

**BEFORE THE  
PUBLIC UTILITIES COMMISSION  
STATE OF SOUTH DAKOTA**

**NORTHWESTERN CORPORATION DBA NORTHWESTERN ENERGY  
DOCKET NO. NG07-013**

**TESTIMONY AND EXHIBITS OF ROBERT L. KNADLE  
ON BEHALF OF THE COMMISSION STAFF  
OCTOBER 2007**

BEFORE THE  
PUBLIC UTILITIES COMMISSION  
STATE OF SOUTH DAKOTA

NorthWestern Corporation, dba NorthWestern Energy  
Docket No. NG07-013

Testimony and Exhibits of Robert L. Knadle  
On Behalf of Commission Staff

October 2007

1 Q. Please state your name, business address and current position.

2 A. My name is Robert L. Knadle and my business address is South Dakota Public  
3 Utilities Commission, State Capitol Building Pierre, South Dakota 57501. I am  
4 presently employed as a utility analyst with the Fixed Utilities Division of the  
5 Public Utilities Commission.

6 Q. Please describe your educational background and experience.

7 A. I have been with the Public Utilities Commission since March of 1980. I received  
8 a Bachelor of Science Degree in Commercial Economics from South Dakota State  
9 University in December of 1979. I have attended a number of seminars and  
10 workshops on utility related matters during my employment with the  
11 Commission.

12 Q. Have you previously presented testimony before this Commission?

13 A. Yes. I have presented written and oral testimony and exhibits on numerous  
14 occasions before this Commission, primarily on electric and natural gas matters.

15 Q. Are you familiar with NorthWestern Corporation d/b/a NorthWestern Energy's  
16 ("Northwestern" or "Company") application for an increase in natural gas rates in  
17 South Dakota, Docket No. NG07-013?

18 A. Yes. I have reviewed the Company's prefiled testimony, exhibits, working papers  
19 and data responses supplied by Northwestern as it pertains to the issues that I am  
20 addressing.

21 Q. What is your role in this docket?

22 A. I shall comment and make recommendations to Staff Witnesses Senger and  
23 Bettmann regarding the following Northwestern adjustments to operating income

1 and rate base: 1. Cash working capital 2. Tax collections available 3.  
2 Freeman/AMPI purchase 4. Gas costs related to the weather normal adjustment 5.  
3 Heartland Grain bypass 6. Ad valorem tax adjustment 7, purchased gas cost  
4 adjustment 8. Updates to materials and supplies, propane inventory, natural gas  
5 storage, and prepayments 9. Merger and acquisition and non utility related costs  
6 10. Labor increase to union and non union and corresponding adjustment to  
7 payroll taxes 11. Intra company rent on capitalized common assets and 12.  
8 Insurance actuarial related adjustment to reserves. My recommendations are  
9 based on Northwestern's 2006 actual cost of service.

10 Q. How has Northwestern treated cash working capital in its exhibits?

11 A. Northwestern makes no claim for an allowance for cash working capital.

12 Q. Have you analyzed the Company's cash working capital requirements?

13 A. Yes. I have utilized a lead-lag study to measure the cash flows of the Company  
14 for its operating expenses.

15 Q. Would you please describe how a lead-lag study measures cash working capital  
16 requirements?

17 A. It is a study of time between (1) when a service is provided to a customer and  
18 when the revenue from that service is received by the utility and (2) the time  
19 between when service is provided to the utility and when those costs are paid by  
20 the utility. The difference between these is expressed in days. This difference  
21 multiplied by the average daily operating expense results in the cash working  
22 capital required or available for those operating expenses. The detail for this can  
23 be found on Exhibit\_\_\_ (RLK-1), Schedule 1.

24 Q. Have you prepared an independent analysis of revenue lag for the Company's  
25 South Dakota jurisdiction?

26 A. No. I have utilized 20 days for the bill payment period which reflects the due date  
27 by which a bill should be paid in order to avoid paying a late fee. This lag was  
28 added to the average service period of 15.21 days and processing lag of 1 day  
29 resulting in a total revenue lag of 36.21 days.

