
STAFF MEMORANDUM

TO: COMMISSIONERS AND ADVISORS
FROM: PATRICK STEFFENSEN, AMANDA REISS, AND LOGAN SCHAEFBAUER
RE: Docket GE23-002 - In the Matter of the Application of NorthWestern Energy Public Service Corporation for Approval of an Order Authorizing It to Issue Up to \$350 Million of Securities
DATE: December 14, 2023

Commission Staff (Staff) submits this memorandum regarding its recommendations for Docket GE23-002.

BACKGROUND

On October 30, 2023, NorthWestern Energy Public Service Corporation¹ (NorthWestern) filed with the Commission an application for an order authorizing it to issue up to \$150 million in secured debt securities and up to \$200 million in unsecured debt securities. On November 27, 2023, the Commission issued an order extending the timeframe for issuing a decision to January 1, 2024, to allow Commission Staff more time to analyze the docket. On December 7, 2023, NorthWestern made a Supplemental Filing to further explain and amend its request in this docket.

Pursuant to SDCL § 49-34A-29, a public utility receiving more than 25% of its gross revenue in this state and which nonresident public utility is exempt from the jurisdiction of the Federal Energy Regulatory Commission (FERC) in the issuance of its securities needs an order from the Commission authorizing the issuance of any security, or assumption of any obligation or liability as a guarantor, endorser, surety, or otherwise, in respect of any security of another person. Since NorthWestern will receive more than 25% of its gross revenue in South Dakota upon corporate restructuring on January 1, 2024, and is exempt from the jurisdiction of FERC in the issuance of its securities, it requests such approval from the Commission.

Currently, the South Dakota and Nebraska utilities can access \$550 million in unsecured revolving credit facilities held by NorthWestern Corporation. Upon restructuring, NorthWestern will no longer have access to these credit facilities, so it is in the process of establishing a \$150 million 5-year unsecured revolving credit facility with the option of increasing the size to \$200 million if the need arises. NorthWestern estimates the average outstanding loan under this facility will be approximately \$75 million, so it does not anticipate increasing the facility. NorthWestern states in its Supplemental Filing that the pricing of the new facility will be the same as the pricing of the existing facility held by NorthWestern Corporation.

NorthWestern is also seeking approval to issue up to \$150 million of secured debt starting on January 1, 2024. This will consist of \$64 million to refinance existing debt that matures in May 2025, \$36 million to

¹ In docket GE22-002, the name of the South Dakota/Nebraska utility was NorthWestern Energy Prairies Corporation with the understanding the names were not yet finalized. NorthWestern Energy Public Service Corporation is what was ultimately chosen for the South Dakota/Nebraska utility.

finance anticipated capital expenditures in the next two years, and the remaining \$50 million to allow for flexibility to term out short-term debt in the event the market conditions are advantageous for incremental secured debt financing. As shown on Statement G in rate case docket EL23-016, NorthWestern has an additional \$416 million in current secured debt with varying maturity dates. NorthWestern plans to request approval to refinance this debt in the future as the need arises. NorthWestern states in its Supplemental Filing that it expects to have the same credit ratings as the current ratings of NorthWestern Corporation and therefore does not anticipate this restructuring in itself to affect the costs of these debt securities.

STAFF'S ANALYSIS

Staff reviewed the Company's filing to ensure it met the requirements of applicable statutes and to evaluate the impact the debt issuance could have on NorthWestern's customers.

Pursuant to SDCL § 49-34A-32, the Commission shall make an order under § 49-34A-29 only if it finds that an issue or assumption is for some lawful object, within the corporate purposes of the applicant and compatible with the public interest, which is necessary or appropriate for or consistent with the proper performance by the applicant of service as a public utility and which will not impair its ability to perform that service, and is reasonably necessary or appropriate for such purposes. The Company states in its Supplemental Filing that the proposed issuance is to support working capital needs, capital expenditures, investments in or acquisition of assets, dividend payments, and repayment of maturing debt.

The actual impact this proposed issuance will have on customer rates will be determined as part of future rate case filings. Staff's rate of return witness will analyze the Company's capital structure and debt costs to ensure the rate of return allowed in future rate cases is in the public interest.

RECOMMENDATION

Staff recommends the Commission authorize NorthWestern to issue up to \$150 million in secured debt securities and up to \$200 million in unsecured debt securities, with the conditions that Commission authorization does not constitute the Commission's determination of any utility ratemaking issues and that the issuance of securities does not mean that the Commission is in any way prohibited at some future date from finding NorthWestern's capital structure in need of adjustment.