



NATURAL GAS TRACKER FILING

SUPPLEMENTAL TESTIMONY

Docket No. 2013.5.34

July 2013



July 18, 2013

Ms. Kate Whitney
Administrator, Regulatory Division
Montana Public Service Commission
1701 Prospect Avenue
PO Box 202601
Helena, MT 59620-2601

RE: NorthWestern Energy's Natural Gas Cost Tracker Filing - Docket No. D2013.5.34 Supplemental Testimony

Dear Ms. Whitney:

With this letter, NorthWestern Energy ("NWE") submits an original and ten copies of its Supplemental Testimony in the Natural Gas Cost Tracker Filing – Docket No. D2013.5.34 to the Montana Public Service Commission. NWE has determined that there is an error in the computation of the July 2012-June 2013 tracker period Demand Side Management ("DSM") Lost Revenues. The May 31, 2013 original filing in this docket included DSM Lost Revenues for this period of \$1,536,013; the corrected figure is \$600,992.

The Prefiled Supplemental Testimony of William M. Thomas describes the computation error in detail and provides corrected exhibits that reflect the accurate level of DSM Lost Revenues for the 2012-2013 tracker period. It should be noted that, consistent with the original filing, reported energy savings which are used in the lost revenue calculation for the 2012-2013 period are based on nine months of actual and three months of estimated information. Consistent with past natural gas cost tracker filings, these amounts will be updated later. These updates are usually provided during the discovery phase of the docket.

The Prefiled Supplemental Testimony of John M. Smith ("Smith Supplemental Testimony") provides updated information reflecting the corrected DSM Lost Revenues in the 2013-2014 tracker period, as well as actual information for the natural gas market, supply, and costs for the 12 months ended June 30, 2013. The Smith Supplemental Testimony also explains an accounting adjustment that was made regarding Bear Paw third party production.

Whitney Supplemental Gas Tracker Letter
July 18, 2013
Page 2 of 2

As explained in its original filing, NWE did not propose to establish a rate based on the estimated deferred account under-collected balance of \$327,399 at that time. Based on the updated actual information for the 2012-2013 period, the actual balance is an over-collection of \$(610,818), which results in a rate decrease from the current interim rate of \$0.044540 per therm. As addressed in the Smith Supplemental Testimony, since the balance is relatively small, it is not necessary to establish a separate rate for the deferred account balance. Instead, NWE proposes to adjust the August 2013 commodity rate in order to return this amount to customers.

This rate decrease has been reflected in the natural gas supply rate included in the August Monthly Natural Gas Cost Rate Adjustment filed on July 18, 2013 in Docket No. D2013.7.54. The revised projected natural gas supply rate for the 11-month period starting August 1, 2013 is \$0.380504 per therm, compared with the current interim rate for the 12-month period starting July 1, 2013 of \$0.425044 per therm, resulting in the 10.48% decrease of \$0.044540 per therm described above.

Three copies of this letter and documents submitted herewith are being delivered to the Montana Consumer Counsel.

If there are any questions in this regard, I can be reached at (406) 497-3362.

Sincerely,

A handwritten signature in black ink, appearing to read "Joe Schwartzenberger". The signature is fluid and cursive, with a long horizontal stroke at the end.

Joe Schwartzenberger
Director of Regulatory Affairs

Enclosures

cc: Montana Consumer Counsel

CERTIFICATE OF SERVICE

I hereby certify that a true and correct copy of Northwestern Energy's August 1, 2013 Monthly Natural Gas Cost Rate Adjustment in Docket No. D2013.7.54 will be hand delivered to the Montana Public Service Commission and Montana Consumer Counsel and also e-filed with the Montana Public Service Commission. It will also be served upon the following persons by, postage prepaid via first class mail, as follows:

Robert Nelson
Montana Consumer Counsel
Po Box 201703
Helena Mt 59620-1703

Connie Moran
NorthWestern Energy
40 East Broadway
Butte MT 59701

Joe Schwartzenberger
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Al Brogan
NorthWestern Energy
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Helena MT 59601

Sarah Norcott
NorthWestern Energy
208 N Montana Ave Suite 205
Helena MT 59601

DATED this 18th day of July 2013.

A handwritten signature in cursive script that reads "Tracy Lounney Killey". The signature is written in black ink and is positioned below the dated text.

7
8 **PREFILED SUPPLEMENTAL TESTIMONY**
9 **OF WILLIAM M. THOMAS**
10 **ON BEHALF OF NORTHWESTERN ENERGY**
11

12 **TABLE OF CONTENTS**

13	<u>Description</u>	<u>Starting Page No.</u>
14	Witness Information	2
15	Purpose of Testimony	2
16	2012-2013 Natural Gas DSM Lost Revenues Correction	2
17		
18	<u>Exhibits</u>	
19	Natural Gas DSM Lost Revenues 2008-2014	Exhibit__(WMT-3-Corrected)
20	Reconciled Lost Revenues	Exhibit__(WMT-5-Corrected)

1 Witness Information

2 **Q. Please state your name and business address.**

3 **A.** My name is William M. Thomas and my business address is 40 East
4 Broadway, Butte, Montana 59701.

5
6 **Q. Are you the same William M. Thomas who submitted prefiled direct**
7 **testimony (“Direct Testimony”) in this docket?**

8 **A.** Yes, I am.

9
10 Purpose of Testimony

11 **Q. What is the purpose of your testimony?**

12 **A.** I testify to the following:

- 13 1. Identification of an error in the computation of the natural gas DSM
14 Lost Revenues for the 2012-2013 period that was included in my
15 Direct Testimony in this docket;
- 16 2. Explanation of the source of the error, the steps taken to correct the
17 error, and the fact that it affects the Prefiled Direct Testimony of John
18 M. Smith (“Smith Direct Testimony”); and
- 19 3. Presentation of two corrected exhibits with updated calculations.

20
21 2012-2013 Natural Gas DSM Lost Revenues Correction

22 **Q. Please describe the error that was discovered in the natural gas DSM**
23 **Lost Revenue calculations.**

1 **A.** Two changes to the transmission and distribution rates became effective
2 during the 2012-2013 natural gas tracker period. The first change
3 occurred on January 1, 2013 as a result of the 2013 Electric and Natural
4 Gas Tax Tracker Filing dated December 11, 2012 (Docket No.
5 D2012.12.124). The second change to rates became effective April 1,
6 2013 as a result of Final Order No. 7249e in Docket No. D2012.9.94. This
7 change, because it is the result of a general case, established new
8 transmission and distribution rates which, in turn, caused the relevant
9 accumulated reported natural gas energy savings and associated lost
10 revenues to be reset to a zero starting point beginning April 1, 2013.
11 Although both of these rates were used in the natural gas DSM Lost
12 Revenue calculations in my Direct Testimony (Exhibit__(WMT-3) and
13 Exhibit__(WMT-5)), the manner in which I applied cumulative reported
14 natural gas savings to those rates and the corresponding time periods
15 during 2012-2013 was incorrect.

16

17 **Q.** Does this error to the calculations affect any other natural gas
18 tracker time periods?

19 **A.** No. The only affected time period is the 2012-2013 natural gas tracker
20 period. The calculations for all previous time periods, and for the
21 estimated 2013-2014 tracker period presented in Exhibit__(WMT-3) in my
22 Direct Testimony, remain unchanged.

23

1 **Q. What caused an incorrect computation of the natural gas lost**
2 **revenues that were presented for the 2012-2013 tracker period in**
3 **Exhibit__(WMT-3)?**

4 **A.** On Tab 3: Res & GS Gas Savings of Exhibit__(WMT-3) each tracker
5 period usually has two columns of figures, one for the annual target for
6 DSM savings and the other for the reported energy savings. These
7 figures represent annualized dekatherms of target or reported savings and
8 except for rate changes resulting from the annual property tax tracker, the
9 transmission and distribution rates used in the calculations have been
10 stable and unchanged throughout the tracker periods.

11
12 In the 2012-2013 tracker year, there were three distinct rate periods: one
13 6-month period followed by two 3-month segments. I used annualized
14 natural gas savings for the 6-month period – July 1 through December 31,
15 2012 – and again for the first 3-month period – January through March 31,
16 2013 – before resetting the natural gas savings to a zero starting point at
17 the beginning of the second 3-month period (April through June 2013).
18 This error resulted in significant over-counting of the cumulative natural
19 gas savings in columns P, Q, R, and S on Tab 3 of Exhibit__(WMT-3) of
20 my Direct Testimony. This over-counting of cumulative natural gas DSM
21 savings then resulted in overestimation of accumulated lost revenues
22 calculated on Tab 5 and summarized on Tab 1 of Exhibit__(WMT-3).

