



February 8, 2023

Ms. Patricia VanGerpen, Executive Director
S.D. Public Utilities Commission
State Capitol Building
500 East Capitol Avenue
Pierre, SD 57501

RE: EL23-____ - Power Plant Study Costs Regulatory Asset

Dear Ms. Van Gerpen:

With this letter, NorthWestern Corporation, doing business as NorthWestern Energy (“NorthWestern” or the “Company”), is filing with the South Dakota Public Utilities Commission (“Commission”) a request for deferred treatment of the financial costs of a study regarding NorthWestern’s participation in a potential nuclear plant in South Dakota. The documents submitted with this filing include:

- Exhibit A: Request for Confidential Treatment
- Exhibit B: Estimated project study costs and timeline

NorthWestern is evaluating the opportunity to participate in a future nuclear plant. As identified in the most recent SD Integrated Resource Plan (“IRP”), the current projected construction time-frame is 2030. The plant size is projected to be between 80 and 320 MW depending on participation. If the full 320 MW plant is built, the current estimated cost is \$1.2 to \$1.6 billion. This plant will provide the necessary 24/7 reliability that is needed for NorthWestern’s customers as the existing coal plants in South Dakota are retired. In the IRP, NorthWestern evaluated alternatives for replacement base load coal generation. The IRP identified natural gas and nuclear as cost effective alternatives for the replacement for the retirement of coal production. Considering the cost of the additional infrastructure needed to provide the natural gas to a large natural gas generator that operates more than peaking, nuclear option becomes price competitive.

To facilitate the option to construct a nuclear project with appropriate timing and create the opportunity to participate in Department of Energy (“DOE”) funding, NorthWestern must complete this study in 2023. With the study completion, NorthWestern may have access to reduced interest rates through the DOE should the project come to fruition. If NorthWestern ignores the 2023 study time frame, it will forfeit its opportunity to participate in the DOE funding. This forfeit will extend the timing of a future project beyond the dates identified by the risk associated with the early retirement of the coal facilities in the IRP.



NorthWestern requests deferred accounting treatment and the creation of a regulatory asset for the purpose of accumulating costs from the study of the nuclear plant project. NorthWestern asks that costs paid beginning on March 1, 2023 be included in this determination. The current study cost estimate for 2023 is shown in exhibit B. Additional study costs will likely be incurred in 2024 and we request that these also receive deferred accounting treatment as set forth above. The costs will be accumulated and held in the regulatory asset for consideration in a future rate filing. Ultimately the decision to build or not build the plant will determine the method of recovery for these costs.

NorthWestern desires reliability for its customers. This project provides a mechanism to explore an alternative and the deferred cost accounting treatment will assist NorthWestern's efforts to pursue this generation option.

Sincerely,

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