STAFF MEMORANDUM

TO: COMMISSIONERS AND ADVISORS

FROM: BRITTANY MEHLHAFF, JOSEPH REZAC, LOGAN SCHAEFBAUER, AND JENNIE FUERST

RE: EL25-013 - In the Matter of the Filing by NorthWestern Energy Public Service Corporation dba NorthWestern Energy's Request to Implement a Phase-In Rate Plan Rider

DATE: June 25, 2025

BACKGROUND

On April 1, 2025, the South Dakota Public Utilities Commission (Commission) received a petition from NorthWestern Energy Public Service Corporation dba NorthWestern Energy (NorthWestern or Company) requesting approval of its initial Phase-In Rate Plan (PIRP) Rider.

SDCL §§ 49-34A-73 through 78, inclusive, authorize the Commission to approve a tariff mechanism for the annual adjustment of charges for a phase-in rate plan for rate increases due to plant additions.

NorthWestern's initial PIRP Rider tariff was established in the Company's most recent rate case, docket EL23-016. This is NorthWestern's first request to use a rider in South Dakota. The initial PIRP tariff set up the framework for such a rider but NorthWestern has not yet recovered any costs under this tariff. The settlement stipulation in docket EL23-016 specifies that NorthWestern may be authorized to recover the costs related to incremental generation capacity through the PIRP subject to annual Commission review. The settlement states NorthWestern shall file its proposed PIRP Rider at least 90 days prior to the requested effected date and shall include detail regarding the proposed generation resources including justification of need, projected costs, and an updated tariff with relevant rates.

In this filing, NorthWestern proposes to implement initial PIRP Rider rates to recover the revenue requirements associated with the new units at the Aberdeen Generation Station (AGS) and the actual and forecasted costs of its evaluation of Small Modular Nuclear Reactors (SMR) technology to meet future generation and capacity needs. The initial proposed recovery period is July 1, 2025, through June 30, 2026. NorthWestern proposes PIRP rates to be effective July 1, 2025, with rates varying by customer class. NorthWestern states the average bill impact for a typical residential customer using 750 kWh per month to be approximately $2.27 per month.

Staff's recommendation is based on its analysis of NorthWestern's filing, discovery information, relevant statutes, and previous Commission orders. Staff reviewed the items proposed for recovery, the forecasted revenue requirement calculations, and rate calculations.

ABERDEEN GENERATION STATION UNITS 3 AND 4

NorthWestern proposes to recover the costs associated with two new modular simple cycle natural gas combustion turbines located at the Aberdeen Generation Station site, each rated at 13.9 MW output[1]. These new units will be referred to as Aberdeen Generation Station Units 3 and 4 (AGS3 and AGS4).[2] Commercial operations are expected in 2026. These new turbines replace the Aberdeen 1 diesel oil-fueled combustion turbine. The Aberdeen Generating Station (AGS) is located south of Aberdeen, SD and has consisted of two units: Aberdeen Generating Station Unit 1 (AGS1) and Aberdeen Generating Station Unit 2(AGS2). AGS2 is a dual fuel combustion turbine which was operational beginning in 2013 with a nameplate capacity of 82.2 MW. AGS1 had a nameplate capacity of 28.8 MW and was built in 1978[3]. AGS1 had low historical availability, a high heat rate, and was typically only operated for testing or in emergencies[4]. It was rarely operated based on economic dispatch in the SPP marketplace and the cost to generate was the highest in the NorthWestern fleet by a significant margin[5]. Because of the age of the machine and limited support from the original equipment manufacturer, replacement parts were often reverse engineered and custom manufactured[6]. Due to these challenges, NorthWestern has considered AGS1 a candidate for retirement since its 2018 Integrated Resource Plan (IRP). However, with NorthWestern having several aging generation units, NorthWestern chose to pursue a staged retirement and replacement strategy in order to spread the rate impacts over time for customers[7]. AGS1 last operated in 2022 and all equipment associated with AGS1 has been removed from the site[8].

Staff and its consultant reviewed the 2018, 2020, and 2022 IRPs in NorthWestern's most recent rate case, docket EL23-016, when NorthWestern requested cost recovery of the new Bob Glanzer Generating Station (BGGS) which replaced the Huron generating units (HGS1 and HGS2).