1 **Q. How should the computation have been done to correctly estimate**
2 **the lost revenues?**

3 **A.** The cumulative reported natural gas DSM savings at the end of the 2011-
4 2012 period should have been pro-rated only once to account for the first
5 two of the three fractional time periods of the 2012-2013 tracker year
6 combined, rather than applied twice as annualized savings.

7

8 **Q. Do you present a corrected Exhibit__(WMT-3) that reflects these**
9 **changes?**

10 **A.** Yes. Exhibit__(WMT-3-Corrected) includes these changes. The reported
11 energy savings in this exhibit are based on 9 months of actual and 3
12 months of estimated reported natural gas DSM savings as originally
13 presented in Exhibit__(WMT-3) of my Direct Testimony. NorthWestern
14 expects to file, most likely in response to a discovery request in this
15 docket, an updated version of Exhibit__(WMT-3-Corrected) when a full 12
16 months of actual natural gas DSM savings becomes available.

17

18 **Q. What specific changes were made in Exhibit__(WMT-3-Corrected) to**
19 **eliminate the calculation errors?**

20 **A.** First, on Tab 2: Rates of Exhibit__(WMT-3-Corrected), I constructed a
21 single 9-month rate period combining the July 1 through December 31,
22 2012 and the January 1 through March 30, 2013 periods and calculated
23 weighted average rates. The weightings that were used are based on the

1 number of days each set of rates was in effect during the 2012-2013
2 tracker period. The weightings are presented in the 2012-2013 Weighting
3 Table for T&D Rates located in range K39:N48 of this workbook tab.
4 These weighted average rates cover the 9-month period July 1, 2012
5 through March 30, 2013. The remaining rates on this workbook tab,
6 including the new T&D rates effective on April 1, 2013 and all rates used
7 in tracker periods prior to 2012-2013, remain unchanged from
8 Exhibit__(WMT-3) in my Direct Testimony.

9
10 Next, on Tab 3: Res & GS Gas Savings, I constructed a single 9-month
11 period that combined the natural gas targets and reported energy savings
12 for the 6-month period of July 1 through December 31, 2012 with the
13 targets and reported energy savings for the 3-month period of January 1
14 through March 31, 2013. This makes the July 1, 2012 through March 31,
15 2013 9-month natural gas savings data more directly and clearly
16 applicable to the July 1, 2012 through March 31, 2013 9-month weighted
17 average rate period developed in Tab 2: Rates. This also isolates the 9-
18 month prorated natural gas savings to calculate against 9-month weighted
19 average rates on Tab 5.

20
21 **Q. What is the effect of this correction on the amount of natural gas**
22 **DSM Lost Revenues for the 2012-2013 tracker period?**

1 **A.** The amount of natural gas DSM Lost Revenues for the 2012-2013 period
2 presented in Exhibit__(WMT-3) in my Direct Testimony was \$1,536,013.
3 The corrections to the calculations described above and presented on
4 Exhibit__(WMT-3-Corrected) reduce this amount for the 2012-2013
5 tracker period to \$600,922.

6

7 **Q. Does this correction affect any other exhibits in your Direct**
8 **Testimony?**

9 **A.** Yes. Exhibit__(WMT-5) must also be updated to reflect the corrected
10 natural gas lost revenue value for 2012-2013. Exhibit__(WMT-5-
11 Corrected) includes this updated value of \$600,922 in cell I25.

12

13 **Q. Does this correction affect any other prefiled direct testimony in this**
14 **docket?**

15 **A.** Yes. The natural gas lost revenues are included in the calculations of
16 natural gas cost presented in the Smith Direct Testimony. Please refer to
17 the Prefiled Supplemental Testimony of John M. Smith for an explanation
18 of how this correction to the natural gas DSM lost revenues is being
19 incorporated into the natural gas cost tracker.

20

21 **Q. Does this correction affect the Revised Lost Revenues amount of**
22 **\$3,626,854 identified on Exhibit__(WMT-5) and page WMT-30, line 2**
23 **of your Direct Testimony?**

1 **A.** No. The Revised Lost Revenues are related to the time period beginning
2 July 1, 2006 and ending June 30, 2012. The correction to natural gas lost
3 revenues described herein is specific to the period beginning July 1, 2012
4 and ending June 30, 2013. Therefore, the over-collection or reconciliation
5 amount of \$(233,167) specified on line 4, page WMT-30 and on lines 14
6 and 18, page WMT-34 of my Direct Testimony, also remains unchanged.

7
8 **Q. What is the corrected amount of natural gas DSM Lost Revenues
9 NorthWestern is proposing for the 2012-2013 tracker period?**

10 **A.** The corrected amount of natural gas DSM Lost Revenues for the 2012-
11 2013 tracker period, based on 9 months of actual and 3 months of
12 estimated energy savings, is shown on Exhibit__(WMT-3-Corrected) on
13 page 1, line 18 in the amount of \$600,922. This value also replaces the
14 DSM Lost Revenues value for the 2012-2013 tracker period of \$1,536,013
15 presented in my Direct Testimony on page WMT-22, line 14.

16

17 **Q. Does this complete your testimony?**

18 **A.** Yes, it does.

	A	B	C
1	2008-14 Natural Gas DSM Lost Revenues		
2	Time Period¹	Gas DSM Lost Revenue²	
3			
4	January-June 2008	\$ 64,285	
5	Tracker 2008-09	\$ 250,685	
6	Tracker 2009-10	\$ 781,730	
7			
8	Tracker 2010-11:		
9	July-December 2010	\$ 129,045	
10	January-June 2011	\$ 267,363	
11	Total Tracker 2010-2011	\$ 396,408	
12			
13	Tracker 2011-12	\$ 507,702	
14			
15	Tracker 2012-13:		
16	July 1, 2012-March 31, 2013	\$ 569,681	
17	April 1, 2013-June 30, 2013	\$ 31,242	
18	Total Tracker 2012-2013	\$ 600,922	
19			
20	Tracker 2013-14	\$ 321,872	
21			
22	Notes:		
23			
24	1. MPSC Final Order 7004c authorizes DSM Lost Revenues in the amount of \$791,614 for the 2009-10 period.		
25			
26	Natural Gas DSM Lost Revenues were reset in January 2008 due to newly established T&D rates;		
27	refer to Gas Supply Monthly Tracker D2006.7.102 and General Rate Case D2007.7.82, Interim		
28	Order 6852b, Tariff 133-G and MT monthly natural gas cost rate adj D2007.7.81 Tariff 132-G.		
29			
30	Natural Gas DSM Lost Revenues were reset again on Jan. 1, 2011 due to newly established T&D rates		
31	Refer to Docket D2009.9.129, Final Order No. 7046h.		
32			
33	2. MPSC Final Order 7152b authorizes DSM Lost Revenues in the amount of \$553,828 for the 2010-11 period.		
34			
35	Lost Revenues for the 2011-12 period are based on 12 months of actual reported energy savings.		
36			
37	Lost Revenues for the 2012-13 period are based on 9 months of actual and 3 months of estimated energy savings.		
38			
39	Natural Gas DSM Lost Revenues were reset again on Apr. 1, 2013 due to newly established T&D rates		
40	Reference Docket No. D2012.9.94 Compliance Filing Final Order No. 7249e (Note Exclude Rebate Rate)		

