

**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 69th 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), or on the Commission's website
27 (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.**

Affidavit of Robert C. Rowe

STATE OF MONTANA)
 : ss
COUNTY OF BUTTE-SILVER BOW)

Robert C. Rowe, being first duly sworn upon oath, states and alleges as follows:

1) I am the President and Chief Executive Officer for NorthWestern Corporation d/b/a NorthWestern Energy.

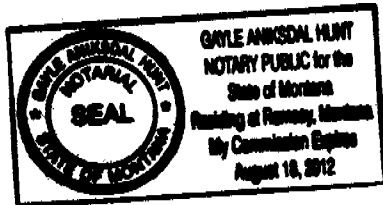
2) I have read this document and am familiar with its contents, and the same are true to the best of my knowledge and belief.


Further affiant sayeth naught.

Dated at Butte, Montana, this ___ day of April, 2011.


Robert C. Rowe

SIGNED AND SWORN to before me this 18th day of April, 2011, by Robert C. Rowe.




Name: Gayle Aniksdal Hunt
Notary Public for the State of Montana
Residing at: Ramsay, Montana
My commission expires: August 18, 2012