Montana Public Service Commission
Docket No. 2024.05.053
Electric and Natural Gas Rate Review

DIRECT TESTIMONY

OF JEFFREY B. BERZINA

ON BEHALF OF NORTHWESTERN ENERGY

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Witness Information

Q. Please provide your name, employer, and title.

A. My name is Jeffrey B. Berzina. I am NorthWestern Corporation d/b/a NorthWestern Energy's ("NorthWestern") Controller.

Q. Please provide a description of your relevant employment experience and other professional qualifications.

A. I have been with NorthWestern since April 2020. My primary responsibilities include management of the accounting and financial reporting functions. This includes overseeing compliance with financial reporting requirements established by the Securities and Exchange Commission and Federal Energy Regulatory Commission ("FERC"), reviewing NorthWestern's financial statements, and implementing and overseeing accounting policies and procedures. Prior to joining NorthWestern, I held various roles within

accounting, finance, and corporate development at Black Hills Corporation ("Black Hills"), a utility holding company with electric and natural gas utility operations. Prior to Black Hills, I was an auditor with Ketel, Thorstenson, LLP. I have a Bachelor of Science degree in Business Administration and am a Certified Public Accountant (inactive).

Purpose of Testimony

Q. What is the purpose of your testimony in this docket?

A. My testimony supports the following main areas:

- I provide testimony supporting NorthWestern's plant in-service and other plant-related balances for the test year of January 1, 2023 through December 31, 2023 ("2023 test year"), and the known and measurable adjustment period through December 31, 2024 ("2024 known and measurable period") that were used to determine the rate base included in the revenue requirements. These plant balances are the basis for developing depreciation and deferred taxes.
- I recommend approval of the proposed depreciation rates as developed in the 2023 Depreciation Rate Study ("Depreciation Study") conducted by John Spanos of Gannett Fleming Valuation and Rate Consultants, LLC ("Gannett Fleming"). These depreciation rates were used to compute the associated depreciation and amortization expenses.
- I recommend approval of proposed calculations of annual depletion expense associated with natural gas leasehold and production assets.

- I support the reasonableness of NorthWestern's allocation of common plant and shared administrative costs.
- I discuss pension and benefit adjustments that affect the test year cost of service as presented in the income statements, which income statements are further discussed in the Direct Testimony of Elaine A. Rich.
- I discuss the limited impacts of NorthWestern's recent Holding Company ("HoldCo") Restructuring.
- Finally, I attest to the accuracy of the accounting data NorthWestern submits with this filing.

Q. Are you sponsoring any of the Statements that are included in the Statements and Workpapers volume of this filing?

A. Yes. I sponsor the following Statements for both the electric and natural gas utilities:

- Statement A – Balance Sheet
- Statement B – Income Statement
- Statement C – Utility Plant Accounts
- Statement D – Accumulated Depreciation
- Statement E – Working Capital
- Statement G – Operating and Maintenance Expenses, specific to the following items:
  - Corporate Allocation Adjustment
  - Depreciation Adjustment

- Stipulation Adjustment
- Amortization Adjustment
- Pension and Benefits Adjustment
- 2024 Forecasted Plant Adjustment
- Working Capital Adjustment

- Statement I – Depreciation and Amortization Expense
- Statement N – Description of Utility Operations

Rate Base

Q. Please explain NorthWestern's calculation of rate base.

A. In regard to plant assets, rate base has two main components – plant balances and accumulated reserve for depreciation (a reduction to rate base). Investments in infrastructure are reflected as capital additions and are recorded at original cost, increasing plant balances and rate base. Depreciation expense increases the accumulated reserve for depreciation, thereby lowering rate base. If capital additions were equal to depreciation expense, the plant-related rate base would remain constant. If plant-related rate base increases, it is because capital additions are greater than depreciation expense. With the exception of the 2024 addition of the Yellowstone County Generating Station ("YCGS") at end of period balances described in more detail below, rate base calculations include balances for plant and accumulated reserve for depreciation based on a simple average of the beginning and ending balances of the measurement period.

