

NorthWestern Energy
Docket GE12-001
South Dakota Demand Side Management Plan
South Dakota Public Utility Commission (SDPUC)

Data Request May 13, 2014

PUC Fiegen – Q6

Can startup costs be stretched out over a longer time so the future rate payers share the burden?

RESPONSE: (May 23, 2014)

NorthWestern (NWE) originally proposed capitalizing DSM costs, including startup costs in GE09-001 and this concept was not supported by staff or the SDPUC in its order dated May 11, 2010. NWE attempts to match revenues and expenses as part of its regulatory philosophy and financial management. Matching revenues and expenses over time is a standard rate-making principle. Absent capitalizing DSM costs, cost recovery through an expense mechanism is a satisfactory alternative that adheres to this principle.

Recovering startup costs over time would be possible by capitalizing DSM costs and amortizing those costs over an assumed life (i.e., 20 year period). Capitalizing such costs would be based on the SDPUC's directive and NorthWestern would request/require a return on those capitalized costs, consistent with current rate-making principles.