2008-2014 Natural Gas DSM Lost Revenues

A	B	C	D	E	F	G	H	I	J	K	L	M	N	O	P	Q	R	S	T	U	V	W	X	Y	Z	AA	AB	AC	AD		
2008-2014 Natural Gas DSM Lost Revenues																															
January-June 2008				Tracker 2008-09				Tracker 2009-10				Tracker 2010-11				Tracker 2011-12															
Rates as of January 1, 2008				Rates as of January 1, 2009				Rates as of January 1, 2009				Period July - December 2010. Reference: Compliance Filing on December 21, 2010 Docket D2009.9.129, Final Order 7046h; Work-Papers Section "Natural Gas Utility Approved Revenue Requirement ACOS and Derivation of Rates" Page 4 of 5 Column D.				Period January - June 2011 Reference: 2011 Annual Tax Tracker Filing Application December 23, 2010, Docket D2010.12.116, Final Order 7131a; Appendix A Pages 1 - 4, Column (B) + (E), excluding rebate in Column (C).				Reference: 2011 Annual Tax Tracker Filing Application December 23, 2010, Docket D2010.12.116, Final Order 7131a; Appendix A Pages 1 - 4, Column (B) + (E), excluding rebate in Column (C).											
Residential:				Residential:				Residential:				Residential:				Residential:															
Gas Distribution	\$ 1.873843	per dKt		Gas Distribution	\$ 1.873843	per dKt		Gas Distribution	\$ 1.839552	per dKt		Gas Distribution	1.842673	per dKt		Gas Distribution	\$ 1.890398	per dKt		Gas Distribution	\$ 1.890398	per dKt		Gas Distribution	\$ 1.890398	per dKt		Gas Distribution	\$ 1.890398	per dKt	
Gas Transmission	\$ 1.109614	per dKt		Gas Transmission	\$ 1.109614	per dKt		Gas Transmission	\$ 1.089308	per dKt		Gas Transmission	1.091158	per dKt		Gas Transmission	\$ 1.119417	per dKt		Gas Transmission	\$ 1.119417	per dKt		Gas Transmission	\$ 1.119417	per dKt		Gas Transmission	\$ 1.119417	per dKt	
Gas Storage	\$ 0.337708	per dKt		Gas Storage	\$ 0.337708	per dKt		Gas Storage	\$ 0.331528	per dKt		Gas Storage	0.33209	per dKt		Gas Storage	\$ 0.340681	per dKt		Gas Storage	\$ 0.340681	per dKt		Gas Storage	\$ 0.340681	per dKt		Gas Storage	\$ 0.340681	per dKt	
General Service:				General Service:				General Service:				General Service:				General Service:															
GS Distribution-Commodity	\$ 1.853984	per dKt		GS Distribution	\$ 1.853984	per dKt		GS Distribution	\$ 1.818025	per dKt		GS Distribution	1.821775	per dKt		GS Distribution	\$ 1.868959	per dKt		GS Distribution	\$ 1.868959	per dKt		GS Distribution	\$ 1.868959	per dKt		GS Distribution	\$ 1.868959	per dKt	
GS Transmission-Commodity	\$ 1.158111	per dKt		GS Transmission	\$ 1.158111	per dKt		GS Transmission	\$ 1.088231	per dKt		GS Transmission	1.090475	per dKt		GS Transmission	\$ 1.118718	per dKt		GS Transmission	\$ 1.118718	per dKt		GS Transmission	\$ 1.118718	per dKt		GS Transmission	\$ 1.118718	per dKt	
GS Storage-Commodity	\$ 0.344922	per dKt		GS Storage	\$ 0.344922	per dKt		GS Storage	\$ 0.330452	per dKt		GS Storage	0.331133	per dKt		GS Storage	\$ 0.338708	per dKt		GS Storage	\$ 0.338708	per dKt		GS Storage	\$ 0.338708	per dKt		GS Storage	\$ 0.338708	per dKt	
Tracker 2012 - 2013																															
Tracker 2012-13 BEFORE New T&D Rates																Tracker Natural Gas Savings Re-set with New T&D Rates				Tracker 2013-14											
Period Jan 1, 2012-Dec 31, 2012				Period Jan 1, 2013-March 31, 2013				Weighted Average Rates for July 1, 2012 - March 31, 2013				Period April 1, 2013-June 30, 2013				Period July 1, 2013-June 30, 2014															
Reference: 2012 Annual Tax Tracker Filing Application December 8, 2011, Docket D2011.12.97., Final Order 7191a; Appendix A Pages 1-4				Reference: 2013 Annual Tax Tracker Filing Application December 11, 2012, Docket D2012.12.124., By Law; Appendix A Pages 1-4								Reference Docket No. D2012.9.94 Compliance Filing Final Order No. 7249e (Note Exclude Rebate Rate)				Reference Docket No. D2012.9.94 Compliance Filing Final Order															
Residential:				Residential:				Residential:				Residential:				Residential:															
Gas Distribution	\$ 1.828771	per dKt		Gas Distribution	\$ 1.914723	per dKt		Gas Distribution	\$ 1.857003			Gas Distribution	\$ 2.107839	per dKt		Gas Distribution	\$ 2.107839	per dKt		Gas Distribution	\$ 2.107839	per dKt		Gas Distribution	\$ 2.107839	per dKt		Gas Distribution	\$ 2.107839	per dKt	
Gas Transmission	\$ 1.082924	per dKt		Gas Transmission	\$ 1.133821	per dKt		Gas Transmission	\$ 1.099942			Gas Transmission	\$ 1.248177	per dKt		Gas Transmission	\$ 1.248177	per dKt		Gas Transmission	\$ 1.248177	per dKt		Gas Transmission	\$ 1.248177	per dKt		Gas Transmission	\$ 1.248177	per dKt	
Gas Storage	\$ 0.329584	per dKt		Gas Storage	\$ 0.345074	per dKt		Gas Storage	\$ 0.334872			Gas Storage	\$ 0.379878	per dKt		Gas Storage	\$ 0.379878	per dKt		Gas Storage	\$ 0.379878	per dKt		Gas Storage	\$ 0.379878	per dKt		Gas Storage	\$ 0.379878	per dKt	
General Service:				General Service:				General Service:				General Service:				General Service:															
Gas Distribution	\$ 1.808031	per dKt		Gas Distribution	\$ 1.893008	per dKt		Gas Distribution	\$ 1.835943			Gas Distribution	\$ 2.038022	per dKt		Gas Distribution	\$ 2.038022	per dKt		Gas Distribution	\$ 2.038022	per dKt		Gas Distribution	\$ 2.038022	per dKt		Gas Distribution	\$ 2.038022	per dKt	
Gas Transmission	\$ 1.082248	per dKt		Gas Transmission	\$ 1.133114	per dKt		Gas Transmission	\$ 1.098958			Gas Transmission	\$ 1.208612	per dKt		Gas Transmission	\$ 1.208612	per dKt		Gas Transmission	\$ 1.208612	per dKt		Gas Transmission	\$ 1.208612	per dKt		Gas Transmission	\$ 1.208612	per dKt	
Gas Storage	\$ 0.328834	per dKt		Gas Storage	\$ 0.344080	per dKt		Gas Storage	\$ 0.333708			Gas Storage	\$ 0.368399	per dKt		Gas Storage	\$ 0.368399	per dKt		Gas Storage	\$ 0.368399	per dKt		Gas Storage	\$ 0.368399	per dKt		Gas Storage	\$ 0.368399	per dKt	
2012-13 Weighting Table for T&D Rates																															
Factors used to pro-rate the rates for different rate periods during 2012-13																															
																								# of Days							
																								184							
																								90							
																								274							
																								Subtotal							
																								91							
																								365							