Q. What is the measurement period?

A. The measurement period for this rate review begins with a 2023 test year, which is the 12-month period ended December 31, 2023. In this rate review, NorthWestern uses plant and accumulated reserve for depreciation balances based on an average of the beginning and end of the 2023 test year. Additionally, NorthWestern has included known and measureable adjustments to reflect plant additions, retirements, accumulated depreciation, and depreciation expense related to assets that NorthWestern expects to be in service within the 2024 known and measurable period.

Q. Has NorthWestern included exhibits showing the rate base calculations and the known and measurable adjustments to rate base?

A. Yes. Exhibit JBB-2 and Exhibit JBB-4 portray the rate base calculations for the electric and natural gas utilities, respectively, for the 2023 test year.

Exhibit JBB-3 and Exhibit JBB-5 portray the 2024 known and measurable period rate base calculations for the electric and natural gas utilities, respectively. Consistent with the 2023 test year rate base calculation, the 2024 Known & Measurable Average calculation in Column O of Exhibits JBB-3 and JBB-5 is a simple average of the beginning and end of the 2024 known and measurable period balances. Additionally, Column P of Exhibit JBB-3 includes the 2024 addition of the YCGS facility at the end of the known and measurable period balance, with Column Q representing the total 2024

known and measurable period rate base balances. The end of period treatment for inclusion of the YCGS facility in rate base is discussed in the Direct Testimony – Regulatory Priorities of Cynthia S. Fang.

The known and measurable adjustment is calculated as the difference between Exhibit JBB-3 and Exhibit JBB-2 for the electric utility, and the difference between Exhibit JBB-5 and Exhibit JBB-4 for the natural gas utility. The known and measurable adjustments are reflected in Column R of Exhibit JBB-3 for the electric utility and Column P of Exhibit JBB-5 for the natural gas utility.

Q. Please explain the process and conclusions of the 2023 Depreciation Study.

A. NorthWestern engaged John Spanos with Gannett Fleming to present the Depreciation Study with this filing. Gannett Fleming has extensive experience conducting depreciation studies. Mr. Spanos discusses the process, methodology, and conclusions for the electric, natural gas, and common utility assets in his direct testimony and provides the study as Exhibit JJS-2 to his testimony.

Q. Did NorthWestern adopt the rates from the 2023 Depreciation Study?

A. Yes. NorthWestern adopted the depreciation rates, the use of updated removal cost estimates, and the depreciation reserve reallocations in this

filing and anticipates reflecting the updated rates in its books and records upon receipt of a final order in this docket.

Electric Rate Base

Q. Do you explain the need or purpose of the underlying major capital additions included in electric rate base?

A. No. The following witnesses provide testimony supporting the major capital additions within their respective areas:

Mike Cashell – Transmission;

Jason Merkel – Distribution; and

John Hines – Generation.

Q. Have you prepared exhibits portraying the rate base calculation and adjustments?

A. Yes. Exhibits JBB-2 and JBB-3 portray the computation of the electric utility rate base for the 2023 test year and 2024 known and measurable period, respectively. These exhibits identify balances of electric utility generation, transmission, and distribution plant and other assets necessary for providing service, and deduct accumulated depreciation to determine the net plant. NorthWestern adjusts net plant to include in rate base: costs of refinancing debt; the regulatory liability attributable to the Tax Cuts and Jobs Act ("TCJA") Excess Deferred Income Taxes ("EDIT"); Montana Public Service Commission ("MPSC" or "Commission") and Montana Consumer Counsel

("MCC") taxes; environmental liabilities; and working capital. NorthWestern further adjusts net plant to remove from rate base net accumulated deferred income taxes and customer contributed capital. These exhibits summarize the more detailed information provided within Statement C included in this filing.

Q. Please explain Exhibit JBB-2.

A. Exhibit JBB-2 presents the total electric utility rate base using the average of the actual beginning and end of the 2023 test year balances, with certain adjustments as further explained below. The total electric utility rate base is presented in Column Q. Columns A through P provide detail breakdown of the average total electric rate base and adjustments by Transmission and Distribution ("T&D") and Generation utility functions and individual generating facility. Other than for the "claimed adjustment" columns which are explained below, the source of the information in the remainder of the columns is NorthWestern's books and records.

