

4
5 **DIRECT TESTIMONY**
6 **OF ELAINE A. RICH**
7 **ON BEHALF OF NORTHWESTERN ENERGY**
8

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9 **Exhibits**

10	Electric Utility Revenue Requirement Summary	Exhibit EAR-1
11	Natural Gas Revenue Requirement Summary	Exhibit EAR-2
12	Natural Gas Revenue Requirement Step-down	Exhibit EAR-3
13	PCCAM Tariff Red-line	Exhibit EAR-4

14

15

Witness Information

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

17 **A.** My name is Elaine A. Rich. I am NorthWestern Corporation d/b/a/

18 NorthWestern Energy’s (“NorthWestern”) Assistant Controller.

19

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

22 **A.** I have been employed by NorthWestern for 36 years. For the past six years, I
 23 have held the position of Assistant Controller. Prior to that, I was the Director

1 of Financial Reporting. I have a Bachelor of Science degree in Business
2 Administration and am a Certified Public Accountant (inactive).

3

4

Purpose of Testimony

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

6 **A.** My testimony and related exhibits:

- 7 1. Present and describe the Electric and Natural Gas Utility Income
8 Statements and Revenue Requirement Exhibits and explain the
9 adjustments, or a portion of those adjustments, that NorthWestern made
10 to the actual expenses in developing the test period cost of service as
11 presented in these income statements. I also sponsor the computation of
12 the required return amount and necessary revenue increases.
- 13 2. Present and describe the Electric and Natural Gas Utility Operating
14 Revenues at current rates as well as the normalizing adjustments made to
15 arrive at normalized test period proposed revenues.
- 16 3. Present an updated Natural Gas Production Revenue Requirement Step-
17 Down.

18

19 NorthWestern calculates the revenue at present rates to define the revenue
20 increases it proposes. I present the test year revenues at present rates; the
21 normalizing adjustments to arrive at normalized revenues; and the resulting
22 proposed revenues.

23

Electric and Natural Gas Rate Review Summary

Q. Please summarize the revenue requirement.

A. NorthWestern is requesting an overall electric utility revenue requirement of \$1,178,477,121 as follows:

	Base Rates	Property Taxes	PCCAM (Excl DSM)	Total Electric Utility
Test Year Revenue	\$ 583,575,535	\$ 121,726,568	\$ 403,783,497	\$ 1,109,085,600
Required Revenue Increase	156,503,585	7,409,982	(94,522,047)	69,391,520
Total Revenue Requirement	\$ 740,079,120	\$ 129,136,550	\$ 309,261,451	\$ 1,178,477,121
	62.8%	11.0%	26.2%	

The electric utility required revenue increase calculation is provided as Exhibit EAR-1. In addition, NorthWestern’s requested Power Costs and Credits Adjustment Mechanism (“PCCAM”) Base is presented in Exhibit JMS-1 to the Direct Testimony of Joseph M. Stimatz.

NorthWestern is requesting an overall natural gas revenue requirement of \$201,049,845 as follows:

	Base Rates	Property Taxes	Total Natural Gas Utility
Test Year Revenue	\$ 138,946,148	\$ 33,228,281	\$ 172,174,428
Required Revenue Increase	28,633,763	241,654	28,875,417
Total Revenue Requirement	\$ 167,579,911	\$ 33,469,934	\$ 201,049,845
	83.4%	16.6%	

The natural gas utility required revenue increase calculation is provided as Exhibit EAR-2.

1 **Electric and Natural Gas Utility Revenues and Cost of Service**

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

4 **A.** Yes. I sponsor Statement G – Income Statement Adjustments as required by
5 ARM 38.5.156, Statement H – Operating Revenues as required by ARM
6 38.5.164, and Statement O – Pictorial Exhibits as required by ARM 38.5.190.

7
8 **Q. What test period are you using to determine the revenues and cost of**
9 **service?**

10 **A.** This rate review filing is based on a 2023 test period, with normalizing
11 adjustments for 2023 and known and measurable adjustments for 2024.
12 These adjustments meet the criteria of known and measurable as they are
13 known with certainty to occur and can be measured with reasonable
14 accuracy.

15
16 **Q. Please identify the adjustments NorthWestern made to the income**
17 **statements to derive the test period cost of service and which witness**
18 **addresses them.**

19 **A.** I will explain the following adjustments:

20 Revenue and Revenue Related Adjustments;

21 Sales and Administrative and General Adjustment;

22 Labor Adjustment; and

23 One-Time Expense Adjustments:

- 1 ○ Wildfire Mitigation; and
- 2 ○ Removal of Variable Reagent Costs.

3

4 The remaining adjustments are addressed by the following witnesses:

5	Corporate Allocation Adjustment	J. Berzina
6	Depreciation Adjustment	J. Berzina
7	Stipulation Adjustment	J. Berzina
8	Amortization Adjustment	J. Berzina
9	Property Tax Adjustment	A. Bjorkman
10	Pension and Benefits Adjustment	J. Berzina
11	2024 Forecasted Plant Adjustment	J. Berzina
12	Working Capital Adjustment	J. Berzina
13	Income Taxes	A. Bjorkman
14	Interest Synchronization	A. Bjorkman
15	Deferred Income Taxes	A. Bjorkman

16

17 **Electric Income Statements and Adjustments (Electric Statement G)**

18 **Q. Please describe the Electric Utility Income Statements that you sponsor.**

19 **A.** Electric Statement G¹ presents an income statement for the Total Electric
20 Utility and a separate income statement for each segment of NorthWestern’s
21 Electric Utility operations. These income statements are: Total Electric Utility,
22 Transmission & Distribution (“T&D”), Total Generation and Supply (including

¹ See file “Elec_23_IS_w adj&taxes” provided with the filing.

1 Colstrip Unit 4 (“CU4”) and excluding the PCCAM), Yellowstone County
2 Generating Station (“YCGS”), and PCCAM Base.

3
4 Each statement begins with 2023 actual revenues and expenses.
5 Normalizing adjustments to actual 2023 data and known and measurable
6 adjustments expected through the end of 2024 are included to derive the test
7 period cost of service. I explain each of these statements in more detail
8 below.

9

10 **Q. What is the purpose of the Total Electric Utility Income Statement?**

11 **A.** The Total Electric Utility Income Statement summarizes the adjusted revenue
12 requirement calculations to present a test period adjusted income statement
13 for the entire Electric Utility.

14

15 **Q. Please describe each column of the Total Electric Utility Income
16 Statement presented in Electric Statement G.**

17 **A.** The Total Electric Utility Income Statement presented on tab “Total Electric”
18 includes the following columns:

- 19
- Transmission & Distribution – This column presents the total
20 adjusted test year cost of service for T&D from Statement G, tab
21 “elec_23_T&D”, column X.
 - Generation (Excluding YCGS and CU4) – This column presents the
22 total adjusted test year cost of service for Generation and Supply
23

1 (excluding YCGS, CU4, and the PCCAM Base) from Statement G,
2 tab “Generation wo CU4”, column Y.