NorthWestern's 2018 IRP identified AGS1, HGS1, HGS2, and Yankton Generating Station (YGS) as primary candidates for retirement and replacement in upcoming years. The 2018 IRP evaluated a number of retirement and replacement scenarios for its aging plants. NorthWestern concluded that maintaining a distributed fleet of generation resources in South Dakota provides many benefits for its South Dakota system as opposed to a larger centrally located generation station. These benefits include transmission reliability, improved capability to provide electric service/system restoration across the service territory, increased natural gas fuel supply diversity, ancillary services/grid support on a more localized basis, locational marginal pricing diversity, and spreading out rate impacts to customers with a phased generation replacement approach[9]. The near-term action plan identified in the 2018 IRP included continued investigation regarding the retirement and replacement of HGS. In January 2019, a fire destroyed HGS2,

[1] 2024 IRP, pg. 66
[2] NorthWestern response to Staff DR 2-1.
[3] 2018 IRP, pg. 3-4.
[4] Petition, pg. 4.
[5] 2018 IRP, pg. 3-5.
[6] 2022 IRP, pg. 27.
[7] 2018 IRP, pg. 1-2.
[8] Petition, pg. 4.
[9] 2018 IRP, pgs. 8-2 and 8-3.

accelerating NorthWestern's plans to replace HGS2 and HGS1. The replacement resource, BGGS, went into service June 2022.[10]

NorthWestern's 2020 IRP continued to contemplate retirements of AGS1 and YGS in the near term.[11] NorthWestern issued a Request for Proposals (RFP) in 2019 and planned to replace AGS1 with one of the resources that bid into the 2019 RFP. However, due to supply chain shortages and extreme material and labor cost increases, NorthWestern chose to delay replacement of AGS1.[12] The 2022 IRP modeling assumed a retirement date for AGS1 of 12/31/2025,[13] but the action items indicated further planning through 2022 was needed to identify a replacement strategy[14].

Subsequently, NorthWestern issued a RFP in January 2024 to replace AGS1. The RFP sought a quick-to-market combustion turbine option located at the existing AGS site with a 30-year design life minimum.[15] Replacement capacity is required on a MW for MW basis to support voltage regulation in the area.[16] The transmission system in the Aberdeen area is insufficient to support voltage in the Aberdeen area absent generation in the immediate vicinity. The output of AGS2 and AGS1 replacement are required to adequately maintain acceptable voltage regulation and serve local load under peak conditions.[17] Utilizing the existing AGS site also allows NorthWestern to utilize the existing AGS1 interconnection at 34.5 kV and the existing on-site Northern Border Pipeline natural gas supply.[18]

The Company's evaluation of the bids received in response to the 2024 RFP resulted in a shortlist of 3 suppliers which were all natural gas fired combustion turbine generator sets. The supplier chosen by NorthWestern scored the highest on NorthWestern's scoring matrix and in addition, the installed cost and total lifecycle costs were lower than the other suppliers.[19] Although the 2020 IRP, as well as an assessment in the 2018 IRP, indicated generic Reciprocating Internal Combustion Engine (RICE) units would be the most cost effective replacement option, NorthWestern also stated that actual resource decisions would be made following an analysis of resource-specific information.[20] When NorthWestern went to the market with a RFP, the CT units were a lower cost option than the RICE units reviewed in the RFP.[21] The assessment associated with the resource plans and the competitive solicitation indicate that AGS3 and AGS4 are a cost-effective resource replacement for AGS1 compared to other alternatives.

NorthWestern anticipates a total cost for this project of $65.25 million.[22] The delivery of the modular natural gas combustion turbines is planned for October 2025, however, there is a delay in the electric

[10] Refer to docket EL23-016, Staff Memorandum.
[11] 2020 IRP, pg. 18.
[12] 2022 IRP, pg. 27.
[13] 2022 IRP, pg. 50.
[14] 2022 IRP, pg. 55.
[15] 2024 IRP, pg. 7.
[16] Petition, pg. 4.
[17] NorthWestern response to Staff DR 1-3.
[18] 2024 IRP, pg. 66.
[19] NorthWestern response to Staff DR 1-6.
[20] 2020 IRP, pg. 47.
[21] NorthWestern response to Staff DR 2-2.
[22] Petition, pg. 4.

switch gear needed to operate the new turbines. Delivery of those components is not expected until April 2026, resulting in an expected completion date of August 2026.[23]

Staff and NorthWestern agree retired AGS assets are no longer used and useful.[24] Since the revenue requirements associated with the retired assets are currently being recovered in base rates, NorthWestern agrees to make an adjustment in the PIRP rider to remove these costs from rates. NorthWestern provided revised revenue requirements reflecting this adjustment, reducing the revenue requirement by $306,920.