Exhibit JBB-2 identifies the components of electric utility rate base with Lines 2 through 5 reflecting average utility plant in service. The average balances are further detailed in "Stmt C-1 – Plant Detail Break Out".

Lines 8 through 11 reflect the average accumulated depreciation related to utility plant. The average balances are further detailed in “Stmt D-1 – 2023 Reserve Break Out”.

Other components of rate base identified in the exhibit include the following:

- Line 16 – Cost of Refinancing Debt – detail provided in “Stmt C-2 – Cost of Refinancing Debt”.
- Line 17 – Regulatory Liability (TCJA) – includes the amount of a regulatory liability attributable to the TCJA EDIT in rate base. EDIT and related amortization resulting from the TCJA is further described in the Direct Testimony of Aaron J. Bjorkman.
- Line 18 – MPSC/MCC Taxes – includes the regulatory asset attributable to the under-collections associated with changes in the MPSC and MCC tax rates. This regulatory asset will be amortized over three years consistent with our last electric rate review in Docket No. 2022.07.078. Detail provided in “Stmt C-3 – MPSC MCC Taxes Deferred 2023”.
- Line 19 – Environmental Reserve – reflects a reduction to rate base for reserve balances associated with environmental remediation costs. This excludes the portion of NorthWestern’s environmental reserve balances related to the Montana Power Company acquisition, which were ruled by the Commission to not be recoverable from customers. Detail provided in “Stmt C-14 – Environ Reserve”.

- Lines 22 through 26 – Customer Contributed Capital – reflect a reduction to rate base for: 1) Accumulated Deferred Income Taxes, which are detailed within lines 39 through 53, as well as in Mr. Bjorkman's testimony; 2) Personal Injury & Property Damage, detailed in "Stmt C-4 – Insurance Damage Reserve"; and 3) Customer Advances for Construction, detailed in "Stmt C-6 – Customer Advances".
- Lines 30 through 33 – Working Capital – reflect a net reduction to rate base for: 1) Gross Cash Requirements, detailed within "Stmt E-2 – Working Cash"; and 2) Materials and Supplies, and Fuels – detailed within "Stmt C-16 – Materials and Supplies Balances".

Q. Please explain the claimed adjustments in Columns B, D, F, H, J, L, N and P of Exhibit JBB-2.

A. The adjustments shown on lines 8 and 9 of Columns B, D, F, H, J and L reflect the normalizing adjustments for the updated depreciation rates from the 2023 Depreciation Study for T&D and Generation plant.

The adjustments shown in Column N, line 2, reflect removal of the YCGS land costs, which were included within utility plant records but have been removed here to prevent duplication of costs included within the separate YCGS rate base as discussed below.

The adjustment shown in Column P, line 2, reflects a reduction to rate base approved in NorthWestern's rate review in Docket No. D2007.7.82. As part of a stipulation in that docket, NorthWestern agreed to a reduction in both the electric and natural gas rate bases associated with total capital expenditures of $19.4 million in each of the years 2008 and 2009 ($38,800,000 total). The net amount of the reduction to the electric and natural gas rate bases declines over time to reflect the annual increase to the accumulated depreciation reserve associated with the annual depreciation expense calculated on this $38,800,000 of plant. NorthWestern allocates this total two-thirds to electric delivery service and one-third to natural gas delivery service pursuant to Section II.1.d of the stipulation. Pursuant to the stipulation, these reductions to rate base will continue through 2039. Detail of the stipulation balances is provided in "Stmt C-7 – Stipulation Agreement".

Q. Please explain Exhibit JBB-3.

A. Exhibit JBB-3 is similar to Exhibit JBB-2, except that it includes the average of the actual beginning and end of the 2024 known and measurable period, which is reflected in Column O. Additionally, Exhibit JBB-3 reflects the addition of YCGS in Column P.

Q. Please explain the adjustment in Column P for YCGS.

A. Column P reflects the addition of the YCGS, which is expected to be in service in July/August of 2024. For purposes of this rate review docket,

NorthWestern has created a separate revenue requirement calculation,[1] including the YCGS rate base balances included in Column P, which reflects the full value of the currently forecasted cost of the facility. Ms. Fang's testimony discusses the end of period treatment.

