

Prefiled Direct Testimony
Jeffrey J. Decker

Before the South Dakota Public Utilities Commission
of the State of South Dakota

In the Matter of the Application of
NorthWestern Corporation, d/b/a NorthWestern Energy

For Authority to Increase Electric Utility Rates
in South Dakota

Docket No. EL23-_____

June 15, 2023

TABLE OF CONTENTS

Witness Information.....	1
Purpose of Testimony	1
Class Cost of Service Study.....	2
Rate Design and Proposed Rates	4
Changes to the Electric Utility Tariff General Terms and Conditions.....	10

1 **Witness Information**

2

3 **Q. Please state your name and business address for the record.**

4 **A.** My name is Jeffrey J. Decker, and my business address is 600 Market Street West,
5 Huron, South Dakota 57350.

6

7 **Q. By whom are you employed and in what capacity?**

8 **A.** I am employed by NorthWestern Energy (“NorthWestern” or “Company”) as a
9 Regulatory Specialist.

10

11 **Q. Please describe your education, business experience, and business
12 credentials.**

13 **A.** I graduated in 1986 from Dakota Wesleyan University with a Bachelor of Arts
14 degree in Business Administration. I joined NorthWestern Public Service in 1988 as
15 a corporate accountant working with financial reporting. In 1993, I began working
16 with NorthWestern Growth Corporation where my responsibilities included financial
17 analysis of potential acquisitions. In 1995, I became the Director of Rates. I was
18 promoted to Manager of Financial Services – NorthWestern Energy Corporation in
19 1998. In 2004, I became the Regulatory Specialist for NorthWestern.

20

21 **Purpose of Testimony**

22

23 **Q. What is the purpose of your testimony?**

24 **A.** I recommend moderation of the results of the adjusted class cost of service study
25 (“CCOS”) included in Statements N and O for use in determining rate design
26 proposals for each class of electric utility customers. I discuss the addition of a

1 Standby Charge adder to the tariff for customers utilizing their own generation.

2 Finally, I describe changes to the general terms and conditions in our electric tariffs.

3

4 **Class Cost of Service Study**

5

6 **Q. What is the purpose of a CCOS?**

7 **A.** A CCOS is done to determine how the revenue requirement should be allocated to
8 each class of customers based on the cost to serve that class.

9

10 **Q. Who conducted the CCOS for NorthWestern?**

11 **A.** NorthWestern hired Management Applications Consulting, Inc. ("MAC") to conduct
12 the CCOS for NorthWestern. The Prefiled Direct Testimony of Paul Normand
13 ("Normand Direct Testimony"), a Principal for MAC, discusses the technical aspects
14 of the CCOS and summarizes the results.

15

16 **Q. Did you work with Mr. Normand to prepare the CCOS?**

17 **A.** Yes, I worked closely with Mr. Normand providing him the information used as the
18 basis of the CCOS. Mr. Normand developed per book and adjusted studies. We
19 developed the individual rates based on moderation of the adjusted CCOS results.
20 This will be discussed further in the rate design section below.

21

22 **Q. What is the basis for the adjusted CCOS contained in Statements N and O?**

23 **A.** The study is based on the books and records of NorthWestern's South Dakota electric
24 utility jurisdictional operations for the 12-month period ending December 31, 2022 as

1 adjusted for known and measurable changes.

2

3 **Q. What are the principle conclusions of the adjusted CCOS?**

4 **A.** Based on results of this study, I find that existing electric utility revenues fail to cover
5 South Dakota electric utility jurisdictional revenue requirements by nearly \$30.9 million.

6 Based on the results of the adjusted CCOS, I find that for certain customer classes,
7 there are disparities between current rate levels and the cost to serve these
8 customers.

9

10 **Q. What are the results of the adjusted CCOS?**

11 **A.** The study results are summarized in Table 1 on page 18 of the Normand Direct
12 Testimony. The table shows, by class, the percent increase for both the adjusted
13 CCOS revenue allocations and the proposed moderated revenues when compared to
14 base rate only revenues. As discussed below, NorthWestern utilized a total billed
15 revenue approach to moderate the increases indicated by the study.

