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## STAFF MEMORANDUM

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**TO:** COMMISSIONERS AND ADVISORS  
**FROM:** PATRICK STEFFENSEN AND AMANDA REISS  
**RE:** EL23-002 - In the Matter of the Filing by NorthWestern Corporation dba NorthWestern Energy for Approval of its Power Plant Study Costs Regulatory Asset  
**DATE:** February 23, 2023

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Commission Staff (Staff) submits this Memorandum regarding its recommendations for the above captioned matter.

### **BACKGROUND**

On February 8, 2023, the South Dakota Public Utilities Commission (Commission) received a filing from NorthWestern Corporation dba NorthWestern Energy (NorthWestern or Company) for approval of deferred accounting treatment and the creation of a regulatory asset for the purpose of accumulating the financial costs of a study regarding NorthWestern's participation in a potential nuclear plant in South Dakota. NorthWestern asks that costs paid beginning on March 1, 2023, be included in this determination and has provided an estimate and timeline of those costs in Confidential Exhibit B. The costs will be accumulated and held in the regulatory asset for consideration in a future rate filing.

According to NorthWestern, its most recent Integrated Resource Plan (IRP) identified nuclear and natural gas as cost effective alternatives for the replacement of coal production. NorthWestern elaborates in response to Data Request 1-1 that it has no intention to retire any coal facilities early but needs to be prepared for potential outside factors that may force the early retirement of coal.

To pursue a potential nuclear project within the projected 2030 construction time frame, as identified in the IRP, and participate in Department of Energy (DOE) funding, NorthWestern claims it must complete the study in 2023. NorthWestern further explains in its response to Data Request 1-2 that its consultant recommends that NorthWestern complete the study and apply for DOE funding as soon as possible to increase the chance of being selected for funding.

In response to Data Request 1-7, NorthWestern states that it has been in discussion with possible partners, and if a partnership develops, cost sharing of all applicable study costs will be negotiated depending on levels of participation. NorthWestern explains the deferred accounting approach will allow all development costs to be allocated to the parties appropriately, based on future participation.

### **RECOMMENDATION**

Staff recommends the Commission grant NorthWestern Energy's request for deferred accounting treatment of costs associated with the nuclear plant study and the creation of an associated regulatory asset for costs paid beginning March 1, 2023, with the following conditions:

1. The deferred accounting method and the resulting creation of a regulatory asset shall not preclude Commission review of these amounts and any future cost recovery for reasonableness and prudence, including both rate filings by NorthWestern and rate reviews initiated by the Commission, and does not guarantee any such recovery.
2. The allowance for deferred accounting and the resulting creation of a regulatory asset in this docket is based on the facts of this case and any future deferred accounting method and the resulting creation of a regulatory asset for any other costs not related to this current docket must be approved by the Commission.