2008-14 Natural Gas DSM Lost Revenues																																				
Annual Energy Savings:																	Tracker 2010-11 ¹				Tracker 2012-13 ³															
1) Gas DSM Savings -- Targets & Reported Savings	January-June 2008		Tracker 2008-09		Tracker 2009-10		July-December 2010		January-June 2011		Tracker 2011-12		Period July 1, 2012-Mar 31, 2013		Period April 1, 2013-June 30, 2013		Tracker 2013-14																			
	Target	Reported	Target	Reported	Target	Reported	Target	Reported	Target	Reported	Target	Reported	Target	Reported	Target	Reported	Target	Reported																		
Annual (dkt)	85,469	39,701	175,000	121,258	210,000	158,049	105,000	79,084	105,000	80,630	210,000	138,388	157,844	76,146	52,356	25,289	210,000	-																		
Cumulative (dkt)	85,469	39,701	260,469	160,959	470,469	319,008	105,000	79,084	210,000	159,714	420,000	298,100	577,844	372,246	52,356	25,289	262,356	-																		
1. Different T&D rates were in effect for each 6-month period, so Total Reported DSM Savings (265,682) was divided between the two periods. New rates went into effect on July 8, 2010, which is one week later than the beginning of the 2010-11 Tracker Period, so Reported Energy Savings has been "de-rated" by 7 days for the July-December 2010 period.																																				
2) Percentage split between Residential & General Service:	Residential		General Service		Total		Residential		General Service		Total		Residential		General Service		Total																			
	100%	97.5%	100%	75.2%	75%	87.5%	75%	89.2%	75%	89.2%	75%	81.6%	80%	80.34%	80%	80.34%	80%																			
	0%	2.5%	0%	24.8%	25%	12.5%	25%	10.8%	25%	10.8%	25%	18.4%	20%	19.66%	20%	19.66%	20%																			
	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	0%																		
Tracker 2010-11																	Tracker 2010-11		Tracker 2010-11		Tracker 2010-11		Tracker 2010-11		Tracker 2010-11											
3) Cumulative Annual Gas Savings ²	January-June 2008		Tracker 2008-09		Tracker 2009-10		July-December 2010		January-June 2011		Tracker 2011-12		Period July 1, 2012-Mar 31, 2013		Period April 1, 2013-June 30, 2013		Tracker 2013-14																			
	Target	Reported	Target	Reported	Target	Reported	Target	Reported	Target	Reported	Target	Reported	Target	Reported	Target	Reported	Target	Reported																		
Residential (dkt)	42,735	19,356	127,201	75,481	189,469	210,061	39,375	35,290	69,031	71,270	198,836	185,972	240,880	200,169	20,042	10,150	104,232	-																		
General Service (dkt)	-	494	-	24,849	66,490	29,822	13,125	4,252	23,010	8,587	68,178	41,935	60,220	51,183	5,238	2,486	28,058	-																		
Total	42,735	19,850	127,201	100,330	265,959	239,883	52,500	39,542	92,042	79,857	267,014	227,907	301,100	260,351	25,280	12,636	132,290	0																		
2. Savings resulting from the "increment" in any year (take Year 1 for example) is reduced by 50% in that year as associated projects are completed and start generating savings at different times throughout the first year. This assumption contemplates that beyond, projects completed in the first year generate savings for the entire year so the "increment" is credited at 100% for the second year and each successive year.																	2012-13 Pro-Rate Table		Factors used to pro-rate energy savings for different rate periods during 2012-13		# of Days		% of Total 2012-13 Tracker Period		Period July 1, 2012-Dec 31, 2012		184		50.41%		Period Jan 1, 2013-March 31, 2013		90		24.66%	
3. Different T&D rates were in effect for three separate intervals during 2012-13. A weighted average rate was used (refer to Tab 2 for the July 1, 2012-March 30, 2013 period). Total Reported DSM Savings was pro-rated for the July 1, 2012-March 30, 2013 and the April 1, 2013-June 30, 2013 periods using the 2012-13 Pro-Rate Table. New natural gas T&D rates went into effect on April 1, 2013 so cumulative reported energy savings was reset to a zero starting point as of April 1, 2013.																	Subtotal		274		75.07%		Period April 1, 2013-June 30, 2013		91		24.93%		365		100.00%					
These Targets and Reported Savings (range P23;Q24) have been pro-rated for 9 months (July 1, 2012 - March 30, 2013). This reflects that the cumulative reported energy savings was in place for 9 months (not a full year) before the new T&D rates became effective.																																				

	A	B	C	D
1	2008-14 Natural Gas DSM Lost Revenues			
2				
3	The Adjustment Factor recognizes that, for a number of reasons, actual program savings is likely to vary from reported savings.			
4				
5				
6	For Lost Revenue calculations for the period beginning January 1, 2008 through June 30, 2011, the value of 1.0 is used for this because the actual Net Adjusted Energy Savings from SBW were entered in Tab 3.			
7	Residential	Net Savings Adjustment Ratio		
8	Segment			
9	All	1.0		
10				
11	Commercial/Industrial	Net Savings Adjustment Ratio		
12	Segment			
13	All	1.0		
14				
15	For Lost Revenue calculations for the 2011-2012 tracker period forward, these values are used. SBW, Inc. DSM Evaluation Study Savings Realization rate for all Natural Gas DSM programs			
16				
17	Residential	Net Savings Adjustment Ratio		
18	Segment			
19	All	0.67		
20				
21	Commercial/Industrial	Net Savings Adjustment Ratio		
22	Segment			
23	All	0.67		
24				
25				

	A	B	C	D	E	F	G	H	I	J
1	2008-14 Natural Gas DSM Lost Revenues									
2										
3	January-June 2008									
4				Gross						Estimated
5	Residential			Program				Net		Lost
6		Rate		Savings		Adjustment		Savings		Revenue
7	Bill Line Item	(\$ per dKt)		(dKt)		Factor		(dKt)		(\$)
8	Gas Distribution	\$ 1.873843		19,356		1.000		19,356		36,270
9	Gas Transmission	\$ 1.109614		19,356		1.000		19,356		21,478
10	Gas Storage	\$ 0.337708		19,356		1.000		19,356		6,537
11						Sub Total Residential:		19,356		\$ 64,285
12										
13										
14	Tracker 2008-09									
15				Gross						Estimated
16	Residential			Program				Net		Lost
17		Rate		Savings		Adjustment		Savings		Revenue
18	Bill Line Item	(\$ per dKt)		(dKt)		Factor		(dKt)		(\$)
19	Gas Distribution	\$ 1.873843		75,481		1.000		75,481		141,440
20	Gas Transmission	\$ 1.109614		75,481		1.000		75,481		83,755
21	Gas Storage	\$ 0.337708		75,481		1.000		75,481		25,491
22						Sub Total Residential:		75,481		\$ 250,685
23										
24										

	A	B	C	D	E	F	G	H	I	J
25	Tracker 2009-10									
26				Gross					Estimated	
27	Residential			Program			Net		Lost	
28		Rate		Savings		Adjustment	Savings		Revenue	
29	Bill Line Item	(\$ per dKt)		(dKt)		Factor	(dKt)		(\$)	
30	Gas Distribution	\$ 1.839552		210,061		1.000	210,061		386,418	
31	Gas Transmission	\$ 1.089308		210,061		1.000	210,061		228,821	
32	Gas Storage	\$ 0.331528		210,061		1.000	210,061		69,641	
33						Sub Total Residential:	210,061		\$ 684,880	
34										
35				Gross					Estimated	
36	General Service			Program			Net		Lost	
37		Rate		Savings		Adjustment	Savings		Revenue	
38	Bill Line Item	(\$ per dKt)		(dKt)		Factor	(dKt)		(\$)	
39	Gas Distribution	\$ 1.818025		29,922		1.000	29,922		54,400	
40	Gas Transmission	\$ 1.088231		29,922		1.000	29,922		32,562	
41	Gas Storage	\$ 0.330452		29,922		1.000	29,922		9,888	
42						Sub Total General Service:	29,922		\$ 96,850	
43										
44						Total Tracker 2009-10			\$ 781,730	
45										
46										

	A	B	C	D	E	F	G	H	I	J
47	Tracker 2010-11: July-December 2010									
48				Gross					Estimated	
49	Residential			Program			Net		Lost	
50		Rate		Savings		Adjustment	Savings		Revenue	
51	Bill Line Item	(\$ per dKt)		(dKt)		Factor	(dKt)		(\$)	
52	Gas Distribution	\$ 1.842673		35,290		1.000	35,290		65,028	
53	Gas Transmission	\$ 1.091156		35,290		1.000	35,290		38,507	
54	Gas Storage	\$ 0.332090		35,290		1.000	35,290		11,719	
55						Sub Total Residential:	35,290		\$ 115,255	
56										
57									Estimated	
58	General Service			Program			Net		Lost	
59		Rate		Savings		Adjustment	Savings		Revenue	
60	Bill Line Item	(\$ per dKt)		(dKt)		Factor	(dKt)		(\$)	
61	Gas Distribution	\$ 1.821775		4,252		1.000	4,252		7,746	
62	Gas Transmission	\$ 1.090475		4,252		1.000	4,252		4,637	
63	Gas Storage	\$ 0.331133		4,252		1.000	4,252		1,408	
64						Sub Total General Service:	4,252		\$ 13,790	
65										
66				Total Tracker 2010-11: July-December 2010					\$ 129,045	
67										
68										

	A	B	C	D	E	F	G	H	I	J	
69	Tracker 2010-11: January-June 2011										
70				Gross					Estimated		
71	Residential			Program			Net		Lost		
72		Rate		Savings		Adjustment	Savings		Revenue		
73	Bill Line Item	(\$ per dKt)		(dKt)		Factor	(dKt)		(\$)		
74	Gas Distribution	\$ 1.890398		71,270		1.000	71,270		134,729		
75	Gas Transmission	\$ 1.119417		71,270		1.000	71,270		79,781		
76	Gas Storage	\$ 0.340691		71,270		1.000	71,270		24,281		
77						Sub Total Residential:	71,270		\$ 238,791		
78											
79									Estimated		
80	General Service			Program			Net		Lost		
81		Rate		Savings		Adjustment	Savings		Revenue		
82	Bill Line Item	(\$ per dKt)		(dKt)		Factor	(dKt)		(\$)		
83	Gas Distribution	\$ 1.868959		8,587		1.000	8,587		16,049		
84	Gas Transmission	\$ 1.118718		8,587		1.000	8,587		9,606		
85	Gas Storage	\$ 0.339709		8,587		1.000	8,587		2,917		
86						Sub Total General Service:	8,587		\$ 28,572		
87											
88				Total Tracker 2010-11: January-June 2011						\$ 267,363	
89											
90											