Q. Please identify the asset value of YCGS in Exhibit JBB-3.

A. The electric plant asset value of $300,000,000 is shown on line 2 of Column P. This figure consists of a land purchase cost of $1.8 million, estimated construction costs of $270.3 million, capitalization of the estimated interest cost during construction of $25.9 million (otherwise known as Allowance for Funds Used during Construction), as well as estimated property taxes of $2.0 million incurred during construction. The estimated plant asset value will be updated for final actual amounts in rebuttal.

Q. How is Exhibit JBB-3 used in the revenue requirement?

A. Column R of Exhibit JBB-3 represents the difference between the 2023 test year rate base in Exhibit JBB-2 and the 2024 known and measurable period rate base average plus the full amount of the YCGS rate base addition. This variance reflects the known and measurable forecasted plant adjustment in Statement G to include plant additions, retirements, accumulated depreciation, and depreciation expense related to electric assets that NorthWestern expects to be in service by year-end 2024.

[1] See file "Elec_23_IS_w adj&taxes", tab "YCGS_24", provided with the filing.

Q. How did NorthWestern allocate the common utility plant and depreciation reserve to rate base?

A. Statement D-6 identifies our methods for allocation of common utility plant and the associated depreciation reserve to electric and natural gas rate bases and to individual functions and facilities included in the Montana Electric Utility rate base.

Electric Depreciation Expense

Q. How did NorthWestern calculate the test period depreciation expense?

A. NorthWestern calculated the 2023 test year accrual by applying NorthWestern's 2023 Depreciation Study accrual rates to the December 31, 2022 plant balances that were utilized in calculating the actual book depreciation expense for 2023. See Statement I for the depreciation calculation at the 2023 Depreciation Study rates.

Q. What is the test year depreciation expense?

A. The calculation resulted in a 2023 test year depreciation expense of $159,759,476, which is an increase of $15,602,780 from the 2023 annual book depreciation expense, resulting from applying 2023 Depreciation Study rates. Note that, consistent with NorthWestern's annual depreciation convention, the depreciation rates in effect during 2023 were those approved by the Commission through Order 7604u (2018 Rate Review). The rates

approved by the Commission through Order 7860y, issued October 27, 2023, (2022 Rate Review) did not go into effect until January 1, 2024.

Q. Do you have additional claimed adjustments for the 2024 known and measurable period?

A. Yes. A 2024 known and measureable period adjustment of $13,894,601 has been included to reflect the incremental annual depreciation accrual for the 2024 known and measurable utility plant additions, excluding YCGS, using the 2023 Depreciation Study rates. This results in a total electric utility depreciation and amortization expense of $173,654,076, excluding depreciation expense associated with YCGS. YCGS depreciation expense for the 2024 known and measurable period is presented separately within the YCGS Income Statement included in Electric Statement G, tab “YCGS_24”, as discussed in Ms. Rich’s testimony.

Q. How was depreciation expense for YCGS calculated?

A. YCGS depreciation expense included within the YCGS Income Statement was estimated utilizing straight-line depreciation over a 33-year asset life for the YCGS generation facility. Noting that final accounting with cost assignment to the FERC generation plant accounts will not occur until after the facility’s July/August 2024 in service date, this 33-year life was an reasonable approximation informed by the depreciation accrual rates established for the future addition of YCGS facility, as discussed in Mr.

Spanos' testimony and presented on pages VI-13 of the 2023 Depreciation Study.

Q. Did NorthWestern calculate any of the amortization expense items included in the Income Statements?

A. Yes. The amortization expense items NorthWestern calculated are detailed in the workpapers included in Statement I of this filing. Ms. Rich is responsible for the non-rate base-related items in Statement G, and I am responsible for the rate base-related items, such as intangibles and acquisition adjustments, in Statement G and Statement I.

Natural Gas Rate Base

Q. Do you explain the need or purpose of the underlying major capital additions included in rate base for natural gas?

A. No. The following witnesses provide testimony supporting the major capital additions within their areas:

Mr. Cashell – Transmission; and

Mr. Merkel – Distribution.