30 Staff has also eliminated late payment charge revenues in the amount of \$175,772  
31 from other revenues. The revenues generated by the late payment charges are, in

1 effect, a return due the company for extending credit to their customers that pay  
2 beyond 20 days and should be considered a below-the-line item for ratemaking  
3 purposes.

4 In addition, I have taken into account certain tax collections available to the  
5 Company prior to the time the money is paid to the taxing authority. The detail  
6 for this adjustment can be found on Exhibit \_\_\_\_ (RLK-1), Schedule 2.

7 Q. What is your recommendation in regard to the Company's adjustment for the  
8 purchase of the Freeman distribution system and the AMPI transmission line on  
9 February 1, 2007, that the Commission approved in Docket No. NG06-013 on  
10 January 9, 2007?

11 A. I have reflected the depreciated original cost of the property at the date of  
12 purchase for inclusion in rate base in lieu of the Company's acquisition cost for  
13 the property. This reduces the Company's plant adjustment by approximately  
14 \$250,000. The detail for this can be found on Exhibit \_\_\_\_ (RLK-1), Schedule 3,  
15 page 2.

16 The Company used volumes and customer data from October 2004 thru September  
17 2005 in their determination of revenues and did not weather normalize the  
18 volumes. Staff utilized 2006 volumes and customer data provided by the City of  
19 Freeman to the Company. Staff weather normalized the volumes for the City of  
20 Freeman, used actual volumes for AMPI and eliminated 15 customer accounts  
21 from Rate 81 customers because they are not being served by Northwestern at this  
22 time in their determination of gas costs and distribution revenues. The detail for  
23 this can be found on Exhibit \_\_\_\_ (RLK-1), Schedule 3, pages 3 and 4. Exhibit \_\_\_\_  
24 (RLK-1), Schedule 3, page 1 provides a summary of Staff adjustments for the  
25 purchase.

26 Q. Please explain your adjustment for gas costs found on Exhibit \_\_\_\_ (RLK-1),  
27 Schedule 4, page 1.

28 A. This adjustment simply incorporates Staff's recommendation for the adjustment  
29 required to weather normalize volumes in the test year and applies the per book  
30 average gas cost rate by rate schedule to approximate the gas costs attributable to  
31 those increased volumes.

- 1 Q. What is your recommendation in regard to Heartland Grain?
- 2 A. Heartland Grain was a customer during the test year and has recently bypassed
- 3 the Company's distribution system. The Company reflected the elimination of
- 4 revenues from this customer in their adjustment to transportation Rate
- 5 87(Option B). I have accepted this adjustment but have made a further
- 6 adjustment to remove stranded plant and test year depreciation from the test
- 7 year. The detail for this can be found on Exhibit \_\_\_ (RLK-1), Schedule 5,
- 8 page 1.
- 9 Q. What is your recommendation in regard to ad valorem taxes?
- 10 A. The Company's per book ad valorem taxes were inadvertently allocated
- 11 between electric and gas operations using the 4-factor formula described on
- 12 page KGK-5 of Kliever's testimony. The Company determined it would be
- 13 more appropriate to allocate ad valorem taxes based on net plant in service and
- 14 have proposed an adjustment to correct this error. The Company has an
- 15 adjustment clause for ad valorem taxes in place similar to a purchased gas cost
- 16 adjustment clause which tracts dollar for dollar the revenue received and
- 17 expenses incurred for property taxes so they are made whole, nothing less
- 18 nothing more. It is my understanding that the expenses for ad valorem taxes
- 19 utilized in the adjustment clause were based on the net plant allocation factor
- 20 so the over/under recovery balance in that account should be minimal. What
- 21 my adjustment accomplishes is to correct for the allocation error and match
- 22 test year revenues received for ad valorem taxes with the per book amount of
- 23 ad valorem taxes since any imbalance will be adjusted for in the ad valorem
- 24 clause. The detail for this adjustment can be found on Exhibit \_\_\_ (RLK-1),
- 25 Schedule 6, page 1.
- 26 Q. Please describe your adjustment for purchased gas costs as found on
- 27 Exhibit \_\_\_ (RLK-1), Schedule 7, page 1.
- 28 A. The company has a purchased gas cost adjustment clause which operates
- 29 basically the same as what was just described for the ad valorem tax
- 30 adjustment clause and my adjustment matches test year revenues with test year

1 costs. Both of these adjustments accomplish the removal of the related  
2 revenues and expenses out of the cost of service.