	A	B	C	D	E	F	G	H	I	J
91	Tracker 2011-12									
92				Gross					Estimated	
93	Residential			Program			Net		Lost	
94		Rate		Savings		Adjustment	Savings		Revenue	
95	Bill Line Item	(\$ per dKt)		(dKt)		Factor	(dKt)		(\$)	
96	Gas Distribution	\$ 1.890398		185,972		0.666	123,806		234,042	
97	Gas Transmission	\$ 1.119417		185,972		0.666	123,806		138,590	
98	Gas Storage	\$ 0.340691		185,972		0.666	123,806		42,179	
99						Sub Total Residential:	123,806		\$ 414,811	
100										
101									Estimated	
102	General Service			Program			Net		Lost	
103		Rate		Savings		Adjustment	Savings		Revenue	
104	Bill Line Item	(\$ per dKt)		(dKt)		Factor	(dKt)		(\$)	
105	Gas Distribution	\$ 1.868959		41,935		0.666	27,917		52,176	
106	Gas Transmission	\$ 1.118718		41,935		0.666	27,917		31,231	
107	Gas Storage	\$ 0.339709		41,935		0.666	27,917		9,484	
108						Sub Total General Service:	27,917		\$ 92,890	
109										
110						Total Tracker 2011-12			\$ 507,702	
111										

	A	B	C	D	E	F	G	H	I	J
136										
137										
138	Tracker 2012-13: Period April 1, 2013-June 30, 2013									
139				Gross					Estimated	
140	Residential			Program			Net		Lost	
141		Rate		Savings		Adjustment	Savings		Revenue	
142	Bill Line Item	(\$ per dKt)		(dKt)		Factor	(dKt)		(\$)	
143	Gas Distribution	\$ 2.107839		10,159		0.666	6,763		14,255	
144	Gas Transmission	\$ 1.248177		10,159		0.666	6,763		8,441	
145	Gas Storage	\$ 0.379878		10,159		0.666	6,763		2,569	
146						Sub Total Residential:	6,763		\$ 25,266	
147										
148									Estimated	
149	General Service			Program			Net		Lost	
150		Rate		Savings		Adjustment	Savings		Revenue	
151	Bill Line Item	(\$ per dKt)		(dKt)		Factor	(dKt)		(\$)	
152	Gas Distribution	\$ 2.038022		2,486		0.666	1,655		3,373	
153	Gas Transmission	\$ 1.206612		2,486		0.666	1,655		1,997	
154	Gas Storage	\$ 0.366399		2,486		0.666	1,655		606	
155						Sub Total General Service:	1,655		\$ 5,976	
156										
157	Total Tracker 2012-13: Period April 1, 2013-June 30, 2013								\$ 31,242	
158										
159										

	A	B	C	D	E	F	G	H	I	J
160										
161	Tracker 2013-14			TARGET						
162				Gross					Estimated	
163	Residential			Program			Net		Lost	
164		Rate		Savings		Adjustment	Savings		Revenue	
165	Bill Line Item	(\$ per dKt)		(dKt)		Factor	(dKt)		(\$)	
166	Gas Distribution	\$ 2.107839		104,232		0.666	69,389		146,261	
167	Gas Transmission	\$ 1.248177		104,232		0.666	69,389		86,610	
168	Gas Storage	\$ 0.379878		104,232		0.666	69,389		26,359	
169						Sub Total Residential:	69,389		\$ 259,230	
170										
171				TARGET					Estimated	
172	General Service			Program			Net		Lost	
173		Rate		Savings		Adjustment	Savings		Revenue	
174	Bill Line Item	(\$ per dKt)		(dKt)		Factor	(dKt)		(\$)	
175	Gas Distribution	\$ 2.038022		26,058		0.666	17,347		35,354	
176	Gas Transmission	\$ 1.206612		26,058		0.666	17,347		20,931	
177	Gas Storage	\$ 0.366399		26,058		0.666	17,347		6,356	
178						Sub Total General Service:	17,347		\$ 62,642	
179										
180						Total Tracker 2013-14			\$ 321,872	
181										
182										

A	B	C	D	E	F	G	H	I	J
1	Exhibit (WMT-5-Corrected)								
2	D2013.534 William M. Thomas Prefiled Supplemental Testimony								
3	Corrected Reconciled Natural Gas DSM Lost Revenues Reconciliation								
4									
5									
6									
7	Natural Gas DSM Lost Revenue Exhibits in previous Natural Gas Tracker Dockets								
8	Natural Gas DSM Lost Revenues								
9	Time Period	Docket No.	Source file name	Montana T&D		Time Period		Montana T&D	
10	Tracker 2006-07	D2007.544	Exhibit (WMT-4) Natural Gas DSM Tracker Docket	\$ 384,850		Tracker 2006-07	Recon-SBW-E&M-EBT (WMT-4) Natural Gas DSM Tracker Docket	\$ 680,470	
11	Tracker 2007-08	D2008.544	Exhibit (WMT-4) Natural Gas DSM Tracker Docket	\$ 706,850		Tracker 2007-08	Recon-SBW-E&M-EBT (WMT-4) Natural Gas DSM Tracker Docket	\$ 930,574	
12									
13	January-June 2008	D2008.544	Exhibit (WMT-3) 2011-12 Tracker 12-0 Natural Gas Lost Revenues - with backup	\$ 92,262		Tracker 2008-09	Recon-SBW-E&M-EBT (WMT-3) 2012-13 Tracker 9-3 Natural Gas Lost Revenues - with backup	\$ 84,285	
14	Tracker 2008-09	D2008.544	Exhibit (WMT-3) 2011-12 Tracker 12-0 Natural Gas Lost Revenues - with backup	\$ 410,272		Tracker 2008-09	Recon-SBW-E&M-EBT (WMT-3) 2012-13 Tracker 9-3 Natural Gas Lost Revenues - with backup	\$ 250,085	
15	Tracker 2009-10	D2009.504	Exhibit (WMT-3) 2011-12 Tracker 12-0 Natural Gas Lost Revenues - with backup	\$ 791,814		Tracker 2009-10	Recon-SBW-E&M-EBT (WMT-3) 2012-13 Tracker 9-3 Natural Gas Lost Revenues - with backup	\$ 781,730	
16									
17	Tracker 2010-11					Tracker 2010-11			
18	July-December 2010	D2010.549	Exhibit (WMT-3) 2011-12 Tracker 12-0 Natural Gas Lost Revenues - with backup	\$ 180,291		July-December 2010	Recon-SBW-E&M-EBT (WMT-3) 2012-13 Tracker 9-3 Natural Gas Lost Revenues - with backup	\$ 129,045	
19	Tracker 2010-11	D2010.549	Exhibit (WMT-3) 2011-12 Tracker 12-0 Natural Gas Lost Revenues - with backup	\$ 373,537		Tracker 2010-11	Recon-SBW-E&M-EBT (WMT-3) 2012-13 Tracker 9-3 Natural Gas Lost Revenues - with backup	\$ 287,993	
20									
21	Tracker 2010-11 Total			\$ 553,828		Tracker 2010-11 Total		\$ 507,702	
22	Tracker 2011-12	D2011.538	Exhibit (WMT-3) 2011-12 Tracker 12-0 Natural Gas Lost Revenues - with backup	\$ 940,212		Tracker 2011-12	Con-Recon-SBW-E&M-EBT (WMT-3) 2011-13 Tracker 9-3 Natural Gas Lost Revenues - with backup	\$ 600,922	
23	Tracker 2012-13	D2012.448	Exhibit (WMT-3) 2011-12 Tracker 12-0 Natural Gas Lost Revenues - with backup	\$ 1,384,853		Tracker 2012-13	Con-Recon-SBW-E&M-EBT (WMT-3) 2011-13 Tracker 9-3 Natural Gas Lost Revenues - with backup	\$ 3,828,854	
24	Total Lost Revenues (July 1, 2006 through June 30, 2012)			\$ 3,880,929		Total Lost Revenues (July 1, 2006 through June 30, 2012)		\$ 3,828,854	
25									
26									
27									
28									
29									
30									
31	Total Lost Revenues (July 1, 2008 through June 30, 2013)			\$ 5,244,874		Total Lost Revenues (July 1, 2008 through June 30, 2013)		\$ 4,227,178	
32									
33									
34									
35									
36									
37									
38									
39									
40									
41									
42									
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7
8 **PREFILED SUPPLEMENTAL TESTIMONY**

9 **OF JOHN M. SMITH**

10 **ON BEHALF OF NORTHWESTERN ENERGY**

11
12 **TABLE OF CONTENTS**

13 <u>Description</u>	<u>Starting Page No.</u>
14 Witness Information	2
15 Purpose of Testimony	2
16 Actual 12 Months Plus 0 Months Estimated Ended June 30, 2013	3
17 Bear Paw Owned Production – Third Party Purchase Accounting	4
18 2013–2014 Expected Natural Gas Market, Supply and Cost	6
19	
20 <u>Exhibits</u>	
21 12-Mos. Actual & 0-Mos. Est. vs. Docket No. D2012.5.48	Exhibit__(JMS-1S)
22 and Associated Work Papers	
23 2013–2014 Expected Natural Gas Market, Supply and Cost	Exhibit__(JMS-2S)
24 and Associated Work Papers	

25

1 **Witness Information**

2 **Q. Please state your name and business address.**

3 **A.** My name is John M. Smith and my business address is 40 East Broadway,
4 Butte, Montana 59701.