After incorporating the adjustment to remove costs associated with retired AGS assets, the July 2025 – June 2026 revenue requirements associated with AGS3 and AGS4 is approximately $3.3 million.

SMALL MODULAR NUCLEAR REACTOR STUDY COSTS

NorthWestern also requests to recover the costs associated with the evaluation of SMR technology to meet future capacity and energy needs. The Company filed a request for deferred accounting treatment of nuclear plant study costs and the creation of a regulatory asset in docket EL23-002. On March 1, 2023, the Commission issued an Order Approving Deferred Accounting Treatment for Costs Associated with a Nuclear Plant Study and the Creation of a Regulatory Asset. The Commission's order allows NorthWestern to use deferred accounting for costs associated with a nuclear plant study and the creation of an associated regulatory asset for costs paid beginning March 1, 2023, including 2024 study costs, with the following conditions:

1. The deferred accounting method and the resulting creation of a regulatory asset shall not preclude Commission review of these amounts and any future cost recovery for reasonableness and prudence, including both rate filings by NorthWestern and rate reviews initiated by the Commission, and does not guarantee any such recovery.
2. The allowance for deferred accounting the resulting creation of a regulatory asset in this docket is based on the facts of this case and any future deferred accounting method and the resulting creation of a regulatory asset for any other costs not related to this current docket must be approved by the Commission.

NorthWestern's filing in docket EL23-002 requested costs paid beginning March 1, 2023, as well as those to be incurred in 2024 receive deferred accounting treatment. Exhibit B attached to the Company's filing in EL23-002 indicated a maximum, not to exceed cost of **[Begin Confidential]** [redacted] **[End Confidential]**. The Company's EL23-002 petition indicated the costs outlined in Exhibit B were an estimate of 2023 costs.[25] However, in NorthWestern's petition in this docket, the Company states that "[a] cap of $800,000 for the regulatory asset was agreed to by all parties."[26] In response to Staff's data request,

[23] Petition, pgs. 4-5.
[24] NorthWestern Updated Response to DR 1-2. Some assets will remain in service with the new plant.
[25] Docket EL23-002 Petition, page 2.
[26] Petition, pg. 6.

NorthWestern stated the Company's accounting order request identified that NorthWestern estimated it would incur approximately $800,000 in costs to conduct SMR analysis and that it currently forecasts costs to remain within the $800,000 accounting order cap.[27] It is unclear to Staff whether the Commission's order in docket EL23-002 established a dollar amount as indicated by NorthWestern, or simply all costs incurred in 2023 and 2024. Given NorthWestern has and will be incurring additional costs in 2025 and beyond Staff recommends the Commission clarify the accounting order to ensure the appropriate costs are being included in the regulatory asset and at what point NorthWestern needs to seek approval of additional deferred accounting treatment associated with nuclear plant study costs.

It appears NorthWestern has committed to a cap of $800,000. Therefore, Staff recommends the Commission clarify in its order in this docket that the regulatory asset is for a cap of $800,000, for nuclear study costs incurred beginning March 1, 2023. Any costs over and above the $800,000 shall not be included in the regulatory asset and will require NorthWestern to come before the Commission to seek additional deferred accounting approval.