16

17 **Q. What are the revenue deficiency amounts indicated by the adjusted CCOS by**
18 **class of customer and the percentage increase in total billed electric utility**
19 **revenue required to recover the test period revenue requirement?**

20

1 **A.** These dollar deficiencies and percentage increases or decreases are as follows:

2	Residential	\$19,214,048 or 26.35% Increase
3	Irrigation	\$158,237 or 48.03% Increase
4	Commercial	\$2,805,035 or 14.26% Increase
5	Commercial and Industrial	\$7,802,983 or 8.43% Increase
6	Public Authorities	(\$159,208) or 17.26% Decrease
7	Lighting	\$1,027,307 or 38.93% Increase
8	Controlled Off-Peak	\$25,247 or 21.97% Increase
9	Total	\$30,873,649 or 16.32% Increase

10

11 **Rate Design and Proposed Rates**

12

13 **Q.** Please explain NorthWestern's rate design goals in this docket.

14 **A.** NorthWestern's primary goals are the development of rate design structures that
15 recover the costs properly allocated among the various customer classes based on
16 cost causation (as determined in the adjusted CCOS), while being mindful of
17 significant bill impacts to customers.

18

19 As a basic approach to apportioning the requested revenue requirement, the goal is to
20 move each customer class to the revenue requirement responsibility necessary to
21 attain the requested electric utility system average rate of return of 7.54%. However,
22 some disparities in rate adjustments from class to class result from the strict
23 application of this approach. NorthWestern believes it is important and proper to work
24 toward achieving rates that reflect costs, but given the large rate adjustments that
25 would be required to achieve this in a single rate review, NorthWestern recommends

1 taking incremental steps toward this objective. This is the approach that was taken in
2 Docket EL14-106, NorthWestern's 2014 SD Electric rate review. In comparing the
3 difference in classes between this case and the 2014 case, there has been some
4 improvement in the differences between rate classes. In both the 2014 rate review
5 and the current review, NorthWestern moderated the adjusted CCOS results to
6 mitigate bill impacts by class. In this review, in order to moderate the effect of the
7 overall increase and billing impacts, NorthWestern chose to use the total bill revenue
8 increase of 16.32% for all classes. When combined with the customer charge revenue
9 increases discussed on page 6 below, the total increase of 16.32% provides a more
10 uniform effect on customer classes than using the adjusted CCOS results directly. The
11 following are the proposed rate increases and percent increases on the total bill by
12 customer class using this uniform percentage increase:

13 Residential	\$11,880,050 or 16.29% Increase
14 Irrigation	\$53,696 or 16.29% Increase
15 Commercial	\$3,204,867 or 16.29% Increase
16 Commercial and Industrial	\$15,136,180 or 16.35% Increase
17 Public Authorities	\$150,252 or 16.29% Increase
18 Lighting	\$429,921 or 16.29% Increase
19 Controlled Off-Peak	\$18,728 or 16.29% Increase
20 Total	\$30,873,694 or 16.32% Increase

21
22 The Commercial and Industrial line includes the rate 38 point to point distribution
23 revenues. This overstates the increase to the Commercial and Industrial class while

1 the offsetting credit applies to the other classes and slightly reduces the increase in
 2 each class. The difference between \$30,873,694 and \$30,873,649 on statement M is
 3 due to rounding when applying the proposed rates to the test year volumes and
 4 customer count.