3 Q. What is your recommendation with regard to materials and supplies, propane  
4 inventory, natural gas storage and prepayments?

5 A. I have adjusted materials and supplies, propane inventory, and prepayments  
6 to reflect the most recent 13 month average and natural gas storage to reflect  
7 the most recent 12 month average. The rationale for the 12 month average for  
8 natural gas storage versus the 13 month averages utilized for the other  
9 categories is that the balances for natural gas storage fluctuate widely from  
10 month to month because of seasonality.

11 Q. Please describe the adjustment for the correction to Rate 87 therms as found on  
12 Exhibit \_\_\_ (KAS-1), Schedule 3, page 3, column y.

13 A. The adjustment moves 121,023 therms out of Rate 87 (Option A) to Rate 87  
14 (Option B) per an email from Company Witness Decker to Staff Witness  
15 Knadle on October 12, 2006. The effect of the change is to reduce  
16 transportation revenues by \$2,227.

17 Q. Please describe the adjustment for SDSU as found on Exhibit \_\_\_ (KAS-1),  
18 Schedule 3, page 3, column aa.

19 A. SDSU was on Rate 85 (Commercial and Interruptible Sales Service) for one  
20 month during the test year. The adjustment moves the billing determinants to  
21 transportation Rate 87. The effect of the adjustment is to decrease sales  
22 revenues by \$142,940, increase transportation revenues by \$3,443 and  
23 decrease gas costs by \$139,497.

24 Q. Please describe your adjustment for Dakota Ethanol as found on Exhibit \_\_\_  
25 (KAS-1), Schedule 3, page 4, column ab.

26 A. The adjustment corrects the test year therms to comply with the transportation  
27 contract. The effect of the adjustment is to decrease transportation revenues by  
28 \$2,599.

29 Q. Please describe your adjustment for Northern Lights Ethanol as found on  
30 Exhibit \_\_\_ (KAS-1), Schedule 3, page 4, column ac.

1 A. Otter Tail Power Company and Northwestern entered into a contract in 2002 to  
2 serve the Northern Lights Ethanol facility which is located on the Big Stone  
3 Power Plant property. The contract specifies the sharing of costs to serve the  
4 facility. My adjustment reflects the correct allocation of terms to  
5 Northwestern per data response 7-4. The effect of this change is to reduce  
6 transportation revenues by \$25. I have also increased other operating revenues  
7 by \$3,754 to reflect Otter Tail Power Company's allocation of operation and  
8 maintenance expenses related to serving the facility that was not reflected in  
9 the test year per emails of October 12 and 16, 2007, from Company Witness  
10 Decker to Staff Witness Knadle.

11 Q. Are there any issues where Staff does not contest the Company's adjustments?

12 A. There is no dispute on many of the adjustments required to reflect South  
13 Dakota ratemaking practices. Specifically, at the present time we do not  
14 dispute the following adjustments proposed by the company: 1. Merger and  
15 acquisition and non utility related costs in the amount of (\$102,015) 2. Three  
16 percent labor increase to union and non-union employees in the amount of  
17 \$120,338 that was effective on January 1, 2007, and the corresponding  
18 increase to payroll taxes 3. Intra company rent on capitalized common assets  
19 associated with computer programs and equipment that shared by all  
20 jurisdictions of the company in the amount of \$37,632 and 4. Insurance  
21 actuarial adjustment related to reserves for general liability, auto loss, and  
22 worker's compensation in the amount of \$35,323. The above adjustments can  
23 be found on Exhibit \_\_\_ (KAS-1), Schedule 3, columns h, j, k and l and  
24 Statement N, page 3, column g, page 3, column i, page 4, column b, and page  
25 4, column d respectively.

