

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

**In the matter of:** )  
**NORTHWESTERN CORPORATION** )  
**d/b/a NorthWestern Energy, Applicant** ) **Docket No. NG11-\_\_\_**

**Application of NorthWestern Corporation  
d/b/a NorthWestern Energy**

**For Increased Natural Gas Rates**

**December 31, 2010 Test Year**

**Testimony & Exhibits**

**NorthWestern Energy**

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OF THE STATE OF SOUTH DAKOTA**

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**IN RE:** )  
 ) **Docket No. NG11-\_\_\_\_\_**  
**NORTHWESTERN CORPORATION,** )  
**dba NorthWestern Energy** )

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**PREFILED DIRECT TESTIMONY OF ROBERT C. ROWE  
ON BEHALF OF NORTHWESTERN ENERGY**

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

A. Robert C. Rowe, 3010 West 69<sup>th</sup> Street, Sioux Falls, South Dakota, 57108.

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

A. I am employed by NorthWestern Corporation, d.b.a. NorthWestern Energy, ("NorthWestern" or "Company") as its President and Chief Executive Officer. I also serve as the only non-independent Director on NorthWestern Corporation's Board of Directors.

**Q. Please describe your education and business experience.**

A. I have been the President and Chief Executive Officer since August of 2008. From 2005 through 2008, I was senior partner in Balhoff, Rowe & Williams, a financial and policy consulting firm. Prior to that, I was a Commissioner with the Montana Public Service Commission ("MPSC") for twelve years from 1993-2004. During that period I served at various times as Chairman of the MPSC, Chairman of the National Association of Regulatory Commissioners ("NARUC") Telecommunications Committee, President of NARUC, Chairman of the Regional Oversight Committee for US West, and in other capacities. I was a member of the Federal-State Joint Board on Universal Service. I was active nationally, regionally and in Montana on telecommunications and energy matters. I have also participated as a trainer in scores of university-based and other professional

1 training events. I have been a senior fellow at the University of Florida Public Utility  
2 Research Center, and have been a member of various other university-related  
3 boards, including Columbia University. I received a BA degree in History and  
4 Political Science from Lewis & Clark College in Portland, Oregon and a JD from the  
5 University of Oregon. I have attended numerous professional development  
6 courses.

7  
8 **Q. What is the purpose of your prepared direct testimony?**

9 A. I will describe NorthWestern's rate filing and summarize why NorthWestern is  
10 requesting an increase to its South Dakota natural gas distribution rates at this  
11 time.

12  
13 **Q. Please describe the organization and operation of NorthWestern.**

14 A. NorthWestern is focused on its utility operation, and currently has no non-  
15 regulated lines of business. We are investing significant resources in our assets  
16 dedicated to serve customers, and are also investing in our employees. We are  
17 active partners with our communities and customers. Personally, I very much  
18 value the opportunity to get to know and work with civic leaders in our South  
19 Dakota service territory.

20  
21 NorthWestern is an electric and natural gas distribution utility operating in the  
22 states of South Dakota, Nebraska and Montana. NorthWestern's last natural gas  
23 rate filing in South Dakota was in 2007. In all three states, NorthWestern is a  
24 natural gas distribution and transmission utility. NorthWestern has been and  
25 remains a vertically integrated electric utility in South Dakota. NorthWestern is  
26 re-establishing itself as a vertically integrated electric utility in Montana, with the  
27 construction of the Dave Gates Generating Station at Mill Creek and re-  
28 integration of the Colstrip 4 Generating Unit into Montana rate base.

29  
30 NorthWestern received approval from the Federal Energy Regulatory  
31 Commission ("FERC") on March 31, 2011 for its purchase of the Milbank natural

1 gas pipeline from Northern Natural Gas. This purchase will add one new  
2 transportation customer (City of Ortonville) to NorthWestern's South Dakota  
3 customer base. NorthWestern serves 110 electric and 60 natural gas  
4 communities with approximately 43,750 natural gas and 60,800 electric  
5 customers in its South Dakota service territory. It also provides natural gas  
6 service to approximately 41,560 customers in four communities in Nebraska.  
7 NorthWestern provides electric services to 337,600 customers in 187  
8 communities in Montana while its natural gas business serves 181,300  
9 customers in 105 communities.