5

6 **Q. Please describe the proposed changes to the monthly customer charges.**

7 **A.** NorthWestern is proposing to increase its monthly customer charges. Shown below
 8 for each rate are the customer charges determined in the adjusted CCOS, the current
 9 customer charges, and the moderated customer charges proposed in this filing. As
 10 described above, this is an incremental step toward the cost-based charges supported
 11 by the CCOS. Although NorthWestern would like to increase the monthly customer
 12 charges to the amounts shown in the CCOS study, recognition is given to the
 13 treatment of such charges in previous cases and the sensitivity to customers regarding
 14 this issue. With this in mind, NorthWestern generally targeted customer charges in the
 15 range of approximately 50% of the adjusted CCOS values. However, where large
 16 increases in customer charges would be required to accomplish this, discretion was
 17 used in determining the proposed customer charge.

		CCOS		
	<u>Rate</u>	<u>Customer Charge</u>	<u>Current</u>	<u>Proposed</u>
18				
19				
20	10	\$14.90	\$6.00	\$10.00
21	11	\$19.05	\$6.00	\$10.00
22	14	\$12.21	\$3.00	\$5.00
23	15	\$12.88	\$3.00	\$5.00
24	16	\$67.99	\$45.00	\$55.00

1	21	\$14.27	\$10.00	\$12.00
2	23	\$12.28	\$5.00	\$8.00
3	24	\$19.99	\$5.00	\$8.00
4	41	\$19.22	\$15.00	\$17.00
5	70	\$50.68	\$20.00	\$35.00

6 The increased customer service charges recover a portion of the increase necessary
7 to collect the revenue requirement levels determined by the adjusted CCOS. The
8 remainder of the increase necessary to collect the moderated revenue requirement is
9 included in the proposed distribution delivery charge.

10

11 **Q. Please describe NorthWestern’s proposed delivery rate change for the**
12 **residential class.**

13 **A.** In addition to the changes to the monthly customer charges shown above,
14 NorthWestern is proposing to increase its residential delivery rates consistent with the
15 adjusted CCOS and the moderated increases. When combined with the proposed
16 customer charges, this results in a monthly increase of \$19.14 per residential customer
17 using 750 kilowatt-hours (“kWh”) per month.

18

19 **Q. Please describe NorthWestern’s proposed rate change for the commercial and**
20 **industrial classes.**

21 **A.** Overall, the proposed revenue increases for commercial customers are consistent with
22 the moderated revenue levels determined in the adjusted CCOS. Consistent with the
23 residential class, the portion of the revenue requirement not collected via the proposed

1 customer charge increases is recovered in the proposed distribution delivery and
2 demand charges. The per-kW demand charges will increase as follows:

3 \$11.05 to \$14.13 for Rate 33 and the first 100 kW of Rate 34.

4 \$9.79 to \$12.52 for the next 400 kW of Rate 34.

5 \$8.53 to \$10.91 for any monthly kW over 500 of Rate 34.

6
7 Customer impacts vary greatly due to the wide range of usage in the commercial class.

8 A Rate 21 customer using 1,000 kWh will see a monthly increase of \$25.80. A Rate
9 34 customer with a peak demand of 3,000 kW and using 1,080,000 kWh will see a
10 monthly increase of \$18,438.

11
12 **Q. Please describe your proposed rate change for the Public Authorities class.**

13 **A.** The proposed increase for this class of customers is \$0.01894 per kWh. For an
14 average customer using 2,000 kWh, the result is a monthly increase of \$39.87.

15
16 **Q. Is additional information regarding rate design included in this filing?**

17 **A.** Yes, the rate design computations are included in Schedules O-1 through O-11.

18
19 **Q. Please describe NorthWestern's proposed rate change for the street light and
20 public lighting classes.**

21 **A.** Similar to the adjusted CCOS, there are disparities among the different light type
22 classes. In order to recover the moderated requested revenue requirement and be
23 mindful of customer impacts, increased limits were utilized in the rate development.

