



July 10, 2024

Mr. Will Rosquist
Chief Regulator
Montana Public Service Commission
1701 Prospect Ave
Helena, MT 59620-2601

RE: Docket No. 2024.05.053 – Application for Authority to Increase Retail Electric and Natural Gas Utility Service Rates and for Approval of Electric and Natural Gas Service Schedules and Rules and Allocated Cost of Service and Rate Design.

NorthWestern Corporation d/b/a NorthWestern Energy (“NorthWestern”) submits to the Montana Public Service Commission (“Commission”) an Application for Authority to Increase Retail Electric and Natural Gas Utility Service Rates and for Approval of Electric and Natural Gas Service Schedules and Rules and Allocated Cost of Service and Rate Design (“Application”). NorthWestern files this Application pursuant to §§ 69-3-301, *et seq.*, MCA, and the Commission’s minimum rate case filing standards found in ARM 38.5.101, *et seq.*

DESCRIPTION AND REASONS FOR PROPOSED RATE CHANGES

NorthWestern’s current rates are no longer just and reasonable rates, as they do not recover NorthWestern’s current cost of providing electric and natural gas service to its customers. Since the last rate review, filed in 2022, NorthWestern is expected to invest and place into service over \$1 billion in electric (\$874M) and natural gas (\$174M) by the end of 2024 for our Montana customers.

In this Regulatory Rate Review, NorthWestern seeks to update electric and natural gas rates to reflect the following changes to cost of service:

- An update to NorthWestern’s base revenue requirements for both electric and natural gas to recover fixed transmission, distribution, and generation costs for electric service delivery and fixed transportation, distribution, storage, and production costs for natural gas service delivery incurred in 2023, with adjustments for 2024 known and measurable costs, to provide safe and reliable service to customers which includes a request to recover costs for Yellowstone County Generating Station (“YCGS”), an important supply resource that helps ensure customers will receive reliable service.
- An update to Power Costs and Credits Adjustment Mechanism (“PCCAM”) Base Costs and Credits to recover 2024 forecasted flow-through costs of purchasing energy and capacity services to meet electric supply customers’ needs; and
- An update to the property tax base costs¹ to reflect full flow-through of estimated 2024

¹ Property tax base costs are defined as costs included in NorthWestern’s general rate reviews for Montana state and local taxes that are annually adjusted through NorthWestern’s Electric and Natural Gas Tax Tracker.



property taxes² for both electric and natural gas service.

NorthWestern requests approval of an increase in its electric base revenue requirement in the amount of \$156,503,585, including a return on equity of 10.8% and an overall rate of return of 7.49%³ and an increase in its electric base property tax costs in the amount of \$7,409,982. NorthWestern also requests approval of an increase in its natural gas base revenue requirement in the amount of \$28,633,763, including a return on equity of 10.8% and an overall rate of return of 7.49% and an increase in its natural gas base property tax costs in the amount of \$241,654. These rate increases are necessary to recover the costs incurred to serve our customers safely and reliably through the test period. In accordance with ARM 38.5.106, the 12-months-ended December 31, 2023, adjusted for normalized and known and measurable changes through December 31, 2024, represents the test period in this case. NorthWestern also requests approval of an allocated cost of service and rate design to apportion the cost of providing safe and reliable service and collect it from the various customer classes.

NorthWestern requests approval of an updated PCCAM Base of \$119,007,402, which reflects a decrease in PCCAM Base revenues of \$94,522,047, for the tracker period beginning July 1, 2024.

In this Rate Review, NorthWestern seeks the ability to more timely recover its costs of providing safe and reliable service for its customers. NorthWestern includes, among other things, in this Rate Review, the following proposals to support our continued track record of safe and reliable service to our customers:

- Cost Recovery for YCGS to better reflect the value customers will receive which includes:
 - NorthWestern bridge rate proposal; and
 - NorthWestern proposal for end of the period rate base treatment for YCGS.
- New Balancing Accounts to reduce the lag in cost recovery of prudently incurred costs in between rate reviews for three critical service areas:
 - Wildfire Management Balancing Account;
 - Business Technology Balancing Account; and
 - Reliability Compliance Balancing Account.

