

Service Date: January 20, 2016

DEPARTMENT OF PUBLIC SERVICE REGULATION
BEFORE THE PUBLIC SERVICE COMMISSION
OF THE STATE OF MONTANA

IN THE MATTER OF the Application of) REGULATORY DIVISION
NorthWestern Energy for Hydro Assets)
Purchase) DOCKET NO. D2013.12.85
) ORDER NO. 73231

INTERIM ORDER

PROCEDURAL HISTORY

1. On September 25, 2014, the Montana Public Service Commission (Commission) issued *Final Order 7323k*, preapproving the acquisition of hydroelectric facilities by NorthWestern Corporation, doing business as NorthWestern Energy (NorthWestern). The Commission approved an initial revenue requirement of \$116,865,355, and ordered NorthWestern to make “a final compliance filing in December 2015 to reflect post-closing adjustments, the future conveyance of Kerr [Dam] to the [Confederated Salish and Kootenai Tribes], and the actual property tax expense for the Hydroelectric Facilities.” Order 7323k, Dkt. D2013.12.85, ¶¶ 185-191 (“NorthWestern shall track revenue credits on a portfolio basis through the electricity supply cost tracker.”).

2. On December 9, 2015, NorthWestern filed its *2015 Hydroelectric Facilities Purchase Compliance Filing* (2015 Filing). The Commission issued a *Notice of Filing and Opportunity to Comment* on December 15, 2015, and the MCC filed a *Request for Discovery and Further Opportunity to Comment* on January 4, 2016.

FINDINGS OF FACT

3. In its 2015 Filing, NorthWestern proposed the following adjustments, which increase the revenue requirement for the hydroelectric facilities by \$24,465,682: A decrease of (\$20,604,912) for expenses associated with Kerr Dam; an increase of \$41,820,651 to account for lower forecasted sales volumes and market prices resulting in lower revenue credits; an increase

of \$3,208,800 for state and local property taxes; and an increase of \$41,142 for other post-closing adjustments. Additionally, over a twelve-month period, NorthWestern proposed to refund (\$6,925,834) for Kerr Dam fixed costs collected since Kerr Dam was transferred, and to collect \$14,103,153 for revenue credits that it has over-credited since the hydroelectric facilities were acquired. These adjustments result in a total revenue increase of \$31,643,001.

4. In its 2015 Filing, NorthWestern proposed rates based on an effective date of January 1, 2016. Because the rates approved in this *Interim Order* will not take effect before February 1, 2016, certain balances will have changed. The Commission finds that interim rates should be based on the most current data available, as set forth in a revised filing to be filed by NorthWestern under Docket D2016.1.8. In that Docket, the Commission will consider whether to approve NorthWestern's proposed rates on a final basis.

CONCLUSIONS OF LAW

5. The Commission has full power of supervision, regulation, and control of public utilities. Mont. Code Ann. § 69-3-201 (2015). NorthWestern is a "public utility" subject to regulation by the Commission. *Id.* at § 69-3-101.

6. The Commission has authority to temporarily approve increases or decreases in rates pending a hearing or final decision. *Id.* at § 69-3-304. An interim rate change "shall be based upon consistent standards appropriate for the nature of the case pending." *Id.* Temporary approval of rates does not constitute final endorsement by the Commission of any issues, calculations, or methodologies in this proceeding.

7. If the rates approved in a final order represent an increase or decrease from interim rates, the Commission may order a rebate or surcharge for the appropriate amount retroactive to the date of the temporary approval. *Id.* If the Commission orders a rebate or surcharge, it "shall order interest to be paid on [the] rebate or surcharge as determined by the [C]ommission." *Id.* These rebate provisions protect NorthWestern and its customers until the Commission issues a final order in this proceeding.

ORDER

IT IS HEREBY ORDERED THAT:

8. Within five days of the service date of this *Interim Order*, NorthWestern file a revised hydroelectric facilities purchase compliance filing proposing rates based on the most current data available;

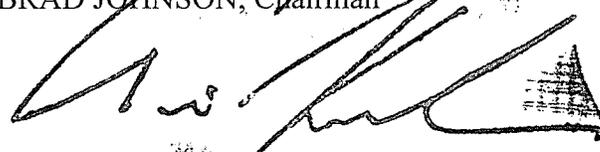
9. NorthWestern include the same information in support of its revised hydroelectric facilities purchase compliance filing that it included in its *Hydroelectric Facilities Purchase Compliance Filing* filed on December 9, 2015;

10. Subject to approval by Commission staff of the specific rates proposed in its revised hydroelectric facilities purchase compliance filing, NorthWestern's request to increase the hydroelectric facilities' revenue requirement and make other adjustments based on *Final Order 7323k* is approved on an interim basis.

DONE AND DATED this 19th day of January, 2016 by a vote of 3 to 1. Commissioner Kavulla dissenting and Commissioner Koopman abstaining.

BY ORDER OF THE MONTANA PUBLIC SERVICE COMMISSION


BRAD JOHNSON, Chairman


TRAVIS KAVULLA, Vice Chairman (dissenting)


KIRK BUSHMAN, Commissioner


BOB LAKE, Commissioner

ATTEST:


Aleisha Solem
Commission Secretary

(SEAL)