5

6 **Q. Are you the same John M. Smith who submitted prefiled direct**
7 **testimony (“Direct Testimony”) in this docket?**

8 **A.** Yes.

9

10 **Purpose of Testimony**

11 **Q. What is the purpose of your testimony?**

12 **A.** I update information regarding the following topics:

13 1. An update to and explanation of the 12-months actual and 0-months
14 estimated natural gas market, supply, and cost for the 12 months
15 ended June 30, 2013;

16 2. A brief discussion of Bear Paw Owned Production (“Bear Paw”) and
17 the accounting related to Bear Paw Third Party Production in the
18 tracker period ending June 30, 2013; and

19 3. An update to the forecast natural gas market, supply, and cost for the
20 12-month period, July 1, 2013 through June 30, 2014. This update
21 includes corrected DSM Lost Revenues information.

1 **Actual 12 Months Plus 0 Months Estimated Ended June 30, 2013**

2 **Q. Do you sponsor an updated exhibit which summarizes the actual**
3 **operations during the 12 months ended June 30, 2013?**

4 **A.** Yes. Exhibit__(JMS-1S) compares the market requirements, supply, and
5 cost as projected in the 2012-2013 Annual Natural Gas Supply Tracker
6 (Docket No. D2012.5.48) with the actual 2012-2013 market requirements,
7 supply, and cost.

8

9 **Q. Please compare the 12-month actual and 0-month estimated natural**
10 **gas cost which NorthWestern Energy (“NorthWestern” or “NWE”)**
11 **experienced on behalf of core customers from July 1, 2012 through**
12 **June 30, 2013 with the natural gas cost estimated by NorthWestern**
13 **for this period in Docket No. D2012.5.48.**

14 **A.** The 12-month actual total net natural gas cost on Exhibit__(JMS-1S), line
15 64 is \$5,132,000 lower than projected by NorthWestern in Docket No.
16 D2012.5.48.

17

18 **Q. Did this lower total net natural gas cost result in a lower unit cost per**
19 **dekatherm (“Dkt”)?**

20 **A.** Yes. The 12-month cost per Dkt of \$3.8149 was initially calculated for
21 core customer rates prior to the revenue requirement rate component
22 addition for owned production (Battle Creek and Bear Paw). The 12-

1 month actual plus 0-month estimated cost per Dkt is \$3.7946. These
2 costs are presented on Exhibit__(JMS-1S) on line 67.

3

4 **Q. What is the current balance in the deferred account as of June 30,**
5 **2013?**

6 **A.** The balance in the deferred account as of June 30, 2013, is an over-
7 collection (revenues > expenses) of \$(610,818).

8

9 **Q. Is NWE proposing a rate component for a prior-year true-up of this**
10 **deferred account balance?**

11 **A.** No. NWE does not propose to establish a rate based on the deferred
12 account balance of \$(610,818) at this time. This amount will be the
13 beginning balance in the deferred account for the 2013-2014 tracking
14 period.

15

16 **Q. Are there any other issues to discuss pertaining to the 2012-2013**
17 **12-month actual plus 0-month estimated natural gas cost?**

18 **A.** No.

19

20 **Bear Paw Owned Production – Third Party Purchase Accounting**

21 **Q. Were Bear Paw costs included in the monthly natural gas tracker**
22 **filings during the 2012-2013 tracker year?**

23 **A.** Yes, as explained in my Direct Testimony, the revenues, costs, and
24 volumes related to the Bear Paw acquisition were included initially in the

1 November 2012 monthly natural gas tracker which was filed on October
2 17, 2012.

3

4 **Q. Was there a recent adjustment to the natural gas deferred account to**
5 **reflect payments made to NWE's third party partners in Bear Paw**
6 **production?**

7 **A.** Yes. In June 2013, the deferred account was increased by \$754,519 to
8 account for third party payments made from November 2012 through May
9 2013. Also in June, the deferred account was increased by \$115,322 for
10 the June production payment. The total amount booked in June for Bear
11 Paw third party purchases was \$869,841.

12

13 **Q. What caused the delay in NWE booking these expenses to the**
14 **deferred account?**

15 **A.** The Bear Paw property acquisition was significantly larger and more
16 complicated than the Battle Creek acquisition. Also, there is roughly a
17 two-month delay in receiving wellhead production information. It became
18 apparent in May 2013 that payments being made to third party working
19 interest partners were not being recorded correctly in the deferred account
20 as purchased gas. This problem has been resolved, and the third party
21 purchased gas will be accounted for correctly from this point forward.

22

1 **2013-2014 Expected Natural Gas Market, Supply and Cost**

2 **Q.** Do you sponsor an updated exhibit that sets forth NWE's expected
3 natural gas market and supply balance for the July 1, 2013 through
4 June 30, 2014 12-month tracker period?

5 **A.** Yes. Exhibit__(JMS-2S) sets forth the current projected market and
6 natural gas supply.

7

8 **Q.** What natural gas cost (\$/Dkt) does NWE project for the Core and
9 Firm Utility Gas Contract ("FUGC") customers during the remainder
10 of the 12-month tracker year?

11 **A.** Effective in August 2013, the projected natural gas cost for Core and
12 FUGC sales is \$3.47390/Dkt as shown on line 44 of Exhibit__(JMS-2S).
13 The therm rate is \$0.347390 as shown on line 45. These natural gas unit
14 costs are included in the August 2013 monthly tracker filing. These costs
15 will be updated monthly through June 2014.

16

17 **Q.** Are there any adjustments to the Core and FUGC rate?

18 **A.** Yes. Consistent with my Direct Testimony, there are additional fixed cost
19 revenue requirement rate components for Battle Creek production of
20 \$0.12370/Dkt (line 47, Exhibit__(JMS-2S)) and for Bear Paw production of
21 \$0.18170/Dkt (line 53, Exhibit__(JMS-2S)). Also, there is a "Battle Creek
22 Under-collection Rate" component equal to \$0.02574/Dkt or
23 \$0.002574/therm. These amounts have been added to the \$3.47390,

1 resulting in a Total Combined Rate of \$3.80504/Dkt or \$0.380504/therm.
2 These amounts are found respectively on lines 56 and 57 of
3 Exhibit__(JMS-2S).

4

5 **Q. Are there any other items to discuss pertaining to the 2013-2014**
6 **estimated gas cost?**

7 **A.** Yes. DSM Lost Revenues for distribution, transmission, and storage are
8 also included in the 2013-2014 tracker period. The Prefiled Supplemental
9 Testimony of William M. Thomas ("Thomas Supplemental Testimony")
10 discusses an adjustment to the DSM Lost Revenues for the tracker period
11 ending June 2013 which affects the 2013-2014 tracker year. Originally,
12 the DSM Lost Revenue amount for the July 2012 to June 2013 tracker
13 period was estimated to be \$1,536,013. This is the amount that NWE
14 booked to the deferred account through June 2013. The Thomas
15 Supplemental Testimony explains that DSM Lost Revenues for the 2012-
16 2013 tracker period should be adjusted to \$600,922. A correction to this
17 account will be made in July 2013.

18

19 In my Direct Testimony in this docket, on page 2, line 15, of the
20 Exhibit__(JMS-2) Work Papers, the total lost revenue amount of
21 \$(321,872) for the 2013-2014 tracker period was reported as negative
22 revenue. The July 2013 negative revenue was estimated to be \$(26,823).
23 The July 2013 DSM Lost Revenue amount is now a positive \$908,268.

