

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

IN THE MATTER OF THE APPLICATION OF)	SETTLEMENT
NORTHWESTERN CORPORATION DBA)	STIPULATION
NORTHWESTERN ENERGY FOR AUTHORITY)	
TO INCREASE ITS ELECTRIC RATES)	EL23-016
)	

It is hereby stipulated and agreed by and between NorthWestern Corporation d/b/a NorthWestern Energy¹ (“NorthWestern”) and the South Dakota Public Utilities Commission Staff (“Staff”) (collectively the “Parties”), that the following Settlement Stipulation (“Stipulation”) should be adopted without modification by the South Dakota Public Utilities Commission (“Commission”) in the above-captioned matter. In support of its Application for Authority to Increase Its Electric Rates (“Application”), NorthWestern offers this Stipulation, the Application, and all supporting materials filed June 15, 2023.

I. INTRODUCTION

On June 15, 2023, NorthWestern filed the Application through which it requested authority to increase annual electric base-rate revenues by approximately \$30.9 million annually based on NorthWestern’s test year ending December 31, 2022. On July 12, 2023, the Commission issued an Order Suspending Operation of Proposed Rates; Order Assessing Filing Fee; Order Authorizing Consulting Contracts. No parties sought to intervene. No NorthWestern customers requested that the Commission hold a public hearing.

Staff and NorthWestern met in a negotiating session to arrive at a mutually acceptable resolution of this matter. As a result of the negotiations, Staff and NorthWestern have resolved all

¹ NorthWestern’s corporate restructuring will be complete on January 1, 2024. The name of the South Dakota utility will officially be NorthWestern Energy Public Service Corporation.

issues between them in this proceeding and have entered into this Stipulation, which, if accepted and ordered by the Commission, will determine the rates that result from this proceeding.

II. PURPOSE

This Stipulation has been prepared and executed by the Parties for the sole purpose of resolving the issues between them in Docket No. EL23-016. The Parties acknowledge that they may have differing views and reasons to support and justify the end result of the Stipulation, but each party deems the end result to be just and reasonable. In light of such differences, the Parties agree that the resolution of any single issue, whether explicit or implied by the Stipulation, should not be viewed as precedent setting for this or future rate proceedings involving NorthWestern or any other South Dakota regulated public utility under the Commission's jurisdiction. In consideration of the mutual promises hereinafter set forth, the Parties agree as follows:

1) Upon execution of this Stipulation, the Parties shall immediately file this Stipulation with the Commission together with a joint motion requesting that the Commission issue an order approving this Stipulation in its entirety without condition or modification.

2) This Stipulation includes all terms of settlement and is submitted conditioned on the understanding that, in the event the Commission imposes any changes in or conditions to this Stipulation which are unacceptable to either Party, this Stipulation may, at the option of any Party, be withdrawn and shall not constitute any part of the record in this proceeding or any other proceeding nor be used for any other purpose in this case or in any other case.

3) This Stipulation shall become binding upon execution by the Parties, provided however, that if this Stipulation is not approved by the Commission or is withdrawn in accordance with Paragraph 2 above, it shall be null, void, and inadmissible in this case or in any other case.

This Stipulation is intended to relate only to the specific matters referred to herein; no Party waives

any claim or right which it may otherwise have with respect to any matter not expressly provided for herein; no Party shall be deemed to have approved, accepted, agreed, or consented to any ratemaking principle, or any method of cost of service determination, or any method of cost allocation underlying the provisions of this Stipulation, or be advantaged or prejudiced or bound thereby in any other current or future rate proceeding before the Commission. No Party nor representative thereof shall directly or indirectly refer to this Stipulation or that part of any order of the Commission relating to this Stipulation as precedent in any other current or future rate proceeding or any other proceeding before the Commission.

4) The Parties to this proceeding stipulate that all prefiled testimony, exhibits, and workpapers will be made a part of the record in this proceeding. The Parties understand that if the issues had not been settled in this matter, a procedural schedule would have been established, Staff would have formalized their positions in testimony, NorthWestern would have filed rebuttal testimony, Staff would have responded to certain positions contained in NorthWestern's rebuttal testimony, and an evidentiary hearing would have been conducted where the witnesses providing testimony would have been made available for direct and cross-examination.

5) It is understood that Staff enters into this Stipulation for the benefit of all of NorthWestern's South Dakota customers affected by this docket.

III. ELEMENTS OF THE SETTLEMENT STIPULATION

1. Revenue Requirement

The Parties agree that the total electric revenue deficiency is \$21,520,114. Paragraphs 2-7 below describe specific subjects agreed upon by the Parties. The Parties agree to a 6.81% rate of return on rate base.

2. Approval of NorthWestern Phase In Rate Plan Rider

The Commission may approve a utility's recovery of capital investments consistent with the Phase-In Rate Plan Statute (SDCL § 49-34A-73 et seq) not yet included in base rates or otherwise recovered through other available mechanisms ("Phase In Rate Plan Rider"). The Parties agree that NorthWestern may be authorized to recover the costs related to incremental generation capacity resource through such a Phase In Rate Plan Rider subject to annual Commission Review. NorthWestern shall file its proposed Phase In Rate Plan Rider at least 90 days prior to the requested effective date. The filing shall include, but not be limited to, detail regarding the proposed generation resources including justification of need, projected costs, and an updated tariff with relevant rates. An initial tariff is attached as Exhibit 2. Staff reserves the right to propose alternative treatment or adjustments to the revenue requirement, including true-up of prior years' revenue requirements, in each annual rider filing and future rate cases. NorthWestern shall submit an annual earnings report by June 1 of each year.