- 3 • YCGS – This column presents the known and measurable test
4 period adjustment for YCGS from Statement G, tab YCGS_24,
5 column Y.
- 6 • CU4 – This column presents the total adjusted test year cost of
7 service for NorthWestern’s interest in CU4 from Statement G, tab
8 “CU4_23”, column Y.
- 9 • PCCAM – This column presents the total adjusted test year cost of
10 service or the PCCAM Base from Statement G, tab “PCCAM_23”,
11 column Y.
- 12 • Total – This column presents the sum total for NorthWestern’s
13 Electric Utility cost of service.

14 15 **Transmission & Distribution Income Statement**

16 **Q. What is the purpose of the T&D Income Statement?**

17 **A.** The T&D Income Statement included in Statement G, tab “elec_23_T&D”,
18 presents the test period income statement for NorthWestern’s T&D
19 operations. The income statement starts with 2023 actual revenues and
20 expenses, and adjustments to those actuals are included to derive the test
21 period cost of service for NorthWestern’s T&D operations. I explain the
22 adjustments in each column of the statement below.

23

1 **Q. Please explain Column D, Total Electric Utility.**

2 **A.** This column shows the unadjusted actual data based on NorthWestern's
3 books and records for the 12-month period ended December 31, 2023, as
4 filed in NorthWestern's annual report to the Montana Public Service
5 Commission ("Commission" or "MPSC").

6

7 **Q. Please explain Column E, Generation & Supply.**

8 **A.** Column E represents the total 2023 unadjusted revenues and expenses for
9 all generation and supply functions. This total is deducted from the Column D
10 total to arrive at the T&D revenues and expenses.

11

12 **Q. Please explain Column F, Electric Transmission & Distribution Utility.**

13 **A.** This column presents the total 2023 unadjusted revenues and expenses for
14 the electric T&D function.

15

16 **Q. Please explain Column G, Revenue and Revenue Related Adjustments.**

17 **A.** The revenue adjustments in Column G are necessary to adjust actual 2023
18 revenues to revenues on a normalized basis. I further explain these
19 adjustments below, under Electric Utility Revenues.

20

21 Column G, line 82, presents the removal of Energy Imbalance costs of
22 (\$11,777,896), as energy imbalance service should have no net income
23 impact (revenue less expense) for Montana customers.

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Column G, line 135, presents the adjustment for Uncollectible Accounts of (\$152,207). The uncollectible accounts adjustment has been calculated using the ratio between uncollectible expense and the gross revenues from residential and commercial customers, for calendar years 2019 through 2023. The ratio is then applied to the test period revenues for residential and commercial customer classes to determine test period uncollectible expense. NorthWestern has historically used a three-year average period to normalize uncollectible expense, which would include 2021-2023. NorthWestern used a three-year average period in this rate review filing by including 2019, 2022 and 2023 and excluding 2020 and 2021 to help normalize the impacts of the COVID-19 pandemic during those years. NorthWestern believes this three-year period reasonably normalized the uncollectible accounts.

Column G, line 164, presents the adjustment for Universal System Benefits Charge (“USBC”) expense of (\$10,385,408). This adjustment removes USBC expense from the 2023 actual Administrative & General Expense. NorthWestern recovers these expenses through a separate USBC tariff so they are not included in this filing.

Column G, line 184, presents the adjustment of \$649,755 for Montana Consumer Counsel (“MCC”) and MPSC taxes. The MCC and MPSC taxes are levied by the Montana Department of Revenue and fund the operation of

1 those entities. This adjustment is made to increase actual MPSC and MCC
2 taxes to an amount based on the test period level of revenues. The test
3 period amount is calculated by multiplying the test period revenue by the
4 current MPSC and MCC tax rates as of October 1, 2023, approved in
5 Commission Order Nos. 7920 and 7921.

6

7 **Q. Please explain Column H, Sales & Administrative & General Adjustment.**

8 **A.** Column H, line 146, presents the adjustment of (\$450,165) to remove non-
9 allowable advertising from the test period Sales Expense. This adjustment
10 eliminates advertising expense not related to conservation, safety, time of
11 use, or information about alternative sources of energy.

12

13 Column H, line 164, presents the adjustment of \$1,585,956 for various
14 administrative and general expenses as follows:

- 15 • (\$55,562) decrease to Federal Energy Regulatory Commission
16 (“FERC”) Account 920, Labor. This adjustment decreases test year
17 severance expense to a five-year average level of expense calculated
18 using 2019 through 2023 actual severance payments.
- 19 • \$45,599 increase to FERC Account 924, Property Insurance. This
20 adjustment increases test year property insurance premiums to 2024
21 known and measurable levels.

- 1 • \$246,075 increase to FERC Account 925, Liability Insurance. This
2 adjustment increases test year liability insurance premiums to known
3 and measurable 2024 levels.
- 4 • \$1,958,078 increase to FERC Account 926, Fringe Benefits. This
5 adjustment increases test year expenses for fringe benefits to known
6 and measurable 2024 expense levels. The Direct Testimony of Jeffrey
7 B. Berzina discusses the pension and benefits adjustment to test year
8 expenses to reflect the anticipated 2024 cash funding known and
9 measurable 2024 levels for NorthWestern’s Montana pension.
- 10 • (\$4,248) decrease to FERC Account 928, Regulatory Expense. This
11 adjustment adjusts regulatory expense to the three-year average level
12 of expense based on 2022 and 2023 actual expenses and 2024 known
13 and measurable expenses.
- 14 • (\$275,230) decrease to FERC Account 930 for the removal of
15 expenses recorded in 2023 related to environmental costs not
16 recovered from customers.
- 17 • (\$252,533) decrease to FERC Account 930.1, General Advertising.
18 This adjustment removes non-allowable advertising from test year
19 Administrative & General Expense.
- 20 • (\$76,223) decrease to FERC Account 930.2, Misc. General Expenses.
21 This adjustment removes dues and contributions that the Commission
22 has previously disallowed from test year expenses.

23

1 **Q. Please explain Column I, Labor Adjustment.**

2 **A.** Column I adjusts labor to normalized test year levels for operations and
3 maintenance (“O&M”) and administrative and general employees.

4 NorthWestern makes the labor adjustment to reflect test period changes in
5 wages and salaries, consistent with prior ratemaking treatment. The
6 determination of the test period labor expense consists of:

- 7 • Annualizing the adjusted 2023 labor expense to reflect the year-end
8 wage and salary levels for a full year and increasing the annualized
9 2023 labor expense to reflect 2024 wage and salary increases as
10 follows:

- 11 ▪ Non-union increase of 4.74%
- 12 ▪ Union increases based on negotiated contracts:
 - 13 • IBEW, UA, and other unions increase of 4.0%
 - 14 • USW union increase of 3.5%

- 15 • Increasing the annualized labor expense for wage and salary levels at
16 year-end noted above to adjust for current open positions. This
17 adjustment to the test period is necessary to reflect normal
18 employment levels and labor expense.
- 19 • Reducing labor expense to remove executive stock-based
20 compensation from test year expenses; and
- 21 • Adjusting payroll taxes to reflect test period labor changes.

