

Docket Number: GE20-002
Subject Matter: First Data Request
Request to: NorthWestern Energy (NWE or Company)
Request from: South Dakota Public Utilities Commission Staff
Date of Request: May 8, 2020
Responses Due: May 22, 2020

For each response where it is necessary, separate amount between Natural Gas and Electric and describe any differences between Natural Gas and Electric. For responses where the Company's answer is the same for both Natural Gas and Electric, please indicate so.

Please note – all of our responses apply equally to our Electric and Natural Gas utilities.

1-1. Confirm that the Company acknowledges that the deferral 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.
NorthWestern Energy agrees.

1-2. Provide any accounting standards the utility must follow regarding deferred accounting treatment and likelihood of future cost recovery. Confirm the Company must determine cost recovery is probable and the Commission need not make a determination at this time regarding probable recovery, especially in light of the uncertainty regarding magnitude of the costs. Confirm that the Company acknowledges that the deferral accounting method and the resulting creation of a regulatory asset does not speak to the likelihood of any future cost recovery to be approved by the Commission.
NorthWestern follows both U.S. Generally Accepted Accounting Principles (GAAP) and Federal Energy Regulatory Commission (FERC) accounting guidance. Under U.S. GAAP, the provisions of Accounting Standards Codification 980, *Regulated Operations*, address deferred accounting. NorthWestern believes if the Commission grants authorization to defer certain prudently incurred costs for future ratemaking treatment, that authorization supports deferred accounting.

NorthWestern Energy confirms that, as with any expense we would normally place into a Commission approved regulatory asset for cost recovery, we must be able to support that expense as reasonable and prudent. NorthWestern also acknowledges that the use of deferred accounting and the creation of a Commission approved regulatory asset is subject to final review and approval by the Commission.

1-3. Provide a complete listing of all cost increases (and cost decreases) the Company plans to include in the regulatory asset. For each of these items, include:

- The date the Company began incurring (or saving) the additional expense.
We expect to incur additional operational costs associated with the health and safety of our customers and employees. At the same time, revenues that are designed to recover our normal business costs could be reduced significantly due to the shutdown or slowdowns of many commercial and industrial businesses. Rather than addressing a range of costs and lost revenue projections, NorthWestern will be limiting its request for relief to recovery of bad debt through the regulatory asset mechanism requested in this proceeding. Cost

recovery for other possible COVID related expenses are not being requested by NorthWestern.

NorthWestern suspended service disconnections for non-payment beginning March 16, 2020. NorthWestern is limiting its request to the establishment of a regulatory asset to record the deferral of incremental bad debt expense in excess of amounts included in the most recent electric and natural gas test periods, effective with the date of service disconnections. If the amount of bad debt written off exceeds that annual bad debt included in our cost of service, then we would begin to track it in a regulatory asset. If not, NorthWestern will continue to monitor the actual bad debt until it exceeds the annual bad debt included in our cost of service and at that time transfer it to the regulatory asset for tracking.

- b. The amount of actual additional expense (or savings) to date.

NorthWestern Energy cannot provide actual expenses/savings at this time as it is too early in the COVID response effort and there is not sufficient data yet.

- c. The amount of additional expense (or savings) the Company estimates it will ultimately incur.

NorthWestern cannot estimate additional savings or expenses at this time as it is still too early in the COVID pandemic experience to provide an accurate estimation.

- d. The actions the Company has taken to ensure the additional costs are kept to a minimum and cost savings are maximized.

NorthWestern consistently takes into account all possible financial impacts of any decisions we make when considering expenses under normal operating conditions and not only when we are faced with unique financial challenges such as those related to the COVID pandemic. We remain diligent in our efforts to ensure that any costs incurred by the company at any time are reasonable and prudent and will maximize cost savings for our customers and shareholders.

- 1-4. Confirm that if the deferred accounting treatment and regulatory asset are approved, the Company will continue to provide updates to the information provided in DR 1-3 on a quarterly basis.

NorthWestern Energy agrees to provide quarterly updates for bad debt accruals once the Commission approves the establishment of a regulatory asset for tracking purposes.

- 1-5. What are the Company's current plans for the proposed method of recovery of costs to be recorded in this regulatory asset? Provide the statutes and/or administrative rules giving the Commission the authority to approve the Company's chosen method.

Our current plans are to only recover bad debt costs placed into Commission approved regulatory assets when we file our next rate reviews.

- 1-6. Provide a thorough explanation of the Company's normal billing, collection, and write-off policies and procedures and how they have been revised for this COVID-19 crisis. Please include flowcharts showing all the different scenarios and timelines involved in the customer bill collection process.

