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**DEPARTMENT OF PUBLIC SERVICE REGULATION
BEFORE THE PUBLIC SERVICE COMMISSION
OF THE STATE OF MONTANA**

IN THE MATTER OF NorthWestern Energy’s)	REGULATORY DIVISION
Application for Authority to Increase Retail)	
Electric and Natural Gas Utility Service Rates)	DOCKET NO. 2022.07.078
and For Approval of Electric and Natural Gas)	
Service Schedules and Rules and)	
Allocated Cost of Service and Rate Design)	

NORTHWESTERN ENERGY’S APPLICATION FOR INTERIM RATE INCREASES

NorthWestern Corporation d/b/a NorthWestern Energy (“NorthWestern”) respectfully moves the Montana Public Service Commission (“Commission”) to approve an increase to rates, effective on October 1, 2022, on an interim and refundable basis (“Interim Request”).

NorthWestern specifically requests an increase to the (i) electric revenue requirements for fixed transmission and distribution (T&D) and generation; (ii) natural gas revenue requirements for fixed transportation, distribution, and storage (TD&S) and production; (iii) the base costs and credits recovered through the power costs and credits adjustment mechanism (“PCCAM”); and (iv) the base property taxes recovered through the annual tax tracker.

I.

The Commission has broad discretion to approve interim, or temporary, rate adjustments pending a hearing or final decision on an application. *See* Mont. Code Ann. § 69-3-304;

Administrative Rule of Montana (“ARM”) 38.5.502 through 38.5.506. The Commission should exercise its authority to approve this Interim Request because NorthWestern’s current rates are no longer just and reasonable and do not allow NorthWestern an opportunity to recover its cost of providing service to customers. Approval of this Interim Request is a reasonable means of providing interim relief to NorthWestern. *See* Docket 2020.06.076, Order No. 7741d, ¶ 19 (Jan. 2021) (Montana Dakota Utility natural gas rate review); *see also* Docket 2018.02.012, Order No. 7604r, ¶ 10 (March 2019) (NorthWestern electric rate review).

II.

Commission approval of the Interim Request for rates effective on and after October 1, 2022 is in the public interest. As explained in the Pre-filed Direct Testimony of Crystal D. Lail, NorthWestern has been under earning for both its electric and natural gas services, and an opportunity to earn an authorized return and recover costs in a timely manner is critical to maintaining the financial health of the utility. The primary drivers of the base rate increases are investments in electric and natural gas infrastructure. Details of these investments are discussed in the Pre-filed Direct Testimonies of Michael R. Cashell and Curtis T. Pohl. The market for electric supply purchases has increased significantly and are driving the requested increase in the PCCAM Base Costs, which is discussed in the Pre-filed Direct Testimony of Joseph M. Stimatz. These increases are necessary for continued safe and reliable service to customers.

Commission approval of the Interim Request for rates effective on October 1, 2022 balances NorthWestern’s and customers’ interests because the approval will address NorthWestern’s ability to provide safe and reliable service at the lowest cost possible while protecting customers’ interests through the allowance of a refund with interest. It is also consistent with the standards set forth in the seminal United States Supreme Court decisions of

FPC v. Hope Natural Gas, 320 U.S. 591 (1944) and *Bluefield Waterworks v. West Virginia Public Service Commission*, 262 U.S. 679 (1923). As succinctly articulated by the Commission in a recent interim order, “those decisions set three basic standards for appropriate ROE [Return on Equity]: the utility ROE should be commensurate with other businesses of similar risk, the ROE should be sufficient to maintain the financial integrity of the company, and the ROE should be adequate such that the utility can attract investors and capital on reasonable terms.” See Order No. 7741d, ¶ 10. NorthWestern will be irreparably harmed if the Interim Request is not timely granted because NorthWestern will continue to lack the ability to earn its authorized return and timely recover its costs, which damages its financial integrity. Approval of interim rates is the ratemaking mechanism that allows NorthWestern to recover its costs during the pendency of a rate review while, at the same time, protecting customers as the increased rates are interim and refundable.