A SMR is nuclear reactor that is 300 MW or less in size.[28] NorthWestern states that "SMRs have the ability to provide safe, reliable, and carbon-free power for generations to come. Due to their smaller footprint and modular design, SMRs are more easily sited than larger power plants and are generally simpler to operate than large nuclear plants as they rely on passive safety systems, rather than operators, to keep the public safe."[29]

The Company acknowledges that its request to use the PIRP rider to recover costs associated with the evaluation of a potential new generation resources that may not be built is a novel request.[30] However, NorthWestern also points out that the Commission has previously permitted recovery of costs incurred by utilities associated with new generation resources even though the resource was never built. The difference is NorthWestern requests to recover these costs through a rider before knowing whether a SMR resource will be built, whereas the other utilities requested cost recovery of deferred costs during a general rate case after it was known the project would not be built. However, Staff also views this request as unique given the new technology being considered and given that these study costs are not associated with a specific planned project. Staff also notes that the Commission has previously allowed recovery of deferred costs included in a regulatory asset in a rider.[31]

It is important to make the distinction that the Commission is not deciding at this time whether NorthWestern should build a nuclear SMR. The Commission is only deciding whether to allow cost recovery of the costs incurred to study the SMR technology. The studies will help NorthWestern determine whether to pursue SMR technology as a future generation resource.

[27] NorthWestern response to Staff DR 1-14.
[28] Petition, pg. 5.
[29] Petition, pg. 5.
[30] Petition, pg. 4.
[31] See docket EL21-007.

Staff reviewed NorthWestern's filing, the Company's most recent IRP, the information in docket EL23-002, and additional information received in discovery. Staff provides the following information to aid the Commission in its decision of whether to allow cost recovery of SMR study costs at this time.

[Begin Confidential] [redacted]

[redacted]

[End Confidential]

NorthWestern's filing in docket EL23-002 indicated the Company needed to complete a study in 2023 to have an opportunity to participate in Department of Energy (DOE) grant funding. Staff requested an update on the status of this funding application. In response to Staff's data request, NorthWestern explained that the Company engaged a consultant to help navigate the requirements to submit a grant request. The grant program required the study to be completed by the end of 2023 and the recipient of the grant needed to be within 1 year of making a decision on whether to develop a nuclear plant or not. NorthWestern was not in a position to complete the study or make a decision in that short of a time frame, therefore the Company was not eligible for the opportunity.[34]

NorthWestern provided Staff with a copy of the initial evaluation performed by Roland Berger in 2023.[35]
[Begin Confidential] [redacted]

[32] NorthWestern response to Staff DR 2-3.
[33] See, also, Attachment D to the Petition for a summary.
[34] NorthWestern response to Staff DR 1-8.
[35] NorthWestern response to Staff DR 2-6.

[redacted]. **[End Confidential]**

Remaining costs incurred in 2023 included presentation of the findings to NorthWestern's Board and Executive Team and providing training and education sessions. In 2024 the consultant received a retainer for continued research to support a "Go/No-Go" decision on development of a nuclear power plant around the 2027 timeframe.[37]

In addition, NorthWestern's filing indicated additional expenses of $79,650 expected through the end of 2025. **[Begin Confidential]** [redacted] **[End Confidential]**

NorthWestern states that additional work after 2025 will include site study and selection, partnership development (technology, ownership, operator, and developer), and community engagement.[40] The Company currently expects the bulk of the SMR study to be complete by the end of 2026.[41] NorthWestern currently expects additional project costs to remain within the $800,000 anticipated in EL23-002.[42]

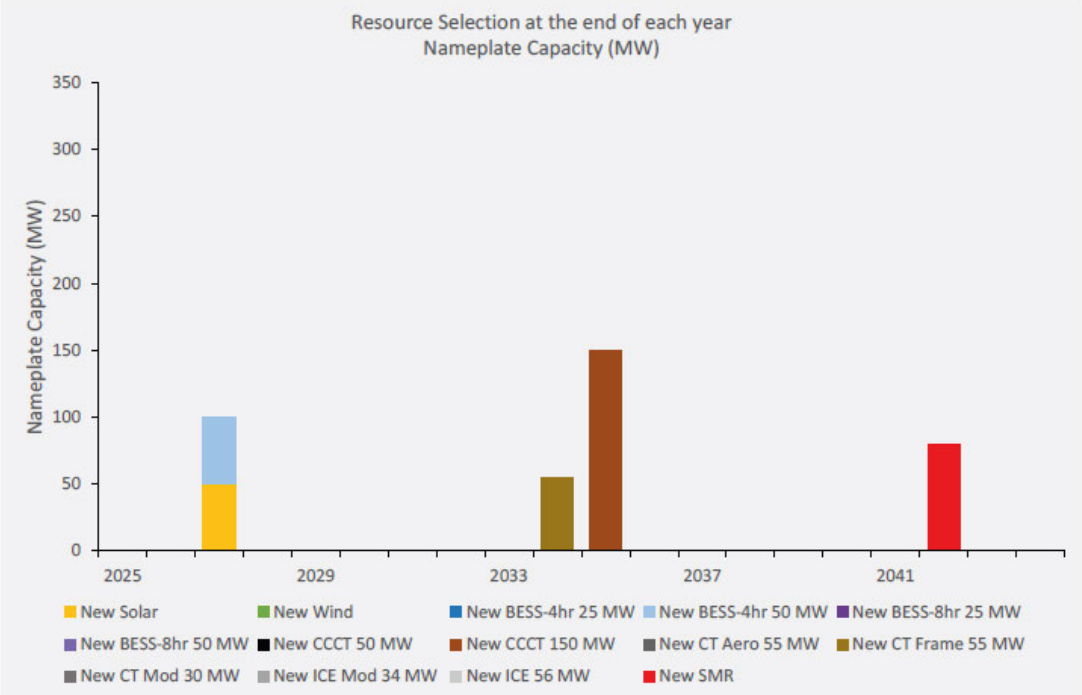
Staff also notes that the Company's internal labor costs associated with SMR evaluation are not included in the amounts proposed to be recovered through the PIRP. Internal labor costs are recovered through base rates.[43]

