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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. 2024.05.053  
and For Approval of Electric and Natural Gas )  
Service Schedules and Rules and Allocated )  
Cost of Service and Rate Design )

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**NORTHWESTERN ENERGY’S APPLICATION**

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NorthWestern Corporation d/b/a NorthWestern Energy (“NorthWestern”) respectfully submits this 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”) for approval by the Montana Public Service Commission (“Commission”).

## INTRODUCTION

In 2022, NorthWestern requested the Commission grant its request to update rates to reflect cost of service in order to continue providing safe, reliable, and affordable energy services to its Montana customers. Since the 2022 Montana Rate Review, which recovered 2021 test-year costs and 2022 known and measurable costs, NorthWestern is expected to invest and place into service by the end of 2024 over \$1 billion in electric (\$874M) and natural gas (\$174M) facilities for our Montana customers. Our investments ensure safe, reliable, and affordable service for Montana customers. In addition, we are in a period of higher inflation pressure, which increases cost of service overall. As indicated in our 2022 Rate Review and again in this case, NorthWestern expects to file rate reviews more frequently than we have historically.

NorthWestern's proposal to update rates to reflect current cost of service includes requests to recover costs for Yellowstone County Generating Station ("YCGS"), an important supply resource that helps ensure customers will receive reliable service. To achieve an equitable balance between value delivered to customers and costs incurred, NorthWestern requests a temporary or "bridge" rate while this case is pending. NorthWestern details this request in the Application for Interim Rate Increases & Bridge Rate that is filed simultaneously herewith.

In the 2022 Rate Review, NorthWestern identified three critical service areas – Wildfire Mitigation, Reliability, and Business Technology – for proposed alternative regulatory mechanisms to provide more timely, forward-looking cost

recovery. These areas continue to be critical service areas for NorthWestern. NorthWestern presents proposals for alternative regulatory mechanisms that will reduce regulatory lag by allowing for recovery of costs incurred, subject to Commission prudence review, in between rate reviews. After consideration of all the evidence, NorthWestern requests that the Commission grant its Application and approve the proposals identified therein.

NorthWestern also presents information required by the settlement and/or Final Order in NorthWestern's last rate review. NorthWestern agreed in the settlement, and the Commission approved, to provide another jurisdictional cost of service study, including an ancillary services cost of service study. NorthWestern provides that study with this Application. In Final Order 7680y, the Commission also required NorthWestern to provide analysis in its next electric rate review regarding its Advanced Metering Infrastructure ("AMI") project, including a cost-benefit analysis comparing AMI costs to the stranded costs of the metering technology being replaced. With this filing, NorthWestern provides this analysis and other testimony about the costs and benefits of the AMI project.

Pursuant to Administrative Rule of Montana 38.2.1202, NorthWestern provides the following information as required by the Commission's regulation.

### **CONTACT INFORMATION**

NorthWestern's full legal name and post office address are:

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NorthWestern requests that all electronic correspondence related to this filing also be sent to Tracy Killoy at [tracy.killoy@northwestern.com](mailto:tracy.killoy@northwestern.com) and Glenda Gibson at [glenda.gibson@northwestern.com](mailto:glenda.gibson@northwestern.com).

## FACTS

NorthWestern is a Delaware corporation doing business as a public utility in

Montana. NorthWestern's currently authorized rates for its electric and natural gas services are no longer just and reasonable rates as they do not allow NorthWestern to recover its costs of providing electric and natural gas supply and delivery services nor do they provide NorthWestern an opportunity to earn a fair and reasonable return on its investments. The current electric and natural gas rates were set using data and cost information from 2021 with known and measurable changes through 2022. As explained in NorthWestern's testimony accompanying this Application, it continues to invest significant capital in utility infrastructure to ensure its customers continue to receive safe, reliable, and affordable services. While matters outside NorthWestern's control have affected it and customers, NorthWestern must continue ensuring customers remain safe and have access to reliable energy. As such, NorthWestern presents thoughtful and forward-thinking proposals to address these critical service areas, including wildfire mitigation, Business Technology costs, compliance costs, and reliable service.