22

1 **Q. Please explain Column J, Depreciation Adjustment.**

2 **A.** Column J presents the test year adjustment for depreciation expense. Mr.

3 Berzina explains the depreciation expense adjustment.

4

5 **Q. Please explain Column K, Stipulation Adjustment.**

6 **A.** Column K includes a reduction to rate base as a result of a Stipulation related

7 to Electric and Natural Gas T&D functions from a prior rate review. Mr.

8 Berzina further explains this adjustment.

9

10 **Q. Please explain Column L, Amortization Adjustment.**

11 **A.** Column L, line 176, adjusts 2023 expense by \$4,658,759 to remove the

12 Bonneville Power Administration (“BPA”) Residential Exchange Credit amount

13 allocated to NorthWestern in 2023. Removal of this credit from the fixed

14 revenue requirement is necessary as NorthWestern tracks the credit in a

15 separate annual tracker.

16

17 Line 177 (\$24,815,802) removes the 2023 amortization of a prior year

18 deferred property tax tracker deferral. Removal of that amortization from the

19 fixed revenue requirement is similarly necessary as NorthWestern tracks the

20 amortization in a separate annual tracker.

21

1 Line 180 adjusts 2023 expenses by \$576,153 for amortization of the current
2 under-collected balance of MPSC/MCC taxes. Mr. Berzina further explains
3 this adjustment.

4 **Q. Please explain Column M, Taxes Other Than Income Adjustment.**

5 **A.** Column M, line 183, presents the test year Taxes included in Property Tax
6 adjustment, and line 184, the test year Taxes Other Than Income Taxes
7 adjustment. Property taxes are explained in the Direct Testimony of Aaron J.
8 Bjorkman.

9
10 **Q. Please explain Column P, Wildfire Mitigation Adjustment.**

11 **A.** Final Order No. 7860y in Docket No. 2022.07.078 approved deferred
12 accounting treatment for incremental wildfire expense subject to annual caps
13 as discussed in the Direct Testimony – Regulatory Priorities of Cynthia S.
14 Fang. Column P, line 178, presents the amortization of the actual costs
15 deferred in 2023 and the known and measurable adjustment for costs
16 expected to be deferred in 2024.

17
18 Column P, line 165, presents an adjustment of \$26,870,323 to adjust wildfire
19 mitigation expense for the following items:

- 20 • An adjustment of \$16,870,323 to increase the actual wildfire
21 mitigation expense in 2023 to the known and measurable 2024
22 level of \$28,916,978. This will become the baseline expense for

1 the Wildfire Mitigation balancing account discussed in Ms. Fang's
2 testimony; and

- 3 • An adjustment of \$10,000,000 to FERC Account 925 due to the
4 impacts of wildfire-related liability as discussed in the Direct
5 Testimony of Crystal D. Lail.

6

7 **Q. Please explain Column S, 2024 Forecasted Plant Adjustment.**

8 **A.** Column S presents the adjustment to incorporate average rate base related
9 to 2024 known and measurable rate base changes and 2024 projected
10 depreciation expense. Mr. Berzina further describes the 2024 rate base
11 projections.

12

13 **Q. Please explain Column T, Working Capital Adjustment.**

14 **A.** Column T presents an adjustment for working capital. Mr. Berzina explains
15 the working capital adjustment.

16

17 **Q. Please explain Column U, Income Tax Adjustment.**

18 **A.** Column U presents adjustments for income taxes. Mr. Bjorkman explains
19 income taxes in detail.

20

21 **Q. Please explain Column V, Interest Synchronization Adjustment.**

22 **A.** Column V presents an adjustment for interest synchronization. Mr. Bjorkman
23 also explains this adjustment in detail.

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Q. Please explain Column W, Total Updates & Adjustments.

A. Column W is the total of all adjustments in Columns G through V.

Total Generation Income Statement

Q. What is the purpose of the Total Generation Income Statement?

A. The Total Generation Income Statement included in Electric Statement G, tab “Total Generation”, presents the test period income statement for NorthWestern’s Generation operations, excluding the PCCAM Base. The Total Generation Income Statement summarizes the revenues and expenses of CU4, Dave Gates Generating Station (“DGGS”), Spion Kop Wind (“Spion”), Two Dot Wind (“Two Dot”), and hydroelectric generation (“Hydros”). The income statement starts with 2023 actual revenues and expenses, and adjustments to those actuals are made to derive the test period cost of service for these generating units. I explain the adjustments in each column below.

Q. Please explain Column D, Generation with CU4, on the Total Generation Income Statement.

A. This column summarizes the actual data based on NorthWestern’s books and records for the 12-month period ended December 31, 2023, for the fixed and variable costs for CU4, DGGS, Spion, Two Dot, and Hydros. Income

1 statements for the individual generating units are presented in Electric
2 Statement G.

3

4 **Q. Please explain Column F, Remove Variable.**

5 **A.** Column F removes the variable costs, credits, and revenues that are part of
6 the PCCAM Base from 2023 actual revenues and expenses. This total is also
7 deducted from Column D as part of the calculation of Fixed Generation.

8

9 **Q. Please explain Column G, Generation with CU4.**

10 **A.** Column G presents the total 2023 unadjusted revenues and expenses for the
11 electric Generation function.

12

13 **Q. Please explain Column I, Revenue and Revenue Related Adjustments.**

14 **A.** The revenue adjustments in Column I are necessary to adjust actual 2023
15 revenues to revenues on a normalized basis. I further explain these
16 adjustments below under Electric Utility Revenues.

17

18 Column I, line 135, presents the adjustment for Uncollectible Accounts of
19 (\$65,232), as discussed above for the T&D Income Statement.

20

21 Column I, line 184, presents the adjustment of \$538,320 to increase actual
22 MPSC and MCC taxes to an amount based on a normalized test period level
23 of revenues as discussed above for the T&D Income Statement.

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Q. Please explain Column J, Sales & Administrative & General Adjustment.

A. Column J, line 146, presents the (\$198,758) removal of non-allowable advertising from the test period Sales Expense as discussed above for the T&D Income Statement.

Column J, line 164, presents the adjustment of \$652,876 for various administrative and general expenses as follows. These adjustments are consistent with adjustments discussed above for the T&D Income Statement.