The Company's current request to recover nuclear study costs does not require the Commission to review an IRP in order to determine whether the Company has a resource need and whether that resource should be a SMR. That comprehensive IRP review will come at a later time if and when NorthWestern requests cost recovery of a new generation resource. However, Staff did look at NorthWestern's 2024 IRP to gain some perspective on whether it appears appropriate for the Company to study SMRs as an option for future needs.

[36] Petition, Attachment D.
[37] Petition, Attachment D.
[38] NorthWestern response to Staff DR 2-4.
[39] NorthWestern response to Staff DR 2-6.
[40] NorthWestern response to Staff DR 2-5.
[41] NorthWestern response to Staff DR 1-15.
[42] NorthWestern response to Staff DR 1-14.
[43] NorthWestern response to Staff DR 1-12.

In NorthWestern's 2024 IRP, the capacity expansion model[44] provides the timing and quantity of resources to procure through the 20-year time period 2025-2044 which satisfies model constraints at the lowest cost.[45] The Base Case selects solar, a Battery Energy Storage System (BESS), a Simple Cycle Frame Combustion Turbine (Frame CT), a Combined Cycle Combustion Turbine (CCCT), and a SMR. NorthWestern states the 80-MW SMR is added in 2042 to lower the overall portfolio cost, not specifically for capacity.[46]

FIGURE 29 – ARS RESULTS FOR THE BASE CASE.



The Base Case assumes all resources in NorthWestern's portfolio will retire at the end of their depreciable life or expire at the end of their contract term.[47] The depreciable life for each coal plant[48] is provided below.

Big Stone	12/31/2046
Neal 4	12/31/2040
Coyote	12/31/2041

Other primary scenarios modeled include early retirement of NorthWestern's coal resources (Big Stone, Coyote, and Neal) in 2032, 2035, and a combination of 2032 and 2035.[49] All of the early coal retirement scenarios selected Frame/Modular CT units, as well as some new solar and BESS, at varying times throughout the 20-year time period.

[44] NorthWestern uses PowerSIMM's Automated Resource Selection (ARS).
[45] 2024 IRP, pg. 34.
[46] 2024 IRP, pg. 50.
[47] 2024 IRP, pg. 50.
[48] 2024 IRP, pg. 20 (Table 5).
[49] 2024 IRP, pgs. 51-54.

NorthWestern also modeled a Nuclear Replacement scenario[50] which modified the 2035 Coal Retirement scenario by implementing an 80-MW SMR nuclear resource starting in 2036. NorthWestern also conducted scenarios which further accelerated the carbon free goal to modify the 2032 and 2035 Coal Retirement scenarios to only allow carbon free resources to be selected. When NorthWestern does not allow any natural gas resources to be selected during the 20-year time period, the model chooses BESS and SMRs.[51]

