

Docket Number: GE22-002
Subject Matter: Staff's Data Request 2
Request to: NorthWestern Energy
Request from: South Dakota Public Utilities Commission Staff
Date of Request: 7/12/22
Responses Due: 7/19/22

2-1. *Upon restructuring, will there be separate Board of Directors for NorthWestern Corporation and NorthWestern Energy Prairies Corporation? If so, will there be any board members shared by the two corporations? Does this comply with current ringfencing rules?*

NorthWestern expects the current NorthWestern Corporation Board to become the Board of NorthWestern Energy Group, Inc. (the new holding company). NorthWestern has not chosen Boards for the two new utility subsidiaries, including NorthWestern Corporation, but intends to appoint internal employees/executives to the utility subsidiary boards. With the possible exception of NorthWestern's chief executive officer, there will be no overlap between the members of the new holding company's Board the two utility subsidiaries' Boards. NorthWestern believes this complies with current ringfencing standards.

The corporate restructuring will provide more transparent ringfencing between the jurisdictional utility subsidiaries. NorthWestern anticipates that separate credit ratings will be issued for each utility subsidiary.

2-2. *Upon restructuring, will there be a separate Board of Directors for NorthWestern Energy Group, Inc.? If so, will there be any board members shared with NorthWestern Corporation and NorthWestern Energy Prairies Corporation? Does this comply with current ringfencing rules?*

See Response to 2-1 above.

2-3. *Does this restructuring enhance ringfencing benefits for South Dakota customers? Explain.*

Yes. Today, substantially all of NorthWestern's public utility assets (including all of its public utility assets in South Dakota and Nebraska and substantially all of its Montana public utility assets) are held at the parent company level, which also owns interests in unregulated businesses. Under the proposed restructuring, NorthWestern intends to ring fence its utility assets in separate utility subsidiaries, with one subsidiary for its South Dakota and Nebraska assets and a separate subsidiary for its Montana assets.

The proposed restructuring will provide two primary ring fencing enhancements for NorthWestern's South Dakota assets. First, the restructuring will isolate the regulated utility assets from any unregulated businesses. Today, the parent company owns the regulated utility assets and also owns the interests in some minor unregulated subsidiaries. After the restructuring, the regulated utility assets will be further isolated from those unregulated subsidiaries by no longer being above them in the ownership structure. The utility assets will be further protected because the entity that owns the utility assets no longer will be responsible for funding the unregulated subsidiaries. This ring fencing of the utility assets in an entity separate from any nonutility business goes beyond the ring fencing requirement of separate accounts set forth in [SDCL §49-34A-19.1](#).

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Second, it isolates the regulated utility assets of one jurisdiction from the impact of decisions of another jurisdiction. Today, all of NorthWestern's utility assets are held by the same entity. Going forward, NorthWestern proposes to have separate utility subsidiaries. By way of example only, a future decision in one jurisdiction that promotes an increased renewable energy portfolio no longer will have a direct impact on the entity holding the utility assets of another jurisdiction. Separating the utility jurisdictions into separate subsidiaries as proposed in the restructuring will isolate one jurisdiction (and its regulators and customers) from the decisions of another jurisdiction.