- (\$26,458) decrease to FERC Account 920, Labor to normalize severance expense.
- (\$66,006) decrease to FERC Account 924, to adjust property insurance premiums to known and measurable 2024 levels.
- \$113,030 increase to FERC Account 925, to adjust test year liability insurance premiums to known and measurable 2024 levels.
- \$738,897 increase to FERC Account 926, to adjust test year fringe benefit expenses to known and measurable 2024 expense.
- \$122,896 increase to FERC Account 928, to adjust regulatory expense to known and measurable 2024 anticipated expenses.
- (\$70,414) decrease to FERC Account 930 for the removal of expenses recorded in 2023 related to environmental costs not recovered from customers.

- 1 • (\$125,062) decrease to FERC Account 930.1, to remove non-allowable
2 advertising from test year Administrative & General Expense.
3 • (\$34,008) decrease to FERC Account 930.2, to remove dues and
4 contributions that the Commission has previously disallowed from test
5 year expenses.

6

7 **Q. Please explain Column K, Labor Adjustment.**

8 **A.** Column K adjusts labor to normalize test year levels as discussed above for
9 the T&D Income Statement.

10

11 **Q. Please explain Column L, Depreciation Adjustment.**

12 **A.** Column L presents the test year adjustment for depreciation expense. Mr.
13 Berzina explains the depreciation expense adjustment.

14

15 **Q. Please explain Column N, Amortization Adjustment.**

16 **A.** Column N, line 177, removes (\$6,053,229) for the 2023 amortization of a prior
17 year deferred property tax tracker deferral as NorthWestern tracks the
18 amortization in a separate annual tracker.

19

20 Line 180 adjusts the 2023 expenses account by \$199,877 for amortization of
21 the current under-collected balance of MPSC/MCC taxes. Mr. Berzina further
22 explains this adjustment.

23

1 **Q. Please explain Column O, Taxes Other Than Income Taxes Adjustment.**

2 **A.** Column O, lines 183 and 184, present the test year adjustment for Taxes
3 Included in Property Tax Tracker and Taxes Other Than Income Taxes. Mr.
4 Bjorkman explains property taxes.

5
6 **Q. Please explain Column S, Removal of Variable Reagent Costs.**

7 **A.** Column S presents the removal of (\$2,159,213) variable CU4 limestone costs
8 and removal of (\$591,587) variable DGGs ammonia costs from the
9 generation revenue requirement. These variable reagent costs are now
10 included in the PCCAM Base presented in Mr. Stimatz's Exhibit JMS-1.

11

12 **Q. Is NorthWestern proposing any edits to the PCCAM tariff?**

13 **A.** Yes. Exhibit EAR-4 reflects a red-line of NorthWestern's proposed edits to
14 the PCCAM tariff to clarify the inclusion of variable reagent costs as
15 discussed above. In addition, the treatment of Production Tax Credits
16 ("PTC") was clarified regarding transfers or sales of PTCs as discussed in Mr.
17 Bjorkman's testimony.

18

19 **Q. Please explain Column U, 2024 Forecasted Plant Adjustment.**

20 **A.** Column U presents the adjustments to incorporate average rate base related
21 to 2024 known and measurable Generation rate base changes and the
22 projected 2024 depreciation as discussed above for the T&D Income

1 Statement. Mr. Berzina further describes the 2024 known and measurable
2 rate base projections.

3 **Q. Please explain Column V, Working Capital Adjustment.**

4 **A.** Column V presents an adjustment for working capital. Mr. Berzina explains
5 the working capital adjustment.

6

7 **Q. Please explain Column W, Income Tax Adjustment.**

8 **A.** Column W presents adjustments for income taxes. Mr. Bjorkman explains
9 income taxes in detail.

10

11 **Q. Please explain Column X, Interest Synchronization Adjustment.**

12 **A.** Column X presents an adjustment for interest synchronization. Mr. Bjorkman
13 also explains this adjustment in detail.

14

15 **Q. Please explain Column Y, Total Updates & Adjustments.**

16 **A.** Column Y is the total of all adjustments in Columns I through X.

17

18 **YCGS Income Statement**

19 **Q. What is the purpose of the YCGS Income Statement?**

20 **A.** The YCGS Income Statement included in Electric Statement G, tab
21 “YCGS_24”, presents the test period known and measurable adjustment for
22 YCGS operations. The YCGS Income Statement summarizes the known and

1 measurable revenues and expenses of YCGS. I explain the adjustments in
2 Column G below.

3

4 **Q. Please explain the adjustments in Column G.**

5 **A.** Column G, lines 71 and 77, represent the current estimated annual costs to
6 operate and maintain YCGS. These costs will be updated in rebuttal.

7

8 Column G, line 173, represents the test year adjustment for depreciation. Mr.
9 Berzina explains the depreciation expense adjustment.

10

11 Column G, line 183, represents the taxes other than income taxes
12 adjustment, consisting of Property Taxes and Electrical Energy Producer's
13 License Tax ("EELT"). Mr. Bjorkman explains property taxes. The EELT tax
14 is computed by multiplying the YCGS expected net generation by \$0.0002 per
15 kilowatt-hour as set by Mont. Code Ann. § 15-51-101.

16

17 **Natural Gas Income Statements and Adjustments (Natural Gas Statement G)**

18 **Q. Please describe the Natural Gas Utility Income Statements that you**
19 **sponsor.**

20 **A.** The Natural Gas Statement G² presents an income statement for the Total
21 Natural Gas Utility and a separate income statement for each segment of
22 NorthWestern's Natural Gas Utility operations. These income statements are:

² See file labeled "Gas_23_IS_w adj&taxes" provided with this filing.

1 Total Natural Gas Utility, Natural Gas Transmission, Distribution, and Storage
2 (“TD&S”), and Natural Gas Production (“Production”).

3

4 Each statement begins with 2023 actual revenues and expenses.

5 Normalizing adjustments to actual 2023 data and known and measurable
6 adjustments expected through the end of 2024 are included to derive the test
7 period cost of service. I explain each of these statements in more detail
8 below.

9

10 **Q. What is the purpose of the Total Natural Gas Utility Income Statement?**

11 **A.** The Total Natural Gas Utility Income Statement summarizes the adjusted
12 revenue requirement calculations to present a test period adjusted income
13 statement for the entire Natural Gas Utility.

14

15 **Q. Please describe each column on the Total Natural Gas Utility Income
16 Statement presented in Statement G.**

17 **A.** The Total Natural Gas Utility Income Statement presented on tab “Total Gas”
18 includes the following columns:

- 19
- TD&S – This column presents the total adjusted test year for
20 Transmission, Distribution & Storage (“TD&S”) from Statement G,
21 tab “gas_23_T&D”, column V.

- 1 • Gas Production – This column presents the total adjusted test year
2 for Natural Gas Production from Statement G, tab “Production_23”,
3 column V.
4 • Total – This column presents the sum total for NorthWestern’s
5 Natural Gas Utility.

6 **Transmission, Distribution & Storage Income Statement**

7 **Q. What is the purpose of the TD&S Income Statement?**

8 **A.** The TD&S Income Statement included in Natural Gas Statement G, tab
9 “Gas_23_T&D”, presents the test period income statement for
10 NorthWestern’s TD&S operations. The income statement starts with 2023
11 actual revenues and expenses, and adjustments to those actuals are included
12 to derive the test period cost of service for NorthWestern’s TD&S operations.
13 I explain the adjustments in each column below.

