

**Before the Public Utilities Commission  
of the State of South Dakota**

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<b>In the Matter of the Application of NorthWestern Corporation d/b/a NorthWestern Energy for Authority to Increase Its Electric Rates</b>	<b>Docket No. EL14-106  NorthWestern Energy's Request Regarding Beethoven Adjustments</b>
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NorthWestern Corporation d/b/a NorthWestern Energy (*NorthWestern*) is a party to a settlement stipulation (*Stipulation*, as defined in the Background section below) in this Docket which requires NorthWestern, on or before January 1, 2019, to make certain adjustments related to the Beethoven wind generation facility (*Beethoven*). The Stipulation requires NorthWestern to (1) adjust the amount in base rates to reflect actual revenue requirements for the 12 months ended September 30, 2018, and (2) calculate a one-time bill adjustment to refund or collect the difference between the estimated operations and maintenance (*O&M*) expenses and the actual O&M expenses incurred between October 1, 2015, and September 30, 2018.

NorthWestern has calculated these adjustments and shared the calculations with the South Dakota Public Utilities Commission Staff (*Staff*). The net result of these two adjustments would be an increase in the amount collected from customers — \$204,000 in 2018 and \$653,000 each subsequent year.

NorthWestern does not want to increase costs to customers and, instead, proposes to maintain the existing base rates and revenue requirement (and not make the Stipulation's adjustments) until the South Dakota Public Utilities Commission (*Commission*) approves a change in NorthWestern's rates as part of a future general electric rate case.

NorthWestern requests the Commission's permission to deviate from the specific terms of the Stipulation and maintain the existing amount in base rates and the existing revenue requirement. NorthWestern is informed that Staff supports this request.

## **Background**

On December 19, 2014, NorthWestern initiated a general electric rate case by filing an application with the Commission for approval to increase rates for electricity service to its South Dakota customers by approximately \$26.5 million annually. In the late stages of the rate case, NorthWestern had the opportunity to acquire Beethoven.

Staff and NorthWestern worked together to find a solution to bring Beethoven into rates and entered into a settlement stipulation which both resolved the issues of the rate case and established base rates for Beethoven. Subsequently, Staff, NorthWestern, and the intervenors in the rate case entered into a revised settlement stipulation, which the Commission approved on October 29, 2015. Thereafter, the parties sought to amend the revised stipulation to address the timing of the required Beethoven adjustments initially set forth in the revised stipulation. On September 26, 2018, the Commission approved the Amendment to Revised Settlement Stipulation (*Stipulation*).

### **The Stipulation requires an adjustment to the amount in base rates and a one-time adjustment to reflect actual O&M expenses.**

The Stipulation requires adjustments to the amount in base rates and an O&M expenses true up, based upon NorthWestern's actual operating results for Beethoven for the 12 months ended September 30, 2018. Specifically, these two adjustments, which must occur by January 1, 2019 are:

- 1. Amount in Base Rates.** “NorthWestern will adjust the amount in base rates for Beethoven to the cost of service calculated based on actual year 3 revenue requirements (12 months ended September 30, 2018) adjusted for known and measurable changes, using Staff’s settlement cost of service model utilized in this rate case.” *See Stipulation, p. 7.*
- 2. One-Time O&M Refund or Collection.** “NorthWestern will adjust the authorized revenue requirement for Beethoven for any differences between operations and maintenance expenses incurred in the operation of Beethoven and the estimated amounts used in establishing the amount in base rates. The net amount over collected or under collected from customers between October 1, 2015, and September 30, 2018, will be ... refunded or billed to customers (without interest).” *See Stipulation, p. 7.*

NorthWestern calculated these adjustments, as required by the Stipulation, and shared the results of that calculation with Staff. The calculation of the first adjustment (the amount in base rates) would result in an *annual increase* in customer rates of \$653,000. The second adjustment (to collect or refund the difference between actual O&M expenses incurred between October 1, 2015, and September 30, 2018 and what was estimated in EL14-106) would result in a *one-time refund* to customers of \$449,000. Thus the net result of these two adjustments would be an additional \$204,000 collected from customers this year and \$653,000 each subsequent year.

Instead of increasing the amounts customers must pay pursuant to the terms of the Stipulation, NorthWestern requests the Commission’s permission to deviate from the terms of the Stipulation and maintain the existing amount in base rates and the existing revenue requirement until the Commission changes NorthWestern’s rates as part of a future general electric rate case. In other words, with the Commission’s permission, NorthWestern would keep the one-time O&M refund due customers and give up the annual increase in rates until the next general rate case. Additionally, because NorthWestern is proposing to not

adjust rates (to not increase rates), there is no need to track, as required by the Stipulation, the over or under collection of base rates from the year ended September 30, 2018, and the effective date of January 1, 2019 and include them in the one-time bill adjustment no later than March 31, 2019.

## **Conclusion**

NorthWestern proposes to maintain the existing rates for its customers, rather than comply with the terms of the Stipulation and increase customer rates. NorthWestern is willing to wait to adjust rates until the Commission's consideration of NorthWestern's next general rate case. Accordingly, NorthWestern requests the Commission's permission to deviate from the terms of the Stipulation and not make the Stipulation's required adjustments to base rates and the one-time refund of O&M expenses.

Dated at Sioux Falls, South Dakota, November 20, 2018.

**NORTHWESTERN CORPORATION,  
d/b/a NORTHWESTERN ENERGY**




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**Certificate of Service**

I hereby certify that on November 20, 2018, a true and correct copy of *NorthWestern Energy's Proposal Regarding Required Beethoven Adjustments*, was served upon the service list on the following page.

**NORTHWESTERN CORPORATION,  
d/b/a NORTHWESTERN ENERGY**



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Timothy P. Olson

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