III.

NorthWestern requests approval of increases of \$35,521,680 for the electric revenue requirements for fixed T&D and generation and \$3,019,087 for the natural gas revenue requirements for fixed TD&S and production. The bill impact for an electric residential customer using 750 kilowatt hours per month (“kWh/month”) is an increase of 5.1% or approximately \$4.54 per month. The bill impact of the interim rates for a natural gas residential customer using 65 therms per month is an increase of 1.2% or approximately \$0.84 per month.

If the Interim Request is approved, NorthWestern will increase rates on a uniform percentage basis for all customer classes, subject to refund pursuant to a final order in this docket. NorthWestern calculated the interim electric fixed rates based on the last approved overall electric rate of return from Docket No. 2018.02.012. Similarly, NorthWestern calculated

the interim natural gas fixed rates based on the last approved overall natural gas rate of return from Docket No. D2016.9.68. These calculations were computed pursuant to the requirements of ARM 38.5.501 through 38.5.506.

IV.

NorthWestern requests approval to increase the PCCAM Base Costs to \$206,715,886 for the tracker year July 1, 2022 through June 30, 2023 for PCCAM rates effective October 1, 2022. The bill impact of these interim rates for a residential customer using 750 kWh/month is an increase of 9.3% or approximately \$8.24 per month. If the interim increase is approved, NorthWestern will increase PCCAM rates on a uniform percentage basis for all supply customers, subject to refund pursuant to a final order in this docket. NorthWestern calculated the interim PCCAM rates using the volumes and net costs for the tracking period of July 1, 2022 through June 30, 2023, as explained in the Pre-filed Direct Testimony of Joseph M. Stimatz.

V.

NorthWestern requests approval of an increase of \$11,122,925 for tax tracker base rates for electric and \$2,747,699 for tax tracker base rates for natural gas. The bill impact of these interim rates for a residential customer using 750 kWh/month of electricity is an increase of 1.6% or approximately \$1.40 per month and 1.1% or \$0.76 for a residential customer using 65 therms of natural gas. If the interim increases are approved, NorthWestern will increase rates on a uniform percentage basis for all customer classes, subject to refund pursuant to a final order in this docket.

VI.

The following Electric Utility tariffs are affected by the Interim Request:

<u>Schedule</u>	<u>Description</u>
ELDS	Electric Lighting Delivery Service

ESS-1	Electric Supply Service
GSEDS-1	General Service Electric Delivery Service
GSEDS-2	General Service Substation/Transmission Level Electric Delivery Service
ISEDS-1	Irrigation Pumping & Sprinkling Electric Delivery Service
REDS-1	Residential Electric Delivery Service
EPCC-1	Annual Power Costs and Credits Adjustment Mechanism

The following Natural Gas Utility tariffs are affected by the Interim Request:

<u>Schedule</u>	<u>Description</u>
D-FTG-1	Firm Transportation Natural Gas Service
D-GSG-1	General Natural Gas Service
D-GSGCA-1	General Service Gas Core Aggregation
D-ITG-1	Interruptible Transportation Natural Gas Service
D-RG-1	Residential Natural Gas Service
D-RGCA-1	Residential Gas Core Aggregation Service
T-ITG-1	Interruptible Transportation Natural Gas Service
T-FSG-1	Firm Storage Natural Gas Service
T-FTG-1	Firm Transportation Natural Gas Service
T-FUGC-1	Firm Utility Gas Contract Service


VII.

Included in Appendix A of this application are the workpapers supporting the Interim Request. These workpapers include income statements, income tax workpapers, working capital adjustments, derivation of changes, operating revenues, rate base, pictorial exhibits, and PCCAM costs and volumes.

WHEREFORE, NorthWestern respectfully requests that the Commission grant this Interim Request in the amounts stated above by authorizing the rates to become effective, subject to refund, by October 1, 2022.

Respectfully submitted this 8th day of August 2022.

NORTHWESTERN ENERGY

By: 

 Sarah Norcott
 Attorney for NorthWestern Energy