NorthWestern files with this Application its cost of providing electric and natural gas services in Montana based upon a 2023 test year, adjusted for known and measurable changes, including changes in utility plant balances expected through December 31, 2024, and setting rate base using an average derived from the beginning and ending balances during the applicable 12-month period except for YCGS, for which NorthWestern proposes to use a year-end rate base balance. NorthWestern also incorporates an application for approval of an allocated cost of service and rate design with this filing. The cost of service filed concurrently with

this Application establishes that NorthWestern has a revenue deficiency for its electric utility of \$156,503,585 (\$98,758,616 for transmission and distribution and \$57,744,969 for fixed generation). It also establishes that NorthWestern has a revenue deficiency for its natural gas utility of \$28,633,763 (\$28,955,927 for transmission, distribution, and storage less \$322,164 for production).

The factual support for NorthWestern's proposals and requested relief in this docket is provided in the direct testimony, exhibits, and workpapers of its 26 witnesses. NorthWestern's Chief Executive Officer, Brian B. Bird, provides a brief summary of each witness's direct testimony. NorthWestern provides Appendix A to this Application, which summarizes the current base rates and the proposed base rates resulting from this filing. NorthWestern also provides Appendix B to this Application, which summarizes the typical bill impact of the proposed rates for the residential customer class using 750 kilowatt-hours of electricity and 65 therms of natural gas.

### **LEGAL AUTHORITY**

The Commission has the "full power of supervision, regulation, and control" of public utilities in Montana. Mont. Code Ann. § 69-3-102. NorthWestern is a public utility operating in Montana. *See id.* § -101. Montana law allows the Commission to approve changes to tariffs and schedules for rates charged by NorthWestern. *See id.* § -302. Rates approved by the Commission must be just and reasonable and recovery of utility investments must be used and useful to customers. *See id.* §§ -201 and -109. The Commission's administrative rules

prescribe minimum filing standards for applications for rate increases. *See Admin. R. Mont. (ARM) 38.5.101–195.*

### **WAIVER REQUEST OF ARM 38.5.106**

Pursuant to ARM 38.5.102(3), NorthWestern seeks a waiver of ARM 38.5.106 to allow for the inclusion of costs beyond 2024 in rates to ensure three critical areas are adequately funded, namely wildfire mitigation, business technology (“BT”), and compliance costs for a generation resource, Colstrip Generating Station (“Colstrip”). The Commission may grant a waiver of its minimum filing requirements for good cause. ARM 38.5.102(3). As shown in the direct testimonies accompanying this Application, there is good cause to grant a waiver and permit NorthWestern to include these costs in rates for three critical areas impacting service to customers. Risks of wildfires are increasing; the BT landscape is changing; and federal environmental compliance costs for Colstrip to avoid having to shut it down in 2027 are significant. NorthWestern’s obligation to provide safe and reliable service to its customers means that it must take steps to mitigate these risks and avoid financial harm. Granting this waiver will allow NorthWestern to fund these areas while maintaining its financial health, which is also critical to NorthWestern’s mission to provide safe and reliable service.

### **COMPLIANCE WITH MINIMUM FILING REQUIREMENTS**

In Table 1 below, NorthWestern provides a list of where it addresses each of the minimum filing requirements found in ARM 38.5.101 through 38.5.195,

including which witness sponsors and/or testifies about the requirement, if applicable.

**TABLE 1 – Minimum Filing Requirements**

<b>Administrative Rule of Montana</b>	<b>Document/Witness</b>
38.5.101	Letter of Transmittal
38.5.102 <sup>1</sup>	Application
38.5.103	Appendix A to the Application
38.5.104	Appendix B to the Application
38.5.106	Direct Testimonies of Jeffrey B. Berzina and Elaine A. Rich
38.5.107	Data provided in Statements & Workpapers volume
38.5.108	Not applicable
38.5.109	Not applicable <sup>2</sup>
38.5.111	Workpapers provided with initial filing
38.5.112	Direct Testimony of Jeffrey B. Berzina
38.5.121	Statement A
38.5.122	Statement B
38.5.123	Statement C
38.5.124	Statement C workpapers

<sup>1</sup> NorthWestern’s initial filing is electronic. *See* ARM 38.2.1205. NorthWestern will provide the Commission with paper copies of this filing after the filing date, upon request. ARM 38.5.1209.