14

15 **Q. Please explain Column D, Natural Gas Utility.**

16 **A.** This column shows the unadjusted actual data based on NorthWestern’s
17 books and records for the 12-month period ended December 31, 2023, as
18 filed in NorthWestern’s annual report to the Commission.

19

20 **Q. Please explain Column E, Supply Function.**

21 **A.** Column E represents the total 2023 unadjusted revenues and expenses for
22 all production and supply functions. This total is deducted from the Column D
23 to arrive at the TD&S revenues and expenses.

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Q. Please explain Column F, Natural Gas Transmission, Distribution, & Storage Utility.

A. This column presents the total 2023 unadjusted revenues and expenses for the Natural Gas TD&S function.

Q. Please explain Column G, Revenue and Revenue Related Adjustments.

A. The revenue adjustments in Column G are necessary to adjust actual 2023 revenues to revenues on a normalized basis. I explain these adjustments below under Natural Gas Utility Revenues.

Column G, line 136, presents the adjustment for Uncollectible Accounts of (\$150,720). The determination of the uncollectible accounts adjustment is the same as noted above for the Electric T&D adjustment.

Column G, line 162, removes (\$4,441,478) for USBC expense from the 2023 actual Administrative & General Expense. NorthWestern recovers these expenses through a separate USBC tariff and they are not included in this filing.

Column G, line 181, presents the adjustment of \$172,022 to increase actual MPSC and MCC taxes to an amount based on a normalized test period level of revenues as discussed above for the Electric T&D Income Statement.

1 **Q. Please explain Column H, Sales & Administrative & General Adjustment.**

2 **A.** Column H, line 145, presents the adjustment of (\$179,570) to remove non-
3 allowable advertising from the test period Sales Expense as discussed above
4 for the Electric T&D Income Statement.

5

6 Column H, line 162, presents the adjustment of \$592,657 for various
7 administrative and general expenses as follows. These adjustments are
8 consistent with adjustments discussed above for the Electric T&D Income
9 Statement.

- 10 • (\$23,812) decrease to FERC Account 920, Labor to normalize
11 severance expense.
- 12 • \$38,500 increase to FERC Account 924, to adjust property insurance
13 premiums to known and measurable 2024 levels.
- 14 • \$215,571 increase to FERC Account 925, to adjust test year liability
15 insurance premiums to known and measurable 2024 levels.
- 16 • \$886,677 increase to FERC Account 926, to adjust test year fringe
17 benefit expenses to known and measurable 2024 expense. Mr.
18 Berzina discusses the adjustment for pension and benefits.
- 19 • (\$36,607) decrease to FERC Account 928, to adjust regulatory
20 expense to known and measurable 2024 anticipated expenses.
- 21 • (\$350,503) decrease to FERC Account 930 for the removal of
22 expenses recorded in 2023 related to environmental costs not
23 recovered from customers.

- 1 • (\$105,632) decrease to FERC Account 930.1, to remove non-allowable
2 advertising from test year Administrative & General Expense.
- 3 • (\$31,537) decrease to FERC Account 930.2, to remove dues and
4 contributions that the Commission has previously disallowed from test
5 year expenses.

6 **Q. Please explain Column I, Labor Adjustment.**

7 **A.** Column I adjusts labor to normalized test year levels as discussed above for
8 the Electric T&D Income Statement

9

10 **Q. Please explain Column K, Stipulation Adjustment.**

11 **A.** Column K includes a reduction to rate base as a result of a Stipulation related
12 to Electric and Natural Gas Transmission and Distribution functions from a
13 prior rate review. Mr. Berzina explains this adjustment.

14

15 **Q. Please explain Column M, Amortization Adjustment.**

16 **A.** Column M, line 173, removes (\$10,021,238) for the 2023 amortization of a
17 prior year deferred property tax tracker deferral as NorthWestern tracks the
18 amortization in a separate annual tracker.

19

20 Line 174 adjusts 2023 expense by \$1,262,799 to remove the amortization of
21 the prior year USBC under-collection as NorthWestern tracks the balance in a
22 separate annual tracker.

23

1 Line 178 adjusts 2023 expenses for amortization of the current under-
2 collected balance of MPSC/MCC taxes by (\$273,953). Mr. Berzina further
3 explains this adjustment.

4

5 **Q. Please explain Column N, 2024 Forecasted Plant Adjustment.**

6 **A.** Column N presents the adjustment to incorporate average rate base related
7 to 2024 known and measurable rate base changes and the 2024 projected
8 depreciation expense. Mr. Berzina further describes the 2024 known and
9 measurable rate base projections.

10

11 **Q. Please explain Column O, Taxes Other Than Income Taxes Adjustment.**

12 **A.** Column O, line 180, presents the test year Taxes included in Property Tax
13 adjustment, and line 181, the test year Taxes Other Than Income Taxes
14 adjustment. Mr. Bjorkman explains property taxes.

15

16 **Q. Please explain Column P, Depreciation Adjustment.**

17 **A.** Column P presents the test year adjustment for depreciation expense. Mr.
18 Berzina explains the depreciation expense adjustment.

19

20 **Q. Please explain Column R, Working Capital Adjustment.**

21 **A.** Column R presents an adjustment for working capital. Mr. Berzina explains
22 the working capital adjustment.

23

1 **Q. Please explain Column S, Income Tax Adjustment.**

2 **A.** Column S presents adjustments for income taxes. Mr. Bjorkman explains
3 income taxes.

4

5 **Q. Please explain Column T, Interest Synchronization Adjustment.**

6 **A.** Column T presents an adjustment for interest synchronization. Mr. Bjorkman
7 also explains this adjustment.

8

9 **Q. Please explain Column U, Total Updates & Adjustments.**

10 **A.** Column U is the total of all adjustments in Columns G through T.

11

12 **Total Natural Gas Production Income Statement**

13 **Q. What is the purpose of the Total Natural Gas Production Income**
14 **Statement?**

15 **A.** The Total Production Income Statement included in Natural Gas Statement
16 G, tab "Production_23", presents the test period income statement for
17 NorthWestern's Natural Gas Production operations. The Total Production
18 Income Statement summarizes the revenues and expenses of Battle Creek,
19 Bear Paw, and South Bear Paw Production facilities. The income statement
20 starts with 2023 actual revenues and expenses, and adjustments to those
21 actuals are made to derive the test period cost of service for NorthWestern's
22 Production operations. I explain the adjustments in each column below.

23

1 **Q. Please explain Column D, Natural Gas Production, on the Total Natural**
2 **Gas Production Income Statement.**

3 **A.** This column summarizes the actual data based on NorthWestern's books and
4 records for the 12-month period ended December 31, 2023, for Battle Creek,
5 Bear Paw, and South Bear Paw fixed and variable costs. Income statements
6 for the individual production units are presented in Natural Gas Statement G.

