and installers to ensure they are given a fair chance to install their systems and maintain their grandfathering status.

[When was the public hearing and when can we expect a decision?](#)

The public hearing began on May 13th, and continued for two straight weeks concluding on May 24th. Many of those days involved spending eleven hours in the windowless conference room at the PSC offices. Throughout the hearing, forty-seven different witnesses took the stand and were questioned by any number of the twelve

intervening parties, plus the PSC staff and the five Commissioners themselves. NWE filed their post-hearing brief on July 10th. Intervening parties then filed response briefs by July 31st. On August 28th, NWE filed its closing brief.

NWE's closing brief is that last step in this process that had a scheduled date associated with it. Now that the briefs are completed, the PSC staff will compile Staff Recommendations documents on the different issues. The PSC then needs to schedule a work-session (or multiple sessions) to discuss the recommendations. At the work-session(s), the Commissioners will deliberate and discuss the issues and eventually vote. Once the Commissioners have voted on their course forward via these oral rulings, the staff will then need to prepare the written Final Order. The written order is the earliest that any new rates or changes to rates can go into effect.

Unfortunately, none of these steps have scheduled deadlines or dates associated with them. At the Energy and Telecommunications Interim Committee meeting in Helena on September 23rd, PSC Chairman Brad Johnson gave his regular PSC Update to the Committee. The Commission is planning on breaking up their discussion of issues in the rate case. They will begin with the proposed settlements and try to work through all of that information first. Then, they will work on the contested issues - including net metering. From what was shared at the meeting, it seems like a ruling on net metering is likely to come in December. Chairman Johnson was specifically asked about the timeline for a ruling on net metering, and his words were "before the end of the year."

How can I help MREA?

You can support MREA and our work by educating yourself about the importance of this case, and by donating to our fundraising efforts. MREA is a small organization. Intervening in a docket is expensive. It requires paying legal fees, as well as all the small things you may not think of: gas to get to and from hearings, hotel stays, printing and photocopying – some of our documents are tens of pages long, and we have to send copies to each intervenor which can require up to 14 copies – plus postage/shipping for all of those. Then, there is all of the staff hours it takes to actually be involved in the case. **Every donation, no matter the amount, helps ensure we can successfully engage in this case.** You can help defend net metering by making a donation right on MREA's website: <http://montanarenewables.org/defendnetmetering/>

Where can I find out more and stay up to date?

MREA has information available on its website: montanarenewables.org/programs/general-electric-rate-case/

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