<sup>2</sup> NorthWestern will provide electronic copies of all workpapers for applicable statements with the filing and would provide paper copies of such workpapers, if requested and feasible. *See* ARM 38.5.1209.



38.5.125	Statement C workpapers
38.5.126	Statement C workpapers
38.5.127	Statement C workpapers
38.5.128	Not applicable
38.5.129	Statement C workpapers
38.5.133	Statement D
38.5.134	Statement D workpapers
38.5.135	Direct Testimony of John Spanos and Statement D workpapers
38.5.136	Direct Testimony of Jeffrey B. Berzina
38.5.141	Statement E
38.5.142	Statement E workpapers
38.5.143	Statement E workpapers
38.5.146	Direct Testimony of Crystal D. Lail and Statement F
38.5.147	Statement F workpapers
38.5.148	Not applicable
38.5.149	Statement F workpapers
38.5.150	Statement F workpapers
38.5.151	Statement F workpapers
38.5.152	Not applicable
38.5.156	Statement G
38.5.157	Statement G workpapers

38.5.158	Statement G workpapers
38.5.159	Statement G workpapers
38.5.160	Statement G workpapers
38.5.164	Statement H
38.5.165	Statement I
38.5.166	Statement I workpapers
38.5.169	Statement J
38.5.170	Statement J workpapers
38.5.171	Statement J workpapers
38.5.172	Statement J workpapers
38.5.173	Statement K
38.5.174	Statement K workpapers
38.5.175	Statement G and Statement K
38.5.176 <sup>3</sup>	Statement L
38.5.177(1)	Statement M
38.5.177(2)	Statement M and Appendix B
38.5.179	Statement N
38.5.180	Not applicable
38.5.181	Noted
38.5.182	Noted

<sup>3</sup> On June 25, 2024, the Commission granted NorthWestern’s request to waive the requirement found in ARM 38.5.176 to prepare and file a marginal cost of service study for its natural gas service in Montana. See Doc. 4, Dkt. 2024.05.053.

38.5.183	Noted
38.5.184	Noted
38.5.190	Statement O
38.5.194 <sup>4</sup>	Application
38.5.195	Noted

### APPLICABLE TARIFFS

The following described tariff sheets are the Electric Utility tariff sheets affected by the proposals in this Application that are presently in effect in Montana and on file with the Commission.

<b>Schedule</b>	<b>Description</b>	<b>Sheet No.</b>
REDS-1	Residential Electric Delivery Service	10.1
GSEDS-1	General Service Electric Delivery Service	20.1 through 20.2 (inclusive)
GSEDS-2	General Service Substation/Transmission Electric Delivery Service	21.1
ISEDS-1	Irrigation Pumping & Sprinkling Electric Delivery Service	30.1
ELDS-1	Electric Lighting Delivery Service	40.1 through 40.7 (inclusive)
ESS-1	Electric Supply Service	60.1 through 60.2 (inclusive)
EPCC-1	Annual Power Costs and Credits Adjustment Mechanism	67.1 through 67.4 (inclusive)

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<sup>4</sup> Again, NorthWestern is providing electronic copies of the information required in 38.5.194(5) and will provide paper copies upon request by the Commission. ARM 38.2.1209.

The following described tariff sheets are new Electric Utility tariff sheets based on the proposals in this Application.

<b>Schedule</b>	<b>Description</b>	<b>Sheet No.</b>
SESS-1	Standby Electric Supply Service	89.1
BTBA-1	Business Technology Balancing Account	86.1
RCBA-1	Reliability Compliance Balancing Account	88.1
WMBA-1	Wildfire Management Balancing Account	87.1

The following described tariff sheets are the Natural Gas Utility tariff sheets affected by the proposals in this Application that are presently in effect in Montana and on file with the Commission.