A more comprehensive listing of NorthWestern's proposals is included in the Application with detailed discussion by NorthWestern's subject matter experts presented in the expert testimonies.

In conjunction with the Application, NorthWestern submits an application for an interim revenue requirement increase ("Interim Application") in the amount of \$21,967,873 for total electric service and \$21,612,927 for total natural gas service. The Interim Section of this filing contains the material required by ARM 38.5.501 through 38.5.506, including a separate transmittal letter. As further explained in the Interim Section of this filing, NorthWestern seeks approval of interim rates for rates effective October 1, 2024 and January 1, 2025 (for base property tax updates), so that it

² 2024 property tax costs are estimated as actual tax costs are not yet available. NorthWestern will update to actual 2024 property tax costs with its rebuttal testimony.

³ This excludes Colstrip Unit 4. Consistent with ¶ 264 of Order No. 6925f in Docket No. D2008.6.69, Colstrip Unit 4 has a return on equity of 10% and a rate of return of 8.25%.



may be allowed to recover its costs of providing electric and natural gas services. Customers are fully protected because they will receive refunds, with interest, if the Commission ultimately issues an order establishing final rates that are lower than the proposed interim rates.

DOCUMENTS SUBMITTED WITH THIS FILING

NorthWestern submits the following materials with this filing:

1. The Application, including the current base rates and proposed Electric and Natural Gas Utility service rates attached as Appendix A and a summary of the residential customer bill impact of the proposed rates as Appendix B;
2. Marked-up tariffs showing all proposed changes to existing tariffs as well as copies of the new tariff schedules proposed in this filing;
3. Direct testimonies and exhibits of NorthWestern's witnesses;
4. All material required by the Commission's minimum rate case filing standards, including but not limited to, a comparison of sales, services, and revenues; a comparison of rates; an analysis of system costs; and all statements and work papers (certain information has been redacted from the electric marginal cost study portion of Statement L that is protected under Protective Order No. 7860a; and
5. All material required for interim rate changes.

SERVICE

Per ARM 38.2.1205, NorthWestern filed this Application through the Commission's electronic database for docket information. Per ARM 38.2.1209, NorthWestern will provide limited paper copies of the initial application, interim rate request, marked-up tariffs, testimonies, and supporting exhibits and statements to the Commission and the Montana Consumer Counsel upon request after its initial electronic filing.

NorthWestern requests that the Commission publish legal notice to inform the public that this Application has been made.

EFFECT ON CUSTOMERS

The estimated number of electric delivery service and generation customers and natural gas delivery service and supply customers whose cost of service will be affected, and the annual amounts of the increase or decrease to each class of customers revenues⁴ are as follows:

⁴ Average number of customers and revenues per Statement H.



Electric Utility:

Customer Classification	Average No. Customers	Delivery Service Annual Change Incr/(Decr) Cost of Service - Non-Tax	Delivery Service Annual Change Incr/(Decr) Cost of Service - Tax	Delivery Service Annual Change Incr/(Decr) Cost of Service - Total
Residential	322,310	\$ 49,785,611	\$ (10,454,001)	\$ 39,331,610
General Service 1	74,364	\$ 45,341,905	\$ (5,600,826)	\$ 39,741,079
General Service 2	80	\$ 2,095,187	\$ (792,646)	\$ 1,302,541
Irrigation	2,069	\$ 2,283,323	\$ (1,669,592)	\$ 613,731
Lighting	3,597	\$ 3,056,056	\$ (1,102,922)	\$ 1,953,134
Rounding		\$ 4,014	\$ (2,710)	\$ 1,304
Total Delivery		\$ 102,566,096	\$ (19,622,697)	\$ 82,943,399