26 Q. I have no further questions at this time.

NorthWestern Energy  
Docket NG07-013  
Cash Working Capital  
Adjusted Test Year Ending December 31, 2006

Line	Description (a)	South Dakota Gas Test Year (Per Books) (b)	Adjustments (c)	Adjusted South Dakota Gas Test Year Expense (d)	Expense Per Day (e)	Expense Lead Days (f)	Expense Dollar Days (g)
1	Operation & Maintenance						
2	Gas Purchases	\$ 44,205,049	\$ 6,111,537	\$ 50,316,586	\$ 137,854	35.3	\$ 4,866,246
3	Labor Expense	3,979,070	120,338	4,099,408	11,231	13.5	151,619
4	Fringe Benefit	352,485	(5,237)	347,248	951	38.1	36,233
5	Insurance Expense	51,569	-	51,569	141	38.1	5,372
6	Uncollectible Accounts Exp.	266,691	-	266,691	731	38.1	27,851
7	Regulatory Commission Exp.	-	30,000	30,000	82	38.1	3,124
8	Other O & M Expense	2,956,419	(26,032)	2,930,387	8,028	38.1	305,867
9	Total O & M	51,811,283	6,230,606	58,041,889	159,018		5,396,312
10	Depreciation & Amortization	2,720,429	304,500	3,024,929	8,287	0	-
11	Taxes						
12	Ad Valorem Tax	1,759,344	(821,172)	938,172	2,570	394.5	1,013,865
13	Payroll - FICA	289,706	10,854	300,560	823	13.5	11,111
14	Payroll - FUTA	3,741	156	3,897	11	47	517
15	Payroll - SUTA	56	193	249	1	47	47
16	S D Gross Receipts Tax	88,934	15,470	104,404	286	378.5	108,251
17	Federal Income Tax	(971,437)	1,515,938	544,501	1,492	37	55,204
18	Deferred Income Taxes	(712,703)	-	(712,703)	(1,953)	0	-
19	Investment Tax Credit	(22,741)	-	(22,741)	(62)	0	-
20	Other Taxes	27,828	-	27,828	76	57.7	4,385
21	Total Taxes	462,728	721,439	1,184,167	3,244		1,193,380
22	Subtotal	54,994,440					
23	Interest on Long Term Debt	1,372,595	261,723	1,634,318	4,478	91.3	408,841
24	Preferred Stock Dividends			-	-	45.6	-
25	Total	\$ 56,367,035	\$ 7,518,268	\$ 63,885,303	\$ 175,027	39.99	\$ 6,998,533
26	Revenue Lag Days	36.21					
27	Expense Lead Days	39.99					
28	Net Days	(3.78)					
29	Expense per Day	175,027					
30	Cash Working Capital	(661,602)					

Sources :

Column (b)  
Line 9 : sum of line 2 through 8  
Line 21: Sum of lines 12 through 20  
Line 22: Sum of lines 9, 10 and 21  
Line 25: Sum of lines 9, 10, 21, 23 and 24  
Column b, lines 1 through 25: KAS-1, Schedule 3, column b  
  
line 26:  $(365 / 12 / 2) + 1$  day processing & 20 day cutoff  
line 27: Column f, line 25  
line 28: Column (b), line 26 minus Column (b), line 27  
line 29: Column (e), line 15  
line 30: Column (b), line 28 multiplied by Column (b), line 29  
  
Column c: KAS-1 Schedule 3, column ah  
  
Column d: Column b plus c (KAS-1, Schedule 3, column ah)  
Column d line 23: KAS-1, Schedule 4, Column b, line 3  
Column d, line 18: KAS-1, Sch 1, col b, line 1 \* BLC-1, Sch 1, col e, line 2  
  