3. Recovery of Capacity Costs in Fuel Clause Tracker

The Parties agree that it is consistent with South Dakota law and the Commission's rules and orders for NorthWestern to recover short-term capacity purchase related costs in its Fuel Clause Tracker. Short term capacity purchase agreements submitted for recovery cannot exceed one year in duration. The ability to recover short-term capacity purchase related costs in the Fuel Clause Tracker expires upon the increase of capacity available due to the expansion of generation capacity that is recovered within the Phase In Rate Plan Rider or future base rate increase, whichever comes first. In the event there continues to be capacity needs in excess of the expansion of generation capacity recovered within the Phase In Rate Plan Rider, NorthWestern would be permitted to request an extension of the ability to recover capacity purchases through an appropriate recovery mechanism.

4. Production Tax Credits

The Inflation Reduction Act of 2022 (“IRA”) created the ability for utilities to monetize Production Tax Credits (“PTCs”) generated after 2022. The Beethoven Wind Project’s 10 year PTC eligibility expires in May 2025. The Parties agree PTCs associated with Beethoven Wind Project may be monetized and passed through the Fuel Clause tracker, net of the costs of transferability provided NorthWestern demonstrates net benefits for ratepayers. Should NorthWestern opt for monetizing PTCs, it shall submit the related cost benefit analysis in the associated Fuel Clause Tracker filing where the transferability costs are included. A tariff revision is required to effectuate that provision so the Parties concur NorthWestern may monetize the PTCs as described in the tariff sheets attached as Exhibit 1.

5. Tariffs

The Parties agree that the rate design to be set forth in the revisions to NorthWestern’s tariffs is just and reasonable. The Parties agree that the increase in rates for electric service will be allocated to the affected rate classes resulting in increases as shown in Exhibit 3.

The Parties agree that the revised rate schedules, attached as Exhibit 4, shall be implemented for service rendered on and after Commission approval with an effective date of January 10, 2024.

6. Customer Notice

Customers will be notified of the change in rates through a bill insert provided with the first month of bills to which new rates apply. The bill insert is provided as Exhibit 5.

7. Rate Case Expense

The Parties agree that the total rate case expense associated with Docket No. EL23-016 is a total of \$190,624 and that a three-year amortized amount of \$63,541 in rate case expense is

included in the revenue requirement.

8. Moratorium

A. The Parties agree that NorthWestern shall not file any base rate application for an increase in electric base rates which increase would go into effect prior to January 1, 2027; provided, this restriction would not prevent NorthWestern from filing for an electric base rate increase to take effect prior to January 1, 2027, if NorthWestern's cost of service is expected to increase due to an "Extraordinary Event." The Parties agree that this rate moratorium does not restrict NorthWestern from adjusting or applying to the Commission to implement any rider or other adjustment mechanism, including, but not limited to, the Delivered Cost of Fuel adjustment, Ad Valorem Taxes Paid Adjustment, Delivered Cost of Energy Adjustment, phase in rate plan or environmental improvement adjustment or other rider or adjustment mechanism that may take effect on or after the effective date of final rates.

B. As used in this Stipulation "Extraordinary Event" is any one of the following occurrences:

1) Governmental Impositions – Changes in federal, state, or local governmental requirements or governmental charges including, but not limited to, income taxes, taxes, charges or regulations imposed on energy, emissions, or environmental externalities requirements imposed after the effective date of final rates approved in this docket, upon NorthWestern that are projected to cause its South Dakota electric cost of service to increase by \$1,000,000 or greater. Increases in NorthWestern's South Dakota electric cost of service that are less than \$1,000,000 will be presumed not to be material for the purposes of this paragraph.

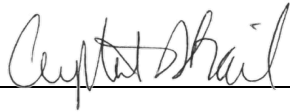
2) Major Capital Additions – New electric capital projects with individual budgets expected to be allocated to the South Dakota jurisdiction greater than \$10,000,000.

3) Force Majeure (Act of God) – A force majeure event causing an immediate material impact to NorthWestern’s South Dakota cost of service which without allowing a revision to rates would impair NorthWestern’s ability to provide safe, adequate, and reliable electric service to its customers.

This Stipulation is entered into effective this 20th day of December, 2023.

NORTHWESTERN ENERGY

SOUTH DAKOTA PUBLIC UTILITIES
COMMISSION STAFF

BY: 

BY: 

ITS: Vice President & Chief Financial Officer

ITS: Staff Attorney

Exhibits to Settlement Stipulation

Exhibit 1	Revised Sheet No. 33.1
Exhibit 2	Phase in Rate Plan Rider
Exhibit 3	Allocation of Rate Increase
Exhibit 4	Revised Tariffs
Exhibit 5	Customer Notice