Section 7.3.1 of NorthWestern's 2024 IRP states that the capacity expansion modeling "[d]oes not allow new fossil fuel resource additions after 2035, which is consistent with NorthWestern's NetZero by 2050 goals."[52] No carbon-emitting resources are allowed after 2035 for all scenarios.[53] Section 8.1.1 Base Case states: "A 150-MW CCCT unit is added at the end of 2035 as this is the last year in which NorthWestern can build a carbon-emitting resource to adhere to the Net Zero Goal. Even though this resource is added in 2035, the capacity is not needed until the early 2040s when Neal and Coyote reach their planned retirement dates."[54]

Staff inquired as to whether NorthWestern evaluated any scenarios that allowed fossil fuel resource additions after 2035. In response to Staff[55], NorthWestern provided a simulation in which NorthWestern allows carbon emitting resources to be selected after 2035. **[Begin Confidential]** [redacted]

[redacted]

[50] 2024 IRP, pgs. 54-55.
[51] 2024 IRP, pg. 55-56.
[52] 2024 IRP, pg. 34.
[53] 2024 IRP, pg. 50.
[54] 2024 IRP, pg. 50.
[55] NorthWestern Response to Staff DR 1-9.

[redacted] **[End Confidential]** Staff makes no determination at this time regarding the resources selected in the modeling and has not performed a comprehensive IRP analysis. However, Staff believes the IRP modeling results are instructive as to why NorthWestern is studying SMR technology. The modeling shows that if natural gas is unavailable, the capacity expansion modeling will select SMRs. **[Begin Confidential]** [redacted] **[End Confidential]**

The 2024 IRP analysis, however, does not reflect the costs associated with existing pipeline capacity constraints and the additional infrastructure needed to provide natural gas. NorthWestern's resources are served from two major natural gas pipelines: Northern Natural Gas Pipeline (NNG) and Northern Border Pipeline (NBPL). NorthWestern states that "[i]n general, both of these lines are fully subscribed meaning that securing firm gas transmission is not an option without substantial pipeline expansion." NorthWestern has existing firm gas on both pipelines and buys additional capacity as needed on the markets. While NorthWestern can purchase additional peaking supply on the market, the availability is uncertain.[58] Certainly, if NorthWestern is going to build additional natural gas units to serve its customers in the future, firm gas supply will be necessary.

NorthWestern stated that "[c]onsidering the cost of additional infrastructure needed to provide natural gas (and existing pipeline capacity constraints) to large natural gas generation units that will operate as baseload generation – SMR generation becomes an attractive option from a pricing perspective."[59] The Company has not completed a comprehensive study on SMR vs. natural gas generation to support the statement that SMR generation is an attractive option compared to natural gas when these additional costs are considered.[60] However, the Company states that "available public data shows SMRs beating new natural gas generation on a risk-adjusted cost basis once pipeline congestion, potential three-fold turbine CAPEX inflation, varying environmental regulations, and fuel-price volatility are factored in.[61] Such factors need to be continually evaluated.

[56] NorthWestern Response to Staff DR 2-7.
[57] NorthWestern response to Staff DR 2-7.
[58] 2024 IRP, pg. 32.
[59] Petition, pg. 5.
[60] NorthWestern response to Staff DR 2-8.
[61] NorthWestern response to Staff DR 2-8.

Staff requested NorthWestern provide documentation regarding the costs of additional infrastructure needed to provide natural gas. **[Begin Confidential]** [redacted]

[End Confidential]

NorthWestern states that if the additional costs of natural gas infrastructure were included in the capital cost of natural gas generating resources, then the natural gas resources would be more expensive in the PowerSIMM ARS analysis, and it is possible that other lower cost resources would be chosen instead of the natural gas resources. The Company further explained that including these infrastructure costs is challenging from a modeling perspective because the next infrastructure upgrade is dependent on the previous infrastructure update. It is possible that the infrastructure upgrades would change from scenario to scenario.[63]

Staff notes that NorthWestern's 2024 IRP only includes a near-term action plan, including the Aberdeen 1 replacement (AGS3 and AGS4) and continued consideration of retirement and replacement of the YGS. NorthWestern's 2024 IRP does not include a long-term action plan regarding future needs. Future IRPs will need to address a plan for long-term needs as these needs becomes closer on the planning horizon. Future

[62] NorthWestern Confidential response to Staff DR 2-8b).
[63] NorthWestern Response to Staff DR 2-8.