Q. Have you prepared exhibits portraying the rate base calculation and adjustments?

A. Yes. Exhibits JBB-4 and JBB-5 portray the computation of the natural gas utility rate base for the 2023 test year and 2024 known and measurable

period, respectively. These exhibits identify balances of natural gas utility transmission, distribution, storage, and supply production plant and other assets necessary for providing service, and deduct accumulated depreciation to determine the net plant. NorthWestern adjusts net plant to include in rate base: natural gas in storage; costs of refinancing debt; the regulatory liability attributable to the TCJA EDIT; MPSC and MCC taxes; environmental liability reserve; and working capital. NorthWestern further adjusts net plant to remove from rate base net accumulated deferred income taxes and customer contributed capital. These exhibits summarize the more detailed information provided within Statement C included in this filing.

Q. Please explain Exhibit JBB-4.

A. Exhibit JBB-4 presents the total natural gas utility rate base using the average of the actual beginning and end of the 2023 test-year balances, with certain adjustments as further explained below. The total natural gas utility rate base is presented in Column O. Columns A through N provide detail breakdown of the average total natural gas utility rate base and adjustments by functions, including Transmission, Distribution, and Storage ("TD&S"), Production, and the Canadian Montana Pipeline Company ("CMPL"), wholly owned by NorthWestern and established to handle the cross border importation of Canadian natural gas via 4 miles of 16-inch pipeline with associated controls and communication equipment. Other than for the "claimed adjustment"

columns which are explained below, the source of the information in the remainder of the columns is NorthWestern's books and records.

Exhibit JBB-4 identifies the components of natural gas utility rate base with Lines 2 through 4 reflecting average utility plant in service. The average balances are further detailed in "Stmt C-1 – Plant Detail Break Out".

Lines 7 through 9 reflect the average accumulated depreciation related to utility plant. The average balances are further detailed in "Stmt D-1 – 2023 Reserve Break Out".

Other components of rate base identified in the exhibit are similar to those included in electric utility rate base and described above.

Q. Please explain each adjustment in Columns B, G, I and J.

A. The adjustment shown in Columns B, G and I, lines 7 and 8, reflect the normalizing adjustments for the updated depreciation rates from the 2023 Depreciation Study for TD&S and Production plant.

The adjustment shown under Column J reflects the allocated natural gas portion of the reduction to rate base associated with the stipulation from Docket No. D2007.7.82 discussed earlier, which provides for a reduction in both the natural gas and electric rate bases associated with total capital

expenditures of $19.4 million in each of the years 2008 and 2009 ($38,800,000 total).

Q. Please explain Exhibit JBB-5.

A. Exhibit JBB-5 is the same as Exhibit JBB-4, except that it includes the average of the actual beginning and end of the 2024 known and measurable period.

Q. How is Exhibit JBB-5 used in the revenue requirement?

A. Column P of Exhibit JBB-5 represents the difference between the 2023 test year rate base in Exhibit JBB-4 and the 2024 known and measurable period rate base in Exhibit JBB-5. This variance reflects the known and measurable forecasted plant adjustment in Statement G to include plant additions, retirements, accumulated depreciation, and depreciation expense related to assets that NorthWestern expects to be in service by year-end 2024.

Q. How did NorthWestern allocate the common utility plant and depreciation reserve to rate base?

A. Statement D-6 identifies our methods for allocation of common utility plant and the associated depreciation reserve to natural gas and electric rate bases and to individual functions and facilities included in the Montana natural gas utility rate base.

Natural Gas Depreciation and Depletion Expense

Q. How did NorthWestern calculate the test period depreciation expense?

A. NorthWestern calculated the 2023 test year accrual by applying NorthWestern's 2023 Depreciation Study accrual rates to the December 31, 2022 plant balances that were utilized in calculating the actual book depreciation expense for 2023. See Statement I for the depreciation calculation at the 2023 Depreciation Study rates.

Q. What is the test year depreciation expense?

A. The calculation resulted in a 2023 test year depreciation expense of $34,386,380, which is an increase of $4,366,825 from the 2023 annual book depreciation expense, resulting from applying 2023 Depreciation Study rates and updated depletion rates discussed below. Note that, consistent with NorthWestern's annual depreciation convention, the depreciation rates in effect during 2023 were those approved by the Commission through Order 7604u (2018 Rate Review). The rates approved by the Commission through Order 7860y, issued October 27, 2023, (2022 Rate Review) did not go into effect until January 1, 2024.