1 The positive revenue number represents additional revenue for customers
2 and is a benefit for customers through the deferred account. The \$908,268
3 is calculated by deriving the difference between the \$1,536,013 that was
4 booked through June 2013 and the \$600,922 that should have been
5 booked. This difference is \$935,091. This amount is then reduced by the
6 \$(26,823) that otherwise would have been booked in July to arrive at the
7 \$908,268 positive amount. This number is reported under the Jul-13
8 heading on page 2, line 15, of the Exhibit__(JMS-2S) Work Papers. The
9 12-month ended June 2014 total amount of DSM Lost Revenues reported
10 on that same line is now positive \$613,219.

11

12 **Q. Are the DSM Lost Revenues reported on Exhibit__(JMS-1S) and**
13 **Exhibit__(JMS-2S) as well?**

14 **A.** Yes. The DSM Lost Revenues are reported on Exhibit__(JMS-1S) on line
15 62, and on Exhibit__(JMS-2S) on line 41. On both exhibits, the DSM Lost
16 Revenues are reported as an additional cost rather than as negative
17 revenue. Since both exhibits include only costs, reporting the "DSM Lost
18 Revenues" as a cost was the only way to make both exhibits work
19 mathematically. Due to the adjustment explained above, the positive DSM
20 Lost Revenue is reported on Exhibit__(JMS-2S) on line 41 as a negative
21 number.

22 **Q. Does this conclude your testimony?**

23 **A.** Yes, it does.

ACTUAL OPERATIONS
 12 MONTHS ACTUAL & 0 MONTHS ESTIMATE ENDING June 30, 2013 VERSUS DOCKET No. 2012.5.48

CITY GATE REQUIREMENTS Dkt (000)	Docket No. 2012.5.48 as filed 05/29/12	12 ACT/0 ES1 12 MO.END. 06/30/13	OVER/(UNDER) Docket No. 2012.5.48	OVER/(UNDER) %
1 GAS COST SALES				
2 DBU SALES - BILLED	19,490	18,349	(1,141)	(5.9)
3				
4 DBU SALES - CITY GATE DELIVERIES	19,490	18,349	(1,141)	(5.9)
5 FUGC	239	206	(33)	(13.8)
6				
7 TOTAL CITY GATE REQUIREMENTS	19,729	18,555	(1,174)	(6.0)
8				
9 Cycle Billing Adj.	0	29	29	
10 CORE FUEL U & UAF	485	457	(28)	(5.8)
11				
12				
13 TOTAL GAS SUPPLY REQUIREMENTS	20,214	19,041	(1,173)	(5.8)
14				
15 GAS SUPPLY (Dkt (000))				
16				
17 CANADIAN PIPELINE	6,500	5,761	(739)	
18				
19 HAVRE PIPELINE	6,187	6,291	104	1.7
20				
21 ENCANA PIPELINE	5,657	5,119	(538)	(9.5)
22				
23 COLORADO INTERSTATE PIPELINE	0	0	0	
24				
25 INTRA - MONTANA PURCHASES	1,510	1,066	(444)	(29.4)
26 NW ENERGY OWNED PRODUCTION	499	1,180	681	136.5
27				
28 STORAGE NET (-Inj. / +With.)	(47)	(452)	(405)	
29				
30 STORAGE FUEL USE	(92)	(89)	3	
31				
32 TOTAL GAS SUPPLY	20,214	18,876	(1,338)	(6.6)
33				
34 COST (\$000)				
35				
36 NOVA CAPACITY	\$ 2,025	\$ 871	\$ (1,154)	
37 TRANS CANADIAN PIPELINE	\$ 27,924	\$ 27,203	\$ (721)	
38				
39 HAVRE PIPELINE	\$ 17,003	\$ 19,622	\$ 2,619	15.4
40				
41 ENCANA PIPELINE	\$ 16,325	\$ 14,743	\$ (1,582)	(9.7)
42				
43 COLORADO INTERSTATE PIPELINE	\$ -	\$ -	\$ -	
44				
45 INTRA - MONTANA PURCHASES	\$ 4,112	\$ 3,116	\$ (996)	(24.2)
46 NW ENERGY OWNED PRODUCTION	\$ 308	\$ 632		
47				
48 STORAGE	\$ 587	\$ (1,423)	\$ (2,010)	
49				
50 TOTAL GAS SUPPLY COST	\$ 68,284	\$ 64,764	\$ (3,520)	(5.2)
51				
52				
53 NET GAS COSTS TO MT MKT	\$ 68,284	\$ 64,764	\$ (3,520)	(5.2)
54				
55 WORKING GAS REVENUE REQUIREMENT	\$ 1,612	\$ 1,647	\$ 35	2.2
56				
57 DEFERRED ACCOUNT INTEREST	\$ 160	\$ 205		
58				
59 ADMINISTRATIVE COSTS	\$ 4,032	\$ 2,257		
60				
61 NET GAS COSTS (INCL. W.G. REV REQ)	\$ 74,088	\$ 68,873	\$ (5,215)	(7.0)
62 D.S.M. Lost Revenues (D,T, & S)	\$ 1,453	\$ 1,536		
63 D.S.M. Lost Revenues Adjustment	\$ -	\$ -		
64 TOTAL GAS COST (Incl Lost DSM Rev)	\$ 75,541	\$ 70,409	\$ (5,132)	(6.8)
65 UNIT NET GAS COSTS (\$/DKT)				
66				
67 CORE RATE (\$/Dkt)	\$ 3.8149	\$ 3.7946	\$ (0.0203)	(0.5)

1 Natural Gas Default Supply Tracking Mechanism

	Actual Jul-12	Actual Aug-12	Actual Sep-12	Actual Oct-12	Actual Nov-12	Actual Dec-12	Actual Jan-13	Actual Feb-13	Actual Mar-13	Actual Apr-13	Actual May-13	Actual Jun-13	Total
3 Volume Balancing													
5 Billed Market (Dekatherms)													
6 Residential	282,804	212,498	258,883	475,035	1,045,976	1,498,459	2,022,412	1,752,253	1,501,963	1,136,232	853,388	456,466	11,496,368
7 LIEAP	15,017	9,599	12,253	22,777	47,360	70,158	97,026	87,472	79,686	63,173	48,788	26,107	579,415
8 Employee	827	538	734	1,398	2,707	4,011	5,323	4,535	3,977	3,046	2,552	1,389	31,036
9 Commercial	178,040	146,150	167,861	250,801	526,303	764,264	1,041,986	907,674	765,418	580,063	427,413	248,018	6,003,992
10 Firm Industrial	3,933	2,843	2,914	4,594	12,749	14,484	23,255	20,142	15,567	10,781	7,957	4,818	124,039
11 Governmental	989	674	1,407	3,011	5,586	7,432	10,284	7,452	6,327	5,550	4,375	2,720	55,807
12 Inter-Department	1,559	1,304	1,524	2,394	5,027	7,309	9,979	8,138	7,429	6,097	4,750	2,848	58,357
13 CNG Vehicles	-	-	-	-	-	-	-	-	-	-	-	-	-
14 Total Distribution Sales	483,168	373,607	445,576	760,009	1,645,708	2,366,116	3,210,264	2,787,666	2,380,367	1,804,943	1,349,223	742,367	18,349,014
16 Cycle Billing Adjustment	-54,781	35,984	157,217	442,849	360,204	422,074	-211,299	-203,650	-287,712	-227,860	-303,428	-100,927	28,672
18 Distribution City Gate Deliveries	428,388	409,591	602,792	1,202,858	2,005,912	2,788,190	2,998,965	2,584,016	2,092,655	1,577,083	1,045,795	641,440	18,377,686
20 Firm Utility Gas Sales (Dekatherms)													
21 Cut Bank	3,054	713	1,108	2,214	14,858	20,456	29,785	29,152	21,962	22,024	16,418	6,214	167,958
22 Kevin	120	59	59	92	655	1,329	1,805	2,081	1,645	1,585	1,135	304	10,869
23 Sunburst	537	205	286	492	2,383	3,276	4,791	4,699	3,439	3,585	2,532	711	26,936
24 Total Utility Sales	3,711	977	1,453	2,798	17,896	25,061	36,381	35,932	27,046	27,194	20,085	7,229	205,763
26 Total City Gate Deliveries	432,099	410,568	604,245	1,205,656	2,023,808	2,813,251	3,035,346	2,619,948	2,119,701	1,604,277	1,065,880	648,669	18,583,449
28 Transmission U&UAF	10,630	10,100	14,864	29,659	49,786	69,206	74,670	64,451	52,145	39,465	26,221	15,957	457,154
30 Total Supply Requirements	442,729	420,668	619,109	1,235,315	2,073,594	2,882,457	3,110,016	2,684,399	2,171,846	1,643,742	1,092,101	664,626	19,040,603
32 Gas Supply (Dekatherms)													
33 Nova Capacity	-	-	-	-	-	-	-	-	-	-	-	-	-
34 Canada Pipeline	1,095,726	1,095,726	1,060,380	775,000	-	-	-	-	-	-	744,000	990,000	5,760,832
35 Havre Pipeline	523,488	523,849	510,809	520,222	506,388	522,181	521,668	471,195	520,742	503,945	575,719	591,312	6,291,518
36 EnCana Pipeline	469,741	467,503	448,390	441,503	414,781	433,536	422,162	382,644	406,429	414,835	410,193	407,092	5,118,809
37 Colorado Interstate Pipeline	-	-	-	-	-	-	-	-	-	-	-	-	-
38 NW Energy Owned Production	42,491	42,932	40,016	41,204	41,007	230,877	135,615	122,523	135,205	129,710	138,978	79,081	1,179,639
39 Intra-Montana Purchases	92,434	94,180	78,998	83,015	68,097	82,431	120,892	95,882	106,974	90,181	81,219	72,321	1,066,624
41 Total Purchases	2,223,880	2,224,190	2,138,593	1,860,944	1,030,273	1,269,025	1,200,337	1,072,244	1,169,350	1,138,671	1,950,109	2,139,806	19,417,422
43	-	-	-	-	-	-	-	-	-	-	-	-	-
44	-	-	-	-	-	-	-	-	-	-	-	-	-
45 Storage Activity													
46 Storage Supply Activity	1,894,399	1,745,478	1,483,857	277,795	(985,288)	(1,702,711)	(1,952,293)	(1,402,830)	(863,634)	(471,171)	1,178,068	1,339,171	540,841
47 Storage U&UAF (injection only)	21,353	19,674	16,725	3,131	-	-	-	-	-	-	13,279	15,094	89,256
48 Metered Storage Activity	1,873,046	1,725,804	1,467,132	274,664	(985,288)	(1,702,711)	(1,952,293)	(1,402,830)	(863,634)	(471,171)	1,164,789	1,324,077	451,585
50 Net Difference (delivered vs. supply)	113,248	(58,044)	(35,627)	(347,834)	58,033	(89,279)	(42,614)	209,325	138,862	33,900	320,060	(136,009)	