IRPs and/or additional analysis should further address the viability of additional natural gas resources compared to SMRs.

The analysis demonstrates that either additional natural gas resources or SMRs will likely be necessary to serve NorthWestern's future needs based on what is known today. It makes sense for NorthWestern to take this initial step to evaluate the possibility of SMRs as a future resource given **[Begin Confidential]** [redacted] **[End Confidential]** and the current natural gas pipeline constraints that call into question the viability of future large natural gas generation resources. If NorthWestern decides to take further steps down the path of procuring a SMR beyond the scope of these initial studies, it will need to ask for cost recovery at a future time. At that time NorthWestern will need to provide analysis that demonstrates a SMR is the most prudent choice for customers. The Commission is not approving recovery of a SMR resource today.

NorthWestern proposes to amortize the nuclear study costs over 5 years. The 5-year amortization period is consistent with amortizations used for various items in NorthWestern's most recent rate case and is appropriate considering the level of costs incurred and the relatively small rate impact for customers. The five-year amortization will allow for recovery of the study costs to be complete prior to the time when NorthWestern would possibly build a SMR resource.

When the $540,285 in SMR study costs are amortized over a 5-year period, it results in an annual amount of $108,057. The total July 2025 – June 2026 revenue requirement associated with the SMR study costs, including a return on the unamortized balance, is $146,847.

PIRP RIDER REVENUE REQUIREMENT

NorthWestern proposed an initial revenue requirement for the July 1, 2025 – June 30, 2026, recovery period of $4,584,872. After incorporating the adjustment for AGS retired assets, the revenue requirement is $4,277,952. In addition to the July 1, 2025 – June 30, 2026 revenue requirements associated with AGS3 and AGS4 and the 5-year amortization of the nuclear study costs, the initial revenue requirement includes the tracker balance associated with construction work in progress (CWIP) for AGS3 and AGS4 from January 2024 through June 2025.Inclusion of the tracker balance is appropriate because absent recovery of a return on CWIP, NorthWestern would otherwise accrue AFUDC for that time period, resulting in a similar rate impact.

The vast majority of the revenue requirement is associated with ASG3 and ASG4. The SMR study costs are a minor part of the PIRP revenue requirement. A break-out of the July 2025 – June 2026 revenue requirements is provided below:

7/1/25 – 6/30/26 AGS3 & AGS4 Revenue Requirement	$3,623,288
1/1/24 – 6/30/25 AGS3 & AGS4 Tracker Balance	814,737
7/1/25 – 6/30/26 SMR Study Costs Revenue Requirement	146,847
Remove Retired AGS Assets	(306,920)
Total	**$4,277,952**

PIRP RIDER RATE DESIGN

NorthWestern proposes the PIRP Rider be applicable to all retail electric service customer classes and be listed as a separate line item on customer bills. Consistent with the PIRP tariff approved in docket EL23-016, the revenue requirement is allocated based on the customer class cost of service allocation determined in the most recent rate case:

Residential	38.55%
Irrigation	0.17%
Commercial	10.40%
Commercial & Industrial	48.93%
Municipal	0.49%
Lighting	1.40%
Controlled Off-Peak	0.06%

After the revenue requirement is allocated to customer classes, each class revenue requirement is divided by the projected class sales for the July 1, 2025 – June 30, 2026 recovery period, resulting in the following rates per kWh:

Residential	$0.00282
Irrigation	$0.00273
Commercial	$0.00290
Commercial & Industrial	$0.00222
Municipal	$0.00298
Lighting	$0.00589
Controlled Off-Peak	$0.00247

A typical residential customer using 750 kWh a month will see a bill impact of approximately $2.11 per month. Approximately $2.04 of the monthly bill impact is due to the revenue requirements associated with AGS3 and AGS4. The remaining $0.07 per month is due to the SMR study costs.

RECOMMENDATION

Staff recommends the Commission approve NorthWestern's July 2025 – June 2026 revenue requirement of $4,277,952 and the proposed rates per customer class as filed June 25, 2025.

Staff also recommends the Commission clarify in this order that the regulatory asset is for a cap of $800,000, for nuclear study costs incurred beginning March 1, 2023. Any costs over and above the $800,000 shall not be included in the regulatory asset and will require NorthWestern to come before the Commission to seek additional deferred accounting approval.