7
8 **Q. Please explain Column E, Natural Gas Production Variable.**

9 **A.** Column E removes variable production expenses, such as royalties and other
10 supply costs, recovered through NorthWestern's Natural Gas Supply Tracker.
11 Column E is deducted from Column D as part of the calculation of Fixed
12 Production costs.

13
14 **Q. Please explain Column F, Natural Gas Production Fixed.**

15 **A.** This column presents the total 2023 unadjusted revenues and expenses for
16 the production function.

17
18 **Q. Please explain Column G, Revenue and Revenue Related Adjustments.**

19 **A.** The revenue adjustments in Column G are necessary to adjust actual 2023
20 revenues to revenues on a normalized basis. I explain these adjustments
21 below under Natural Gas Utility Revenues.

22

1 Column G, line 136, presents the adjustment for Uncollectible Accounts of
2 (\$20,553), as discussed above for the Electric T&D Income Statement.

3

4 Column G, line 181, presents the adjustment to increase actual MPSC and
5 MCC taxes to an amount based on a normalized test period level of revenues
6 as discussed above for the Electric T&D Income Statement.

7

8 **Q. Please explain Column H, Sales & Administrative & General Adjustment.**

9 **A.** Column H, line 145, presents a removal of (\$24,487) for non-allowable
10 advertising from the test period Sales Expense as discussed above for the
11 Electric T&D Income Statement.

12

13 Column H, line 162, presents an adjustment of \$68,972 for various
14 administrative and general expenses as follows. These adjustments are
15 consistent with adjustments discussed above for the Electric T&D Income
16 Statement:

- 17 • (\$3,969) decrease to FERC Account 920, Labor to normalize
18 severance expense.
- 19 • \$29,396 increase to FERC Account 925, to adjust test year liability
20 insurance premiums to known and measurable 2024 levels.
- 21 • \$110,835 increase to FERC Account 926, to adjust test year fringe
22 benefit expenses to known and measurable 2024 expense. Mr.
23 Berzina discusses the adjustment for pension and benefits.

- 1 • (\$3,260) decrease to FERC Account 928, to adjust regulatory expense
- 2 to known and measurable 2024 levels.
- 3 • (\$44,381) decrease to FERC Account 930 for the removal of expenses
- 4 recorded in 2023 related to environmental costs not recovered from
- 5 customers.
- 6 • (\$15,348) decrease to FERC Account 930.1, to remove non-allowable
- 7 advertising from test year Administrative & General Expense.
- 8 • (\$4,300) decrease to FERC Account 930.2, to remove dues and
- 9 contributions that the Commission has previously disallowed from test
- 10 year expenses.

11

12 **Q. Please explain Column I, Labor Adjustment.**

13 **A.** Column I adjusts labor to normalize test year levels as discussed above for
14 the Electric T&D Utility Income Statement.

15

16 **Q. Please explain Column M, Amortization Adjustment.**

17 **A.** Column M, line 173, removes (\$158,460) for the 2023 amortization of a prior
18 year deferred property tax tracker deferral as NorthWestern tracks the
19 amortization in a separate annual tracker.

20

21 Line 178 adjusts 2023 expenses account by (\$54,525) for amortization of the
22 current under-collected balance of MPSC/MCC taxes. Mr. Berzina explains
23 this adjustment.

1

2 **Q. Please explain Column N, 2024 Forecasted Plant Adjustment.**

3 **A.** Column N presents the adjustments to incorporate average rate base related
4 to 2024 known and measurable Production rate base changes and the
5 projected 2024 depreciation as discussed above for the T&D Income
6 Statement. Mr. Berzina further describes the 2024 rate base projections.

7

8 **Q. Please explain Column O, Taxes Other Than Income Taxes Adjustment.**

9 **A.** Column O presents the test year adjustment for Taxes Included in Property
10 Tax Tracker and Taxes Other Than Income Taxes. Mr. Bjorkman explains
11 property taxes.

12

13 **Q. Please explain Column P, Depreciation Adjustment.**

14 **A.** Column P presents the test year adjustment for depreciation expense. Mr.
15 Berzina explains the depreciation expense adjustment.

16

17 **Q. Please explain Column R, Working Capital Adjustment.**

18 **A.** Column R presents an adjustment for working capital. Mr. Berzina also
19 explains the working capital adjustment.

20

21 **Q. Please explain Column S, Income Tax Adjustment.**

22 **A.** Column S presents adjustments for income taxes. Mr. Bjorkman explains
23 income taxes in detail.

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Q. Please explain Column T, Interest Synchronization Adjustment.

A. Column T presents an adjustment for interest synchronization. Mr. Berzina explains this adjustment.

Q. Please explain Column U, Total Updates & Adjustments.

A. Column U is the total of all adjustments in Columns G through T.

Natural Gas Production Revenue Requirement Step-down

Q. Did NorthWestern update the Natural Gas Production Step-down that the Commission required in Final Order No. 7522g in Docket No. D2016.9.68?

A. Yes. The natural gas production step-down by year was updated to reflect:

- The current level of non-depleted natural gas reserves;
- The estimate of annual natural gas production volumes to be realized;
- The estimated amount of future asset retirement obligations associated with the Natural Gas Production facilities; and
- Other necessary changes to the overall natural gas production cost of service.

NorthWestern has updated the Natural Gas Production Step-Down for calendar years 2024 through 2027.³

³ See paragraph 4f of the Stipulation and Settlement Agreement in Docket No. D2016.9.68.

1 The latest estimate of the annual Natural Gas Production Step-Down is
2 presented below and the related calculations are detailed in Exhibit EAR-3.

Total Gas Production Revenue Requirements		
<u>Year</u>	<u>Percentage Reduction</u>	<u>Production Rev. Req.</u>
2025	-2.78%	19,269,074
2026	-2.59%	18,769,889
2027	-2.25%	18,347,806

3
4 **Q. Did NorthWestern include the 2024 step-down in this rate review filing?**
5 **A.** No, the 2024 step-down reduced customer rates at January 1, 2024. The
6 next step down will occur on January 1, 2025.

7
8 **Electric Utility Revenues (Electric Statement H)**

9 **Q. Please describe Electric Statement H.**
10 **A.** Electric Statement H presents NorthWestern’s electric utility revenues.
11 NorthWestern’s actual 2023 revenues per books are shown on Electric
12 Statement H⁴, tab “Stmnt H pg 1”, Column C. The pro forma test period
13 revenues at current rates, shown in Column G, are based on NorthWestern’s
14 most recent rates that went into effect by operation of law as part of Docket
15 No. 2023.12.100 (“Tax Tracker Docket”) multiplied by test year billing
16 determinates. NorthWestern did not include the amortization of the 2023
17 deferred balance from that docket in these rates.