10  
11 **Q. What is the purpose of this rate filing?**

12 A. The purpose is to request a rate adjustment that will allow NorthWestern an  
13 opportunity to earn an appropriate return on the Company's natural gas  
14 operations in South Dakota. NorthWestern last filed for a rate adjustment in  
15 2007. Since that filing, NorthWestern has fully refunded environmental insurance  
16 proceeds to customers, and has experienced increased costs in operating its  
17 natural gas utility, primarily related to environmental remediation. Additionally,  
18 the filing adds the recent acquisition of the Milbank natural gas pipeline to  
19 NorthWestern's service territory map and brings those related customers into  
20 NorthWestern's natural gas cost and rate structure. The Commission, in its order  
21 dated March 11, 2011 in Docket NG11-001, found that costs associated with the  
22 purchase of the Milbank natural gas pipeline were prudently incurred, and  
23 approved in principle for inclusion of the acquisition on a cost basis in the  
24 Company's rate base at the time of its next natural gas rate case filing. The  
25 Commission also approved the establishment of a regulatory asset to accrue a  
26 return on the portion of the Milbank pipeline costs that are assigned to  
27 NorthWestern's overall system, not to the *large customers with deviated rates*,  
28 from the time of purchase until the next approved rate case. The Company  
29 acknowledges that the Commission's approval decisions did not predetermine  
30 Commission treatment of these costs in base rates during the Company's next  
31 natural gas rate case.

1  
2 In compliance with the settlement agreement from the 2007 natural gas rate  
3 case, this rate filing reflects the removal of the customer insurance refund related  
4 to the Huron manufactured gas plant ("MGP") site, as that has been fully  
5 refunded to customers. The filing also requests an adjustment for recovery of  
6 environmental remediation costs associated with the Aberdeen MGP site, based  
7 on current projections.  
8

9 **Q. Please describe the rate increase request.**

10 A. NorthWestern proposes an increase in natural gas distribution rates of  
11 approximately 7.20%. Details of the proposed rates and charges are described  
12 in the direct testimony and exhibits of Company witnesses Jeff Decker and  
13 Kendall Kliewer.  
14

15 **Q. Please describe NorthWestern's customer notification of the proposed  
16 increase.**

17 A. On May 23, 2011, NorthWestern will post a notice of proposed increase in all of  
18 its offices. On the same day, a release will be issued to the news media. Each  
19 customer will be mailed a postcard in May with the following information:

- 20 • notification of the natural gas rate filing with the South Dakota  
21 Public Utilities Commission;
- 22 • a description of their right to participate in the Commission's rate  
23 review process, as prescribed in state statute; and,
- 24 • information concerning how they may view the proposed rate  
25 changes at our local offices, on NorthWestern's website  
26 ([www.northwesternenergy.com](http://www.northwesternenergy.com)), or on the Commission's website  
27 ([www.puc.sd.us](http://www.puc.sd.us)).

28 At the conclusion of this case, a notice will be mailed to all South Dakota natural  
29 gas customers informing them of any rate changes ordered by the Commission.  
30 Copies of any approved rate increase will also be available at NorthWestern's  
31 local offices and its website will be updated to appropriately reflect any approved

1 rate changes.

2  
3 **Q. To what communities and industries has NorthWestern brought natural gas**  
4 **since its last South Dakota natural gas rate filing?**

5 A. We are proud to have added to our South Dakota operations, which is consistent  
6 with our focus on doing what we do best and investing in the states we serve.

7  
8 With the acquisition of the Milbank natural gas pipeline, NorthWestern is adding  
9 the City of Ortonville as a new transportation customer.

10  
11 In 2008, NorthWestern expanded its natural gas distribution to serve the NuGen  
12 Ethanol Plant located in Marion, SD. As a result of this expansion, NorthWestern  
13 was able to visit with rural homeowners in the Tea, South Dakota area to  
14 determine if there was interest in becoming natural gas customers of the  
15 Company. Following an employee-driven "door to door" campaign, over 200 new  
16 residential and small commercial/industrial natural gas customers were added to  
17 NorthWestern's customer base. NorthWestern Energy also expanded natural  
18 gas service to the South Dakota Wheat Growers grain drying facility near  
19 Andover and upgraded its natural gas services to grain drying facilities in  
20 Aberdeen, Andover, Mellette, Yale and Willow Lake.