Customer Classification	Average No. Customers	Generation/Supply Annual Change Incr/(Decr) Cost of Service - Non-Tax	Generation/Supply Annual Change Incr/(Decr) Cost of Service - Tax	Generation/Supply Annual Change Incr/(Decr) Cost of Service - Total
Residential	322,308	\$ (17,145,237)	\$ 11,534,751	\$ (5,610,486)
General Service 1	74,077	\$ (20,613,262)	\$ 13,554,154	\$ (7,059,108)
General Service 2	46	\$ (1,245,937)	\$ 1,477,881	\$ 231,944
Irrigation	2,067	\$ (1,320,964)	\$ 368,797	\$ (952,167)
Lighting	3,512	\$ (259,158)	\$ 97,096	\$ (162,062)
Rounding		\$ -	\$ -	\$ -
Total Generation/Supply		\$ (40,584,558)	\$ 27,032,679	\$ (13,551,879)

Customer Classification	Average No. Customers	Total Annual Change Incr/(Decr) Cost of Service - Non-Tax	Total Annual Change Incr/(Decr) Cost of Service - Tax	Total Annual Change Incr/(Decr) Cost of Service - Total
Residential	322,310	\$ 32,640,374	\$ 1,080,750	\$ 33,721,124
General Service 1	74,364	\$ 24,728,643	\$ 7,953,328	\$ 32,681,971
General Service 2	80	\$ 849,250	\$ 685,235	\$ 1,534,485
Irrigation	2,069	\$ 962,359	\$ (1,300,795)	\$ (338,436)
Lighting	3,597	\$ 2,796,898	\$ (1,005,826)	\$ 1,791,072
Rounding		\$ 4,014	\$ (2,710)	\$ 1,304
Total Electric		\$ 61,981,538	\$ 7,409,982	\$ 69,391,520



Natural Gas Utility:

Customer Classification	Average No. Customers	Delivery Service Annual Change Incr/(Decr) Cost of Service - Non-Tax	Delivery Service Annual Change Incr/(Decr) Cost of Service - Tax	Delivery Service Annual Change Incr/(Decr) Cost of Service - Total
Residential	183,810	\$ 22,275,163	\$ (258,535)	\$ 22,016,628
General Service	26,148	\$ 5,033,609	\$ (783,058)	\$ 4,250,551
Utility	1	\$ 200,814	\$ (21,021)	\$ 179,793
DBU - Transportation	238	\$ 654,695	\$ (187,761)	\$ 466,934
TBU - Transportation	29	\$ 4,154,431	\$ (1,177,923)	\$ 2,976,508
Storage		\$ 346,104	\$ 80,766	\$ 426,870
DBU - Interruptible		\$ 15,868	\$ 4,282	\$ 20,150
TBU - Interruptible		\$ 721,720	\$ (285,791)	\$ 435,929
Rounding		\$ 213	\$ (3)	\$ 210
Total Delivery		\$ 33,402,617	\$ (2,629,044)	\$ 30,773,573

Customer Classification	Average No. Customers	Production Annual Change Incr/(Decr) Cost of Service - Non-Tax	Production Annual Change Incr/(Decr) Cost of Service - Tax	Production Annual Change Incr/(Decr) Cost of Service - Total
Residential	183,618	\$ (3,865,605)	\$ 1,532,870	\$ (2,332,735)
General Service	25,653	\$ (820,416)	\$ 1,323,302	\$ 502,886
Utility	1	\$ (82,833)	\$ 14,526	\$ (68,307)
DBU - Transportation	-	\$ -	\$ -	\$ -
TBU - Transportation	-	\$ -	\$ -	\$ -
Storage		\$ -	\$ -	\$ -
DBU - Interruptible		\$ -	\$ -	\$ -
TBU - Interruptible		\$ -	\$ -	\$ -
Rounding		\$ -	\$ -	\$ -
Total Production		\$ (4,768,854)	\$ 2,870,698	\$ (1,898,156)