⁴ See file labeled “Electric Stmt H” provided with this filing.

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The proposed revenues, shown in Column K, are a result of proposed rates multiplied by test year billing determinates. The resulting required revenue increase is presented in Column I. NorthWestern’s proposed rates are supported by the Direct Testimony of Charles R. Lane and are presented in Statement M – Rate Design.

Billing Determinants

Q. Do you sponsor billing determinants used in the development of Statement H?

A. Yes. Electric Statement H presents the test period billing determinants. The billing determinants contain information calculated by NorthWestern’s Load Research department to develop the test year billing determinants.

Q. How did NorthWestern determine the billing determinants?

A. NorthWestern relied on actual historical billing data, adjusted for weather, and known and measurable changes. The Commission has approved revenue requirement calculations based on this methodology in previous dockets. That methodology applies a normalized weather adjustment based on 10 years of weather data to the test period load information. The normalized load information is reflected on Electric Statement H, tab “Test Year TD&G Bill Det”.

1 **Q. How were normalized revenues calculated for NorthWestern’s electric**
2 **test year?**

3 **A.** Normalized revenues were calculated by multiplying the current base
4 transmission, distribution, and generation rates, plus the current base and
5 incremental property tax rates, by each of the billing determinants (test period
6 usage, demand usage, and number of customers) for each customer class.
7 Miscellaneous revenues were added to that product.

8

9 **Q. Does NorthWestern’s Electric billing data reflect revenue collected by**
10 **calendar month?**

11 **A.** No. The billing data reflects the monthly billing cycles that normally include
12 usage for the current and prior month (e.g., a July 15 meter read would
13 include 15 days of usage in July and 15 days of usage in June).

14

15 **Q. Were there any adjustments to the customer count for the Electric test**
16 **period?**

17 **A.** No. Consistent with prior rate reviews, the actual test period number of
18 customers was used for the customer count. The 2023 customer count
19 information is reflected on Electric Statement H, tab “Test Year TD&G Bill
20 Det”.

21

22 **Q. Please explain how the Yellowstone National Park loads are treated in**
23 **the derivation of rates process.**

1 **A.** NorthWestern recovers the costs for Yellowstone National Park through a
2 separately negotiated contract rate. Therefore, NorthWestern excludes the
3 loads and corresponding revenues from any Commission jurisdictional rate
4 design. Yellowstone National Park loads are not included in the actual
5 delivered load or normalized loads included in Electric Statement H.

6

7

Adjustments to Electric Test Period Revenues

8 **Q.** Did NorthWestern make adjustments to the Electric test period
9 revenues?

10 **A.** Yes. NorthWestern adjusted the following test period revenues:

- 11 • T&D Revenue;
- 12 • Generation Revenue;
- 13 • Generation CU4 Revenue;
- 14 • PCCAM Revenues;
- 15 • Miscellaneous Revenues; and
- 16 • Other Transmission Revenues.

17

18 **Q.** What revenue adjustments did NorthWestern make to Electric T&D
19 Revenue?

20 **A.** The T&D revenue adjustments are included in Electric Statement G, tab
21 “elec_23_T&D”, Column G. The adjustment on line 15 removes unbilled
22 revenues, BPA credit revenues, Competitive Transition Charge revenues,
23 USBC revenues, and amortization of the 2023 deferred balance so that only

1 T&D revenues remain in the test period, and reflects the difference between
2 test period normalized revenues and actual revenues recorded in 2023. The
3 adjustment on line 25 adjusts transmission revenues, and the adjustment on
4 line 27 adjusts miscellaneous revenues. I explain these adjustments below.

5
6 **Q. What revenue adjustments did NorthWestern make to Generation
7 revenues?**

8 **A.** The Generation revenue adjustments are included in Electric Statement G,
9 tab "Total Generation", Column I. These adjustments affect revenue
10 associated with CU4, DGGs, Hydros, Spion, and Two Dot. The adjustment
11 on line 15 removes unbilled revenues and amortization of the 2023 deferred
12 balance so that only Generation revenues remain in the test period and
13 reflects the difference between test period normalized revenues and actual
14 revenues recorded in 2023. The adjustment on line 25 adjusts transmission
15 revenues. I explain these adjustments below.

16
17 **Q. Please explain NorthWestern's normalizing adjustments to
18 miscellaneous revenues.**

19 **A.** Miscellaneous revenues include revenues such as the low-income discount,
20 rents from electric property, and sales of materials. NorthWestern normalized
21 the miscellaneous low-income discount revenues to zero, as NorthWestern
22 recovers the amount through the USBC charges that are tracked through a
23 separate annual tracker.

1 **Q. Please explain NorthWestern’s method for normalizing adjustments to**
2 **Transmission Revenues.**

3 **A.** Transmission revenues are revenues from services provided under
4 NorthWestern’s Open Access Transmission Tariff (“OATT”). The revenues
5 include Point-to-Point (“PTP”) revenues and transmission revenues for retail
6 customers who purchase electric commodity service from another supplier
7 (“Network”). NorthWestern normalized Transmission Revenues by using a
8 three-year average of 2021 through 2023.

9
10 **Q. Why did NorthWestern use a three-year average to derive test period**
11 **FERC transmission revenues?**

12 **A.** Changes to PTP contracts and changes in FERC transmission rates result in
13 NorthWestern’s transmission revenues increasing or decreasing.
14 NorthWestern used a three-year average to best capture these fluctuations⁵.
15 For consistency, NorthWestern also used the three-year average for Network
16 customers. See the Direct Testimony of Michael R. Cashell for further
17 discussion on this methodology.

18
19 **Q. Please explain how NorthWestern derived the revenue from FERC**
20 **ancillary services.**

21 **A.** As defined in NorthWestern’s OATT, ancillary services are: “Those services
22 that are necessary to support the transmission of capacity and energy from

⁵ See file labeled “FERC Revenues 2021_2023” provided with this filing.

1 resources to loads while maintaining reliable operation of the Transmission
2 Provider's Transmission System in accordance with Good Utility Practice.”⁶

3 Ancillary services include Regulation and Frequency Response Service
4 (Schedules 3/3A), Spinning Reserve Service (Schedule 5), Supplemental
5 Reserve Service (Schedule 6), Flex Reserve Service (Schedule 11), and
6 Energy Imbalance Service (Schedule 9).

7
8 NorthWestern used a three-year average of actual revenues received for
9 Schedules 3/3A, 5, 6, and 11 to normalize for fluctuations in these revenues.

10

11 As discussed above in the Electric Utility T&D Income Statement, the net
12 impact (revenue less expense) of Energy Imbalance Service revenue has
13 been removed as energy imbalance service should have no net income
14 impact (revenue less expense) for Montana customers. This adjustment is
15 reflected in Column G, line 82.

16

17 **Q. Why did NorthWestern exclude the 2023 deferred balance from the**
18 **rates?**

19 **A.** The amortization of the 2023 deferred balance is due to the tracking of taxes
20 and fees from the prior period and should not be used in a general rate review
21 to establish rates on a prospective basis.