Q. Do you have additional claimed adjustments for the 2024 known and measurable period?

A. Yes. The 2024 known and measurable period adjustment of $2,686,264 has been included to reflect the incremental annual depreciation accrual for the

2024 known and measurable utility plant additions, using the 2023 Depreciation Study and updated depletion rates. This results in a total natural gas utility depreciation expense of $37,072,645.

Q. How was the test period depletion expense calculated?

A. As presented in Statement I, the 2023 test year depletion expense was taken directly from NorthWestern's books and records. As further detailed in Exhibit JBB-6 "Depletion Calculation Update", depletion is calculated for the Gas Leasehold and Producing Well Construction and Equipment at a rate based upon the net plant book value and expectations of total natural gas reserves available. That annual depletion expense is calculated within NorthWestern's PowerPlan Fixed Asset System. NorthWestern depletes the Gas Leasehold and Producing Well Construction and Equipment at different rates for each production facility based upon the net plant book value, estimated future retirement costs, and expectations of total natural gas reserves available.

Q. Did you make any adjustments to depletion expense?

A. A normalizing adjustment is presented within Statement I for changes to the actual 2023 depletion rates to adjust those rates based upon updated estimates of natural gas reserves available. Available reserves were provided by NorthWestern's Energy Supply department and included within the second tab of Exhibit JBB-6 "Depletion Calculation Update".

In addition to the depletion adjustment calculated by utilizing an updated estimate of remaining natural gas reserves, NorthWestern included within the depletion normalizing adjustment an adjustment to reflect expected costs related to asset retirement obligations of NorthWestern's natural gas production wells, depicted within the third tab of Exhibit JBB-6. At the end of the life of a natural gas production well, NorthWestern will be required to incur costs, at a minimum, to plug and cap wells. NorthWestern estimated the future retirement costs of plugging and capping wells in today's dollars and inflated those costs to account for the expected time remaining until the end of life of the natural gas production wells.

The overall normalizing adjustment to the depletion rate is calculated by taking the sum of the natural gas leasehold and producing well net asset value plus the future asset retirement costs of the wells divided by the expected natural gas reserves. That rate is then applied to 2023 actual natural gas production volumes. Finally, in accordance with the other 2024 known and measurable adjustments, NorthWestern reduced the depletion expense to reflect application of the updated depletion rate applied to the expected 2024 natural gas production volumes and updated asset retirement obligations reflected on the fourth tab of Exhibit JBB-6. These adjustment calculations are outlined by production asset within the fifth, sixth, and seventh tabs of Exhibit JBB-6.

Allocation of Shared Administrative Costs and Common Plant

Q. How does NorthWestern derive the allocation of shared administrative costs?

A. NorthWestern allocates its shared administrative costs using three methodologies: jurisdiction, electric and natural gas operations, and profit centers.

Q. Please explain these three methodologies.

A. First, NorthWestern allocates administrative costs among the three jurisdictions in which it operates (Montana, South Dakota, and Nebraska) using a three-factor formula. This formula includes gross plant, margin, and operating and maintenance ("O&M") labor expense. The 2023 jurisdictional allocation methodology is included in Exhibit JBB-1.

Then, NorthWestern allocates the Montana jurisdictional administrative costs between electric and natural gas operations segments using a three-factor formula. This three-factor formula consists of plant, customers, and O&M labor expense. The 2023 electric and natural gas allocation methodology is also included in Exhibit JBB-1.

Finally, NorthWestern allocates the Montana electric and natural gas administrative costs to profit centers using O&M labor expense. The 2023

electric and natural gas profit center allocation methodology is also included in Exhibit JBB-1.

Q. How does NorthWestern derive the allocation of common plant?

A. NorthWestern allocates Montana common plant between the electric and natural gas operations using rate base percentages. The 2023 overall allocation percentage was 73% to electric and 27% to natural gas, as calculated within Exhibit JBB-1.