1 **Q. Are changes proposed regarding the tariff charges for LED rates serving**
2 **customers on tariff rates 19 and 56 of the tariff?**

3 **A.** There are no changes proposed to the current billing structure. However, the billing
4 wattage ranges have been revised. Based on the current light wattages that are
5 utilized, the adjusted ranges reflect the cost assigned to each range. A fixed rate per
6 light watt rating will continue to be applied to LED lights. This structure allows flexibility
7 in meeting customers' needs with the varying wattages of LED lighting. Although the
8 Company standard for LED lights is built around 60-watt, 126-watt, 189-watt, and 319-
9 watt lights, there may be times where wattages outside the standard may be utilized.

10
11 **Q. Why are the wood and metal pole charges no longer listed in the LED light**
12 **section of tariff 56?**

13 **A.** The pole charges are now included in the rate per watt charge and no longer need to
14 be shown separately.

15
16 **Q. With NorthWestern's transition to all LED lighting, will the rates for Mercury**
17 **Vapor, Metal Halide and High Pressure Sodium light types remain or be**
18 **cancelled?**

19 **A.** This transition will continue over the next several of years. The need for the rates for
20 light types other than LED will remain and the rates for these light types have been
21 updated to reflect their share of the rate increase.

22
23 **Q. What additional tariff rate changes are you proposing?**

1 **A.** NorthWestern is proposing a Standby Charge for Rate 34 customers who utilize their
2 own generation for load service and rely on NorthWestern for service when their
3 generation supply is interrupted. The proposed tariff language is shown on Section 3,
4 Sheet 15.1. The rate for this service is \$3.24 per kW utilizing billing demands.
5 Witness Normand shows the calculation in his Exhibit PMN-5 and discusses it in his
6 testimony on Page 24.

7

8 **Q. What is the basis of costs for the standby charge?**

9 **A.** The rate is based on the current CCOS.

10

11 **Q. Does NorthWestern currently have customers utilizing service primarily from
12 their own generation?**

13 **A.** No. However, currently there are discussions with several large customers who are
14 pursuing this option. Standby charges are important to ensure the cost causer pays
15 their share of the system costs while we are in standby mode for them. Other
16 customers should not shoulder the burden of these costs.

17

18 **Changes to the Electric Utility Tariff General Terms and Conditions**

19

20 **Q. Please explain the rate-related changes to the Electric Utility Tariff General
21 Terms and Conditions proposed by NorthWestern.**

22 **A.** NorthWestern proposes to broaden the tampering fee language in its general terms
23 and conditions tariff. This additional language is shown on Section 5, Sheet 3.

24

1 **Q. Why is there a need to broaden the tampering fee language in the tariff?**

2 **A.** The current language allows for the billing of the tampering fee in instances where a
3 disconnected customer has reconnected their own service. The revised language will
4 allow for the billing of the tampering fee, regardless of whether or not the customer has
5 actually reconnected their own service. NorthWestern's meters should not be
6 tampered with, and this language change will allow for the tampering fee to be billed in
7 addition to the costs of repairing the damage caused by the customer.

8

9 **Q. Are there other changes you are proposing to make to the General Terms and**
10 **Conditions?**

11 **A.** Yes. NorthWestern proposes to remove the \$1 per foot charge on Section 5, Sheet 1a
12 in the Underground Service section.

13

14 **Q. If that provision is removed, how will service charges be applied?**

15 **A.** All underground services less than 500 feet in length will be installed without charge.
16 Services 500 feet in length and higher will be subject to the cost calculation stated in
17 the Economic Feasibility section of Section 5, Sheet 1a.

18

19 **Q. What is the reason for removing this charge?**

20 **A.** For the years of 2020 – 2022, the average annual total billings under this provision
21 were less than \$14,000. This contribution from customers does not reflect a
22 substantial reduction of rate base for this additional footage. During the same three
23 years, there were an average of 155 customers billed. This is an average of

1 approximately \$90 per customer. When considering the time required to
2 communicate, invoice, account for, and collect the dollars associated with this charge,
3 there is little, if any, benefit to NorthWestern's existing customers to continue this
4 charge.

5

6 **Q. Does this complete your testimony?**

7 **A.** Yes it does.