22

⁶ NorthWestern Corporation FERC Electric Tariff, effective October 6, 2021 (MT), Section 1.

1 **Natural Gas Utility Revenues (Natural Gas Statement H)**

2 **Q. Please describe Natural Gas Statement H.**

3 **A.** Natural Gas Statement H presents NorthWestern’s natural gas utility
4 revenues. NorthWestern’s actual 2023 revenues per books are shown on
5 Natural Gas Statement H⁷, tab “Stmt H pg 1”, Column C. The pro forma test
6 period revenues at current rates, shown in Column G, are based on
7 NorthWestern’s most recent rates from the Tax Tracker Docket as discussed
8 above in the Electric Revenue section multiplied by test year billing
9 determinates. Consistent with Electric Revenue, NorthWestern did not
10 include the amortization of the 2023 deferred balance from that docket in
11 these rates.

12
13 The proposed revenues, shown in Column K, are a result of proposed rates
14 multiplied by test year billing determinates. The resulting required revenue
15 increase is presented in Column I. NorthWestern’s proposed rates are
16 supported by Mr. Lane’s testimony and are presented in Statement M – Rate
17 Design.

18

⁷ See file labeled “Gas Stmt H” provided with this filing.

1 **Billing Determinants**

2 **Q. Do you sponsor billing determinants used in the development of**
3 **Statement H?**

4 **A.** Yes. Natural Gas Statement H presents the test period billing determinants.
5 The billing determinants contain information calculated by NorthWestern's
6 Gas Supply department to develop the test year billing determinants.

7
8 **Q. How did NorthWestern determine the billing determinants?**

9 **A.** NorthWestern relied on actual historical billing data, adjusted for weather, and
10 known and measurable changes. The Commission has approved revenue
11 requirement calculations based on this methodology in previous dockets. That
12 methodology applies a normalized weather adjustment based upon 10 years
13 of weather data to the test period load information. In addition, NorthWestern
14 has included a known and measurable increase in loads due to YCGS. The
15 normalized load information is reflected on Natural Gas Statement H, tab
16 "Test Year Bill Det".

17
18 **Q. How were normalized revenues calculated for NorthWestern's natural**
19 **gas test year?**

20 **A.** Normalized revenues were calculated by multiplying the current base
21 transmission, distribution, and production rates, plus the current base and
22 incremental property tax rates, by each of the billing determinants (test period

1 usage, demand usage, and number of customers) for each customer class.
2 Miscellaneous revenues were added to that product.

3

4 **Q. Does NorthWestern’s Natural Gas billing data reflect revenue collected
5 by calendar month?**

6 **A.** No. As discussed above for Electric Revenue, the billing data reflects the
7 monthly billing cycles that normally include usage for the current and prior
8 month (e.g., a July 15 meter read would include 15 days of usage in July and
9 15 days of usage in June).

10

11 **Q. Were there any adjustments to the customer count for the Natural Gas
12 test period?**

13 **A.** No. Consistent with prior rate reviews, the actual test period number of
14 customers was used for the customer count. The 2023 customer count
15 information is reflected on Natural Gas Statement H, tab “Test Year Bill Det”.

16

17 **Adjustments to Natural Gas Test Period Revenues**

18 **Q. Did NorthWestern make adjustments to the Natural Gas test period
19 revenues?**

20 **A.** Yes. NorthWestern adjusted the following Natural Gas test period revenues:

- 21 • TD&S Revenue;
- 22 • Production Revenue; and
- 23 • Miscellaneous Revenues.

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Q. What adjustments did NorthWestern make to Natural Gas TD&S Revenue?

A. The TD&S revenue adjustments are included in Natural Gas Statement G, tab “Gas_23_T&D”, Column G. The adjustment on line 15 removes unbilled revenues, USBC revenues, and amortization of the 2023 deferred balance so that only TD&S revenues remain in the test period, and reflects the difference between test period normalized revenues and actual TD&S revenues recorded in 2023. Line 28 adjusts transportation revenue, and line 29 adjusts miscellaneous revenues. I explain these adjustments below.

Q. What adjustments did NorthWestern make to Natural Gas Production Revenue?

A. The Production revenue adjustments are included in the Natural Gas Utility Statement G, tab “Production_23” Column G. The adjustment on line 15 removes unbilled and amortization of the 2023 deferred balance so that only Production revenues remain in the test period, and reflects the difference between test period normalized revenues and actual revenues recorded in 2023 period. I explain these adjustments below.

1 **Q. Please explain NorthWestern’s normalizing adjustments to**
2 **transportation revenues.**

3 **A.** Test period Transportation revenues included revenue from contracts with
4 third parties. The adjustment on line 28 removes that revenue to reflect the
5 expiration of those contracts.

6
7 **Q. Please explain NorthWestern’s normalizing adjustments to**
8 **miscellaneous revenues.**

9 **A.** Miscellaneous revenues include revenues such as the low-income discount,
10 rents from natural gas property, and sales of materials. NorthWestern
11 normalized the miscellaneous low-income discount revenues to zero, as
12 NorthWestern recovers the amount through the USBC charges that are
13 tracked through a separate annual tracker.

14
15 **Q. Why did NorthWestern exclude the 2023 deferred balance from the**
16 **rates?**

17 **A.** The amortization of the 2023 deferred balance is due to the tracking of taxes
18 and fees from the prior period and should not be used in a rate review to
19 establish rates on a prospective basis.

20

1

Conclusion

2 **Q. Please summarize your testimony.**

3 **A.** In this filing, NorthWestern is requesting approval of an overall electric utility
4 revenue requirement of \$1,178,477,121 and an overall natural gas revenue
5 requirement of \$201,049,845 as follows:
6

	Base Rates	Property Taxes	PCCAM (Excl DSM)	Total Electric Utility
Test Year Revenue	\$ 583,575,535	\$ 121,726,568	\$ 403,783,497	\$ 1,109,085,600
Required Revenue Increase	156,503,585	7,409,982	(94,522,047)	69,391,520
Total Revenue Requirement	\$ 740,079,120	\$ 129,136,550	\$ 309,261,451	\$ 1,178,477,121
	62.8%	11.0%	26.2%	

7

	Base Rates	Property Taxes	Total Natural Gas Utility
Test Year Revenue	\$ 138,946,148	\$ 33,228,281	\$ 172,174,428
Required Revenue Increase	28,633,763	241,654	28,875,417
Total Revenue Requirement	\$ 167,579,911	\$ 33,469,934	\$ 201,049,845
	83.4%	16.6%	

8

9 **Q. Does this conclude your direct testimony?**

10 **A.** Yes, it does.

11

Verification

This Direct Testimony of Elaine A. Rich is true and accurate to the best of my knowledge, information, and belief.

/s/ Elaine A. Rich
Elaine A. Rich