Active collections processing: SD customers have a 20 day due date with the exception of those customers choosing Early Pay as a security device upon account initiation. For Early Pay customers, the following timeline is shortened by 10 days. If the account is not paid by the 23rd day after the bill is generated, a Late Payment Charge (LPC) is assessed. The LPC is a \$2 flat fee

plus 1% of the arrears. If the account is still outstanding on the 25th day after the bill is generated, a Notice of Disconnect is issued to the customer advising the customer of the amount required to avoid disconnection of service. If the account is still not resolved by the 34th day after the bill is generated, a proactive phone contact is attempted to advise the customer of upcoming disconnect of service due to nonpayment. If there is no phone number for the account or there is no contact with the customer, the account proceeds to the next step. If the account is still not resolved by the 40th day after the bill is generated, an order is sent out to field resources to disconnect service.

During the Winter Moratorium period (November 1st through March 31st), as required by rule, an additional 30 days is added to the above timeline for Residential class accounts. Non-Residential class accounts follow the same process outlined above year-round.

Inactive collections processing: Once an account is inactivated, either by customer choice or by act of the utility due to non-payment, a closing bill is generated 28 days later. If the account has an outstanding balance, a closing bill reminder notice is issued advising the customer of the balance owed. If after 10 days, the account still has an outstanding balance, a second notice is issued advising of the account balance and stating that the account may be referred to an outside agency for collections if not resolved. After these notices, the account is selected into bad debt batches for which proactive phone attempts are made and a manual review of each account is performed before being placed with an outside agency. It is usually 45-60 days after the date of the closing bill before the account is placed with the outside agency.

As noted above, beginning on March 16th, NorthWestern Energy voluntarily discontinued service disconnections for non-payment and the collection any late fees. Therefore, a hold has been put on our practices described above until such time as utility disconnections for nonpayment are reinstated.

- 1-7. If the Company chose to temporarily discontinue disconnections and/or late payment fees, provide the Company's reasoning for doing so and the other alternatives the Company discussed.

NorthWestern Energy immediately assessed the situation and was one of the first utilities in the nation to make the decision to suspend collections activity while it assessed the situation, developed plans, and implemented an ICS structure to deal with the pandemic. Collection actions were suspended for Residential customers starting March 16, 2020. After further review of the situation, collections processing was suspended for most Non-Residential customers. Large Commercial/Industrial customers are being monitored and handled accordingly by Key Account Representatives and the Collections Supervisor. Other alternatives were reviewed as calls with industry groups and peer utilities started to occur. NorthWestern Energy believes that the steps it took initially are in the best interest of the customers and employees of the utility.

- 1-8. Has the Company provided customers that will be disconnected when the disconnect moratorium is lifted any additional correspondence, outside of the normal correspondence, reminding them that the entire balance will be required to be paid once the disconnect moratorium period is complete or they will lose their service?

Normal disconnect notices have been temporarily suspended. In lieu of normal disconnect notices, NorthWestern Energy has been sending customers communications advising them of their total balance and encouraging them to contact the utility so representatives can discuss their accounts, offer assistance options that may be available in their area and work with

customers to resolve their balance. NorthWestern Energy has also been reaching out to customers proactively by phone in an effort to provide assistance options and discuss their accounts to work towards resolution of any balances.

1-9. Has the Company made any charitable contributions during this time related to the COVID-19 crisis? If so: Yes we have.

a. How much money was given and to whom was it given?

In South Dakota, the majority of our Community Support Plan funds (\$30,000) were provided to small business customers in the form of bill credit grants. In addition, \$20,000 was made available to our residential customers in the form of bill credits. In Sioux Falls, \$10,000 was provided to a relief agency called the 'One Sioux Falls Relief Fund' to deal with the impacts related to the COVID-19 pandemic. An additional \$10,000 was provided to Horizon Rural Healthcare Inc. that operates an affordable, multi-disciplined healthcare network in 32 rural community locations throughout South Dakota. A majority of those communities are located within our service territory. And finally, a portion of our Community Support Plan encouraged employee donations with a matching provision from the Company. For that portion of the plan, employees contributed approximately \$5,000 and that will be matched by the Company. The donations (and associated match) were provided to an organization called 211.org, which serves a significant portion of South Dakota.

On May 21st, NorthWestern announced an additional \$100,000 would be made available company-wide for small businesses to receive a bill credit grant that did not receive one during the first round. Of this new contribution, approximately \$27,000 will be made available to South Dakota. Additionally, NorthWestern will match up to \$10,000 in employee contributions made to the South Dakota Community Foundation.

b. Has the company considered having this shareholder expense cover bad debt expense instead of to the charities it was given? Explain why or why not.

The majority of the charitable funding made available by NorthWestern Energy is being used to provide bill credits to our residential and small business customers to help keep them current with their bills and not develop a balance due. This is helping to decrease the potential for higher bad debt accruals as we continue our efforts to address the financial impacts of COVID-19.