Customer Classification	Average No. Customers	Total Annual Change		Total Annual Change		Total Annual Change	
		Incr/(Decr) Cost of Service - Non-Tax	Incr/(Decr) Cost of Service - Tax	Incr/(Decr) Cost of Service - Tax	Incr/(Decr) Cost of Service - Total		
Residential	183,810	\$ 18,409,558	\$ 1,274,335	\$ 19,683,893			
General Service	26,148	\$ 4,213,193	\$ 540,244	\$ 4,753,437			
Utility	1	\$ 117,981	\$ (6,495)	\$ 111,486			
DBU - Transportation	238	\$ 654,695	\$ (187,761)	\$ 466,934			
TBU - Transportation	29	\$ 4,154,431	\$ (1,177,923)	\$ 2,976,508			
Storage		\$ 346,104	\$ 80,766	\$ 426,870			
DBU - Interruptible		\$ 15,868	\$ 4,282	\$ 20,150			
TBU - Interruptible		\$ 721,720	\$ (285,791)	\$ 435,929			
Rounding		\$ 213	\$ (3)	\$ 210			
Total Natural Gas		\$ 28,633,763	\$ 241,654	\$ 28,875,417			

NorthWestern is requesting:

- For electric service, an increase of \$69,391,520. This comprises an increase to NorthWestern's base revenue requirements of \$156,503,585, and a decrease of \$(94,522,047) to flow-through costs. This is an overall increase for electric service of 8.30%.
- For natural gas service, an increase of \$28,875,417. This comprises an increase to NorthWestern's base revenue requirements of \$28,633,763, and an increase of \$241,654 to flow-through costs. This is an increase for natural gas service of 16.98%.

NorthWestern's proposed interim rate request, including NorthWestern's request for a bridge rate, is expected to result in an increase in the monthly electric bill from current rates of \$110.07 to \$112.16, which is an increase of \$2.09 or 1.90%, for the typical residential customer using 750 kWh per month.

NorthWestern's proposed electric rate request, including the cost recovery of YCGS, is expected to result in an increase in the monthly electric bill from interim rates of \$112.16 to \$119.18, which is an increase of \$7.02 or 6.26%, for the typical residential customer using 750 kWh per month. This includes an expected increase to property taxes, a flow-through cost, that would occur on January 1, 2025, of \$0.29 a month.

The total impact of NorthWestern's electric rate proposal from current effective rates would be an increase to monthly electric bills of \$110.07 to \$119.18, which is an increase of \$9.11 or 8.28%, for the typical residential customer using 750 kWh per month.

NorthWestern's proposed interim rate request is expected to result in an increase in the monthly natural gas bill from current rates of \$51.89 to \$56.70, which is an increase of \$4.81 or 9.28%, for the typical residential customer using 65 therms per month.



NorthWestern's proposed natural gas rate request is expected to result in an increase in the monthly bill from interim rates of \$56.70 to \$60.73, which is an increase of \$4.03 or 7.10%, for the typical residential customer using 65 therms. This includes an expected increase to property taxes, a flow-through cost, that would occur on January 1, 2025, of \$0.57 a month.

The total impact of NorthWestern's natural gas rate proposal from current effective rates would be an increase to monthly natural gas bills of \$51.89 to \$60.73, which is an increase of \$8.84 or 16.98%, for the typical residential customer using 65 therms per month.

NORTHWESTERN CONTACT

The NorthWestern employee responsible for answering questions concerning this rate change request or for inquiries to the appropriate members of the utility staff is:

Cynthia Fang, Vice President - Regulatory Affairs
NorthWestern Energy
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Helena, MT 59601
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In addition to Ms. Fang and the attorneys noted in the Application, please add Glenda Gibson and Tracy Killoy to the official service list in this docket to receive copies of all documents. NorthWestern also requests that all electronic correspondence related to this filing be sent to glenda.gibson@northwestern.com and tracy.killoy@northwestern.com.

Respectfully Submitted,

Cynthia Fang

Cynthia Fang
Vice President, Regulatory Affairs