21  
22 **Q. What effect have these expansions had on NorthWestern's South Dakota**  
23 **system deliveries since its last natural gas rate filing?**

24 A. Total therms in NorthWestern's last rate case were 54,466,372. Test year  
25 weather-adjusted throughput in this filing is 59,115,985 therms, an 8.5%  
26 increase. As residential volumes continue to decline, in part due to more efficient  
27 homes and equipment, the increase in commercial volumes helps to offset this  
28 usage reduction.

29  
30 **Q. What is NorthWestern doing to improve customer service and increase**  
31 **system efficiency and reliability?**

1 A. NorthWestern is constantly searching for ways to improve service and reliability  
2 for our customers, as well as maintaining safety for our customers and  
3 employees. This commitment extends to the entire organization, and involves  
4 capital commitments, organizational structure, training, and planning to achieve  
5 high levels of safety and service.

6  
7 NorthWestern continuously surveys its customers to determine what can be done  
8 to enhance the value of our services. NorthWestern is a six-time winner of the  
9 national ServiceOne Award in recognition of its outstanding customer service.  
10 The Company continues to be the only utility with both natural gas and electric  
11 operations to win the award. NorthWestern is embarking on an extensive effort  
12 to integrate and upgrade its CIS system to develop one company-wide system to  
13 enhance customer service functionality for both employees and customers. We  
14 are also working to implement Power Plan, software that will be used for project  
15 accounting, asset accounting, book and tax depreciation, deferred tax, monthly  
16 tax provision, and property tax.

17  
18 NorthWestern regularly reviews its processes and procedures to keep them  
19 current and state-of-the-art. For example, recently NorthWestern launched an  
20 Interactive Voice Response (IVR) system in South Dakota to provide faster and  
21 more service options to our customers when they call our contact center. This  
22 continuous evolution will enable NorthWestern to anticipate and meet changes in  
23 the utility industry.

24  
25 We are conducting a company-wide project to update and develop a Global  
26 Information System (GIS) to digitize maps and related infrastructure location  
27 information for our natural gas and utility systems. The GIS initiative is currently  
28 underway for our South Dakota system. Information stored in the GIS system  
29 will be available to operations personnel to be used in facilitating project  
30 planning, and assisting personnel in faster response to events such as electric  
31 outages or natural gas incidents. The ability to use information from a complete

1 and up-to-date GIS system will ultimately result in lower operations costs, as  
2 information will be more readily available to field personnel and operations  
3 managers. It will also help us advance our commitment to outstanding customer  
4 service, and to maintain top-notch infrastructure for our natural gas and electric  
5 utility systems.

6  
7 Our commitment to service and safety is evinced in the field as well. For  
8 example, South Dakota natural gas operations purchased a second Remote  
9 Methane Laser Detector at a cost of \$17,000 for utility service personnel to use in  
10 the detection of natural gas when performing DOT-required leak surveys of the  
11 natural gas system and to detect the source of leaks when natural gas leaks are  
12 discovered. The Remote Methane Laser Detectors are located both in South  
13 Dakota and Nebraska to allow NorthWestern the flexibility of rotating the  
14 detectors throughout our service territory in these two states to accommodate  
15 scheduling needs for survey purposes. Using this technology improves detection  
16 of natural gas leaks, increases timeliness and efficiency, and enhances  
17 employee and customer safety.

18  
19 Operations personnel have been busy building a contingency inventory of pipe  
20 fittings and tested pipe for all sizes of pipe on NorthWestern's South Dakota gas  
21 system to ensure preparedness and minimize interrupted service, should a line  
22 be damaged.

23  
24 Advanced underground facility locating training has been conducted for  
25 appropriate natural gas operations staff to ensure they are using up-to-date  
26 locating equipment and techniques. The goal is to reduce service interruptions  
27 due to missed locates and subsequent dig-ins. NorthWestern purchased and  
28 conducted advanced training on the use of natural gas system tapping  
29 equipment that is capable of performing work on pipelines up to 250lbs in South  
30 Dakota. This effort has the potential to reduce interrupted service periods, as the  
31 previous tapping equipment inventory was stationed in Grand Island, Nebraska.

1      **Q.    Does that conclude your prepared direct testimony?**

2      **A.    Yes, it does.**