<b>Schedule</b>	<b>Description</b>	<b>Sheet No.</b>
D-RG-1	Residential Natural Gas Service	10.1
D-RGCA-1	Residential Gas Core Aggregation Service	11.1
D-GSG-1	General Natural Gas Service	20.1
D-GSGCA-1	General Service Gas Core Aggregation	21.1
D-FTG-1	Firm Transportation Natural Gas Service	25.1
D-ITG-1	Interruptible Transportation Natural Gas Service	27.1
T-FUGC-1	Firm Utility Gas Contract Service	30.1
F-FTG-1	Firm Transportation Natural Gas Service	80.1
T-ITG-1	Interruptible Transportation Natural Gas Service	85.1
T-FSG-1	Firm Storage Natural Gas Service	90.1
GTC-1	General Terms and Operating Conditions	95.3 through 95.26 (inclusive)
AGTC-1	Aggregation General Terms and Conditions	96.1 through 96.4, 96.8 through 96.11, 96.15 through 96.18 (inclusive)

NorthWestern summarizes the applicable rates and rate changes in Appendix A. NorthWestern provides a complete set of the proposed revised tariffs

with this Application. Ms. Rich supports the proposed changes in language to Schedule EPCC-1 and NorthWestern consultant, Steven W. Wishart, supports the new Schedule SESS-1 while Ms. Fang supports the new balancing account schedules.

### **REQUESTED RELIEF**

NorthWestern respectfully requests that the Commission issue a final order approving:


1. An increase in the electric revenue requirement, which includes cost recovery of YCGS, in the amount of \$156,503,585, a return on equity of 10.8%, and an overall rate of return of 7.49% for electric utility assets except for Colstrip Unit 4, which the Commission set at a 10.00% return on equity and 8.25% rate of return for the life of the plant in ¶ 264 of Order No. 6925f in Docket No. D2008.6.69;
2. An increase in base electric property tax revenues of \$7,409,982;
3. An updated Power Costs and Credits Adjustment Mechanism (“PCCAM”) Base of \$119,007,402 effective on July 1, 2024, which reflects a decrease in PCCAM Base revenues of \$94,522,047;
4. An increase in the natural gas revenue requirement in the amount of \$28,633,763, a return on equity of 10.8%, and an overall rate of return of 7.49% for natural gas utility assets;
5. An increase in base natural gas property tax revenues of \$241,654;
6. Updated depreciation rates proposed by NorthWestern;

7. An updated Property Tax Base effective on January 1, 2025;
8. NorthWestern's proposed allocated cost of service and rate design for base rates associated with both the electric and natural gas utility services, including rate design changes that increase fixed monthly service fees and demand charges for non-residential electric and natural gas customers to be cost-based;
9. NorthWestern's proposed moderation to the allocation of property taxes to reflect allocated cost of service related to base rates;
10. YCGS as an electric supply resource that results in just and reasonable rates to NorthWestern's customers and was a prudent investment by NorthWestern;
11. Inclusion of the YCGS in rate base at NorthWestern's proposed revenue requirement to be updated in rebuttal testimony, applying a 10.8% return on equity, and use of a 2024 year-end rate base amount;
12. Recovery of the incremental expenses deferred by NorthWestern for wildfire mitigation;
13. Continued deferred accounting treatment for small natural gas production acquisitions;
14. A waiver of ARM 38.5.106 to allow for recovery of costs beyond the known and measureable period for wildfire mitigation, certain BT costs, and Colstrip compliance costs;

15. The proposed balancing accounts for wildfire mitigation costs, certain BT costs, and costs related to Colstrip compliance requirements;
16. Capitalization of certain BT costs, including cloud computing, Software as a Service, and subscriptions;
17. Continued use of the transmission revenue crediting methodology using a three-year average of FERC revenues;
18. NorthWestern's proposal for the Commission to initiate rulemaking to amend the door tag requirements set forth in administrative rule;
19. Termination of the compliance requirement to report annually on the Hazard Tree Program;
20. A new electric standby charge for non-residential electric customers, including approval of the proposed new tariff Schedule SESS-1;
21. NorthWestern's proposed revisions to existing tariffs, including Schedule EPCC-1 to add reagent costs and address transferability of production tax credits; and
22. All other relief necessary to effectuate the intent of this filing as the Commission deems proper.

RESPECTFULLY SUBMITTED this 10<sup>th</sup> day of July 2024.

NORTHWESTERN CORPORATION  
d/b/a NORTHWESTERN ENERGY

By:   
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