Q. Does NorthWestern regularly update the formulas it uses for allocations?

A. Yes. NorthWestern updates its formulas annually through an internal administrative allocation study.

Q. Is this allocation methodology consistent with those utilized in past rate review filings?

A. Yes. The allocation methodology in this rate review filing is consistent with past rate review filings, including the most recently concluded electric and natural gas general rate review filed in Docket No. 2022.07.078.

Q. Have the results of NorthWestern's allocation of shared administrative costs changed since its 2022 rate review?

A. The 2023 test period jurisdictional allocation is consistent with the 2022 rate review, with an 83% allocation of shared administrative costs to the Montana jurisdiction and 17% to the South Dakota/Nebraska jurisdiction. The further allocation of Montana costs to the segments did change slightly with 74% to electric and 26% to natural gas, compared to 73% to electric and 27% to natural gas in the 2022 rate review.

Q. Has the allocation of shared administrative costs changed since the 2023 test period?

A. No. The jurisdictional allocation of 83% Montana and 17% South Dakota/Nebraska and the segment allocation of 74% electric and 26% natural gas, remained the same for 2023 and 2024.

Pension and Benefits

Q. What is included in pension and benefits?

A. Pension and benefits primarily includes pension expense; medical, dental, and vision costs; long-term disability; and benefit administration.

Q. Is there a difference between the pension expense and pension costs included in this filing?

A. Yes. Consistent with Financial Accounting Standards Board pronouncements, NorthWestern calculates pension expense independent of current funding, which serves as the basis for pension cost included in rates,

as approved in our last rate review in Docket No. 2022.07.078. The pension differential, which is the difference between pension expense as reflected in the actuary report and funded pension cost, is reflected as miscellaneous revenues and either a regulatory asset or liability.

Q. Did NorthWestern make a normalizing adjustment for pension that affects test year cost of service?

A. Yes. NorthWestern funded a total of $8 million into the pension for the 2023 test year. NorthWestern expects to fund a total of $10 million into the pension in 2024. As such, a known and measurable normalizing adjustment for pension cost and the pension differential is included in Statement G and discussed in Ms. Rich's testimony.

Q. Did NorthWestern make any other normalizing adjustments for pension and benefits?

A. Yes. NorthWestern normalized the remainder of the benefits to the estimated 2024 expense. These adjustments are also reflected in Statement G.

HoldCo

Q. Please describe the impacts of the HoldCo Restructuring on this rate review.

A. NorthWestern's HoldCo Restructuring was completed on January 1, 2024, subsequent to the 2023 test period of this rate review filing, and therefore it

did not have a direct impact on this rate review. Additionally, as noted in NorthWestern's HoldCo Restructuring approval requested in Docket No. 2022.06.064, incremental costs of the restructuring were borne by shareholders and cost allocations of shared services will continue to be allocated on a Montana-jurisdictional basis per Commission requirements.

Q. Has NorthWestern filed a cost allocation manual ("CAM") outlining its post- reorganization allocation methodologies?

A. Yes. Consistent with the requirement of the Commission's Final Order No. 7854b, NorthWestern filed a CAM with the Commission on January 25, 2024 in Docket No. 2022.06.064. The CAM is included as Exhibit JBB-7.

Conclusion

Q. Please summarize your testimony.

A. I present an electric utility rate base calculation of $3,449,183,243 and a natural gas utility rate base calculation of $ 731,907,376, which includes adjustments for known and measurable changes occurring in the 12 months after December 31, 2023. In addition, I present total depreciation expense of $173,654,076 for the electric utility, excluding YCGS, and $37,072,645 for the natural gas utility. I recommend approval of the proposed depreciation and depletion rates.

I also recommend approval of a 74% electric utility and 26% natural gas utility allocation of Montana shared administrative costs, and a 73% electric utility and 27% natural gas utility allocation for Montana common plant.

Attestation

Q. Do you affirm that the accounting data presented in NorthWestern's electric and natural gas filings reflects the actual results on NorthWestern's books and records?

A. Yes. The statements, workpapers, and other supporting data submitted as part of this filing reflect NorthWestern's books and records.

Q. Does this conclude your direct testimony?

A. Yes, it does.

Verification

This Direct Testimony of Jeffrey B. Berzina is true and accurate to the best of my knowledge, information, and belief.

/s/ Jeffrey B. Berzina
Jeffrey B. Berzina