Column (e): column d / 365

Column f:  
Line 2, 4-7: Docket NG87-013 DR 1-24  
Line 3: Docket NG97-013 DR 2-29, Ex 20  
Line 12: Staff workpaper  
Line 13: Same as Labor  
Lines 14 and 15: Staff workpaper, quarterly payment  
Line 16: Reflects July 15 payment date  
Line 17: Staff workpaper  
Line 20: Statement L and DR 1-24 (used weighted days for Delaware franchise and vehicle license tax)  
Lines 23 and 24: NG97-013 Data Response 1-24  
Line 25: Column g line 25 divided by Column e, line 25  
  
Column (g) line 19: Column (g), line 19 divided by Column (e) line 19

NorthWestern Energy  
 Docket NG07-013  
 Advanced Tax Collections  
 Adjusted Test Year Ending December 31, 2008

Line	Item (a)	South Dakota Per Books (b)	Adjustments (c)	Pro Forma Collections (d)	Collections Per Day (e)	Collection Lead Days (f)	Available (g)
1	Employee FICA	\$ 289,706	\$ 10,854	\$ 300,560	\$ 823	13.5	\$ 11,111
2	Federal Withholding	680,194	20,571	700,765	1,920	13.5	25,920
3	South Dakota Sales Tax	2,799,816	450,591	3,250,407	8,905	9.4	83,707
4	Total						<b>\$ 120,738.00</b>

**Sources:**

Column (b)

line 1: KAS-1, Sch 3, column b, line 21

line 2: Company response to DR 2-30 allocated using Factor E (\$3,254,516\*.38\*.55)

line 3: October 3, 2007 email to Knadle from Decker

Column (c)

line 1: KAS-1, Schedule 2, column c, line 21

line 2: [(Col (b) line 2/KAS-1, Schedule 2, column b, line 9) \* KAS-1, Schedule 2, column c, line 9]

line 3: KAS-1, Schedule 2, column c, line 5 + KAS-1, Schedule 2, column e, line 5

Column (f)

lines 1 and 2: Company response to DR 1-24

line 3:  $[(365/12)/2]+30.4 - 36.21$  (revenue lag) reflects SD sales tax remittance statute.

NorthWestern Energy  
 Docket NG07-013  
 Freeman/AMPI Purchase  
 Adjusted Test Year Ending December 31, 2006

Description (a)	Balance (b)
1 Net Book Value at Date of Purchase	\$ 1,321,825
2 LESS Accumulated Depreciation	<u>14,782</u>
3 Net Plant	1,307,043
4 Depreciation	25,344
5 Ad Valorem	30,698
6 Gas Costs	1,347,084
7 Distribution Revenues	255,221

Sources:  
 Lines 1-3:

9/13/07 email from Decker to Knadle, Exhibit labeled  
 Freeman/AMPI Acqstion at NBV of Sellers at  
 proposed depreciation rates adjusted to correct  
 formula error on total 13 month average net book  
 value and Towers depreciation rate changes and  
 Exhibit\_\_(RLK-1) Schedule 3 page 2

Line 4:

\$2,112 times 12

Line 5:

Data response 8-9 (1,321,825 times 0.023244)

Line 6:

Exhibit\_\_(RLK-1) Schedule 3 page 3

Line 7:

Exhibit\_\_(RLK-1) Schedule 3 page 4



NorthWestern Energy  
Docket NG07-013  
Freeman/AMPI Purchase  
Adjusted Test Year Ending December 31, 2006

Description	(a)	Normalized Therms (b)	Gas Charges (c)	(d)	Amount
GAS COSTS					
1	Rate Code 81	194,437	\$ 0.9418	\$	183,121
2	Rate Code 82	147,640	0.9432		139,254
3	Rate Code 85 (Option A)	172,466	0.6719		115,880
4	Rate Code 85 FAM	1,409,256	0.6449		<u>908,829</u>
5	TOTAL			\$	1,347,084

SOURCE

Column (b), lines 1-3:

Exhibit\_\_(MCB-1) Schedule 4-1

Column (b), line 4:

September 13, 2007 email from Decker to Knadle  
(attachment - Freeman 2006 Therms)

Column (c), line 1:

Exhibit JJD-1, Schedule No. 2.1, page 1

Column (c), line 2:

Exhibit JJD-1, Schedule No. 2.1, page 2

Column (c), line 3:

Exhibit JJD-1, Schedule No. 2.1, page 5

Column (c), line 4:

Exhibit JJD-1, Schedule No. 2.1, pages 6 and 9

NorthWestern Energy  
Docket NG07-013  
Freeman/AMPI Purchase  
Adjusted Test Year Ending December 31, 2006

Description (a)	Billing Determinants (b)	Charges (c)	Amount (d)
<b>DISTRIBUTION REVENUES</b>			
Rate 81			
1 Customer Charge	3,523	6.00	\$ 21,138
Distribution			
2 First 30 Therms	71,709	0.2055	14,736
3 Over 30 Therms	122,729	0.127	15,587
4 Subtotal			<u>51,461</u>
Rate 82			
5 Customer Charge	688	7.00	4,816
Distribution			
6 First 400 Therms	92,290	0.1309	12,081
7 Next 1600 Therms	48,898	0.0891	4,357
8 Over 2000 Therms	6,452	0.0541	349
9 Subtotal			<u>21,603</u>
Rate 85 (Option A)			
10 Customer Charge	48	80.00	3,840
11 Distribution (All Therms)	172,466	0.0388	6,692
12 Subtotal			<u>10,532</u>
Rate 85 FAM			
13 Customer Charge	12	280.00	3,360
14 Distribution (All Therms)	1,409,256	0.1194	168,265
15 Subtotal			<u>171,625</u>
16 Total			<b>\$ 255,221</b>

Sources:

- Column (b), line 1: September 13, 2007 email from Decker to Knadle adjusted per data response 7-6 (3,703-180)
- Column (b), lines 5, 10, 13 and 14: September 13, 2007 email from Decker to Knadle
- Column (b), lines 2, 3, 6, 7, 8 and 11: September 13, 2007 email from Decker to Knadle and Exhibit\_\_MCB-3, Schedule 2-1 and 2-3.
- Column (c): Exhibit JJD-1, Schedule No.2.1, pages 1, 2, 5 & 9

NorthWestern Energy  
Docket NG07-013  
Gas Costs Related to Weather Norm Adjustment  
Adjusted Test Year Ending December 31, 2006

	Description (a)	Therms (b)	Rate (c)	Amount (d)
1	Rate 81	2,851,413	\$ 0.9418	\$ 2,685,461
2	Rate 82	1,362,104	0.9432	1,284,736
3	Rate 84 (Option A)	277,691	1.6596	460,856
4	Rate 85 (Option A)	22,113	0.6719	14,858
5	Rate 85 (Option B)	55,394	0.6449	35,724
6	Rate 86 (Option A)	559,208	0.9706	542,767
7	Rate 86 (Option B)	54,539	0.9984	54,452
8	TOTAL			<b>\$ 5,078,854</b>

Sources:  
Column b:  
Column c:

Exhibit\_\_(MCB-1) page 1  
Exhibit JJD-1, Schedule No. 2.1, pages 1-6, 10 and 11

NorthWestern Energy  
 Docket NG07-013  
 Heartland Grain  
 Adjusted Test Year Ending December 31, 2006

	Description (a)	2006 Therms (b)	Rate (c)	Amount (d)
1	Customer Charge		\$ 330.00	\$ (3,960)
2	Distribution Charge	2,594,944	0.0204	(52,937)
3	Advelorem Tax Adj.	2,594,944	0.0039	<u>(10,120)</u>
4	Total			(67,017)
5	Ad valorem Tax Expense			(10,120)
6	Net Plant			(12,334)
7	Depreciation			(422)

Sources:

Column (b): Exhibit JJD-1, Scheudle No.2.1, page 13  
 and October 12, 2007 email from Decker  
 to Knadle

Column (c): Exhibit JJD-1, Scheudle No.2.1, page 13

NorthWestern Energy  
Docket NG07-013  
Ad Valorem Tax Allocation Adjustment  
Adjusted Test Year Ending December 31, 2006

	Description (a)	Amount (b)	Adjustment (c)	Source
1	REVENUES			
2	Per books gas sales	\$ 570,940		Exhibit JJD-1, Schedule No. 2, page 1
3	Per Books Transporation	212,172		Exhibit JJD-1, Schedule No. 2, page 3
4	Nekota	134,482		Exhibit__(KAS-1), Schedule 3
5	Freeman	30,698		Exhibit__(RLK-1), Schedule 3, page 1
6	Heartland	(10,120)		Exhibit__(RLK-1), Schedule 5
7	Subtotal	\$ 938,172	\$ 938,172	
8	EXPENSES			
9	Per books	\$ 1,759,344		Statement L (1,719,294+40,050)
10	Nekota	134,482		Exhibit__(KAS-1), Schedule 3
11	Freeman	30,698		Exhibit__(RLK-1), Schedule 3, page 1
12	Heartland	(10,120)		Exhibit__(RLK-1), Schedule 5
13	Subtotal	\$ 1,914,404	\$ 1,914,404	
14	Adjustment		\$ (976,232)	

NorthWestern Energy  
 Docket NG07-013  
 Purchased Gas Cost Adjustment  
 Adjusted Test Year Ending December 31, 2006

	Description (a)	Amount (b)	Adjustment (c)	Source
1	REVENUES			
2	Per books gas	\$ 44,030,145		Exhibit JJD-1, Schedule No.2, page 2
3	Weather normal	5,078,854		Exhibit __(RLK-1) Schedule 4
4	Freeman	1,347,084		Exhibit __(RLK-1) Schedule 3, page 1
5	SDSU	(139,497)		Knadle Testimony
6	Subtotal	<u>\$ 50,316,586</u>	\$ 50,316,586	
7	EXPENSES			
8	Per books gas	\$ 44,205,049		Schedule H-2, page
9	Weather normal	5,078,854		Exhibit __(RLK-1) Schedule 4
10	Freeman	1,347,084		Exhibit __(RLK-1) Schedule 3, page 1
11	SDSU	(139,497)		Knadle Testimony
12	Subtotal	<u>\$ 50,491,490</u>	\$ 50,491,490	
13	Adjustment		<b>\$ (174,904)</b>	

NorthWestern Energy  
 Docket NG07-013  
 Updates  
 Adjusted Test Year Ending December 31, 2006

Description	Amount	Adjustment	Source:
(a)	(b)	(c)	
1 Materials and Supplies			
2 13 month average ending July 31, 2007	\$ 432,185		Company response to DR2-28, exhibit 19
3 LESS Test Year 13 month average	392,870		Exhibit JJD-1, Sch 9.3, page 3 line 19
4 Difference (adjustment amount)		39,315	
5 Propane			
6 13 month average ending July 31, 2007	152,434		Company response to DR2-28, exhibit 19
7 LESS Test Year 13 month average	153,984		Exhibit JJD-1, Sch 9.3, page 4 line 39
8 Difference (adjustment amount)	(1,550)		
9 Natural Gas			
10 12 month average ending July 31, 2007	1,067,318		Company response to DR2-28, exhibit 19
11 LESS Test Year 12 month average	1,420,596		Exhibit JJD-1, Sch 9.3, page 5 line 18
12 Difference (adjustment amount)	(353,278)		
13 Sum of Propane and Natural Gas		(354,828)	
14 Prepayment			
15 13 month average ending July 31, 2007	183,848		Company response to DR2-32 to 2-35 and
16 LESS Test Year 13 month average	0		Exhibits 21 and 22 (113,510 + 70,338)
17 Difference (adjustment amount)		183,848	