1 **Natural Gas Default Supply Tracking Mechanism**

	Actual Jul-12	Actual Aug-12	Actual Sep-12	Actual Oct-12	Actual Nov-12	Actual Dec-12	Actual Jan-13	Actual Feb-13	Actual Mar-13	Actual Apr-13	Actual May-13	Actual Jun-13	Total
Supply Revenue/Cost Calculations													
Total Sales													
Dekaltherms	486,879	374,584	447,029	762,807	1,663,604	2,391,177	3,246,645	2,823,598	2,407,413	1,832,137	1,369,308	749,596	18,554,777
Current Year Supply Cost	\$ 3,8149	\$ 3,7916	\$ 3,8733	\$ 3,8126	\$ 3,9420	\$ 3,9416	\$ 3,9139	\$ 3,8516	\$ 3,8029	\$ 3,7261	\$ 3,7366	\$ 3,5220	
Prior Year(s) Deferred Expense	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	
Current Year Deferred Adjust.	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	
Gas Cost Revenues													
Current Year Gas Cost	\$ 1,727,708	\$ 1,424,439	\$ 1,710,015	\$ 2,931,060	\$ 6,250,884	\$ 9,415,406	\$ 12,754,080	\$ 10,981,778	\$ 9,219,246	\$ 6,909,469	\$ 5,106,831	\$ 2,749,057	\$ 71,179,972
Prior Year(s) Deferred Expense	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 142	\$ -	\$ -	\$ 142
Bear Paw Revenue Credit	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 23,062	\$ (23,062)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
DSM Lost Revenue (D, T, & S.)	\$ (121,067)	\$ (121,067)	\$ (121,067)	\$ (121,067)	\$ (121,067)	\$ (121,067)	\$ (121,068)	\$ (121,068)	\$ (121,068)	\$ -	\$ (223,204)	\$ (223,203)	\$ (1,536,013)
Total Revenue	\$ 1,606,641	\$ 1,303,372	\$ 1,588,948	\$ 2,809,993	\$ 6,129,817	\$ 9,317,401	\$ 12,609,949	\$ 10,860,710	\$ 9,098,178	\$ 6,909,611	\$ 4,883,627	\$ 2,525,854	\$ 69,644,101
Natural Gas Expenses													
NOVA Capacity	\$ 85,803	\$ 87,318	\$ 89,243	\$ 92,537	\$ 75,374	\$ 68,215	\$ 66,134	\$ 62,263	\$ 68,665	\$ 56,132	\$ 60,545	\$ 58,960	\$ 871,187
Canada Pipeline	\$ 4,245,014	\$ 4,246,391	\$ 4,101,679	\$ 4,051,407	\$ 504,096	\$ 635,006	\$ 683,133	\$ 636,464	\$ 570,330	\$ 483,837	\$ 3,168,886	\$ 3,877,093	\$ 27,203,335
Havre Pipeline	\$ 1,199,197	\$ 1,144,818	\$ 1,180,867	\$ 1,617,061	\$ 1,690,710	\$ 1,657,108	\$ 1,583,958	\$ 1,422,458	\$ 1,747,787	\$ 1,808,674	\$ 2,006,088	\$ 2,563,270	\$ 19,621,994
EnCana Pipeline	\$ 940,027	\$ 1,054,790	\$ 969,005	\$ 1,148,714	\$ 1,336,186	\$ 1,431,008	\$ 1,290,863	\$ 1,132,395	\$ 1,218,202	\$ 1,401,634	\$ 1,449,450	\$ 1,370,398	\$ 14,742,672
Colorado Interstate Pipeline	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
NW Energy Owned Production	\$ 14,567	\$ 24,748	\$ 12,743	\$ 21,432	\$ 35,460	\$ 33,944	\$ 27,543	\$ 29,000	\$ 17,709	\$ 254,804	\$ 169,781	\$ (9,728)	\$ 632,002
Intra-Montana Purchases	\$ 183,240	\$ 208,260	\$ 168,636	\$ 211,163	\$ 245,150	\$ 277,746	\$ 375,101	\$ 287,936	\$ 331,924	\$ 304,018	\$ 284,729	\$ 238,228	\$ 3,116,132
Storage Injection/Withdrawal	\$ (5,615,943)	\$ (5,250,158)	\$ (4,474,386)	\$ (1,054,162)	\$ 3,238,085	\$ 5,595,849	\$ 6,416,084	\$ 4,610,310	\$ 2,838,277	\$ 1,548,473	\$ (4,264,370)	\$ (5,011,046)	\$ (1,422,988)
Total Natural Gas Expenses	\$ 1,051,904	\$ 1,516,166	\$ 2,047,788	\$ 6,088,153	\$ 7,125,061	\$ 9,698,876	\$ 10,442,815	\$ 8,180,825	\$ 6,792,894	\$ 5,857,572	\$ 2,875,109	\$ 3,087,174	\$ 64,764,335
Administrative Expenses													
MCC Tax Collection	\$ 2,096	\$ 1,803	\$ 2,112	\$ 2,112	\$ 4,719	\$ 7,084	\$ 9,592	\$ 8,234	\$ 6,915	\$ 5,176	\$ 3,824	\$ 2,062	\$ 55,728
MPSC Tax Collection	\$ 3,468	\$ 2,997	\$ 3,509	\$ 6,914	\$ 15,343	\$ 23,030	\$ 31,158	\$ 26,703	\$ 22,460	\$ 16,748	\$ 12,377	\$ 6,707	\$ 171,412
Labor & Benefits	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
DSM Expense	\$ 1,099	\$ 532,792	\$ 206,318	\$ 225,675	\$ 104,669	\$ 236,587	\$ 98,272	\$ 2,004	\$ 36,225	\$ 375,385	\$ 77,900	\$ 45,296	\$ 1,942,220
Computer Expense & Support	\$ 3,250	\$ 3,250	\$ 3,300	\$ 3,250	\$ 3,250	\$ 5,302	\$ 10,075	\$ 3,250	\$ 82,409	\$ 3,250	\$ 3,900	\$ (1,100)	\$ 123,385
Travel/Education Expense	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Legal Expense	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Basin Creek Storage Rebate	\$ (3,000)	\$ (3,000)	\$ (3,000)	\$ (3,000)	\$ (3,000)	\$ (3,000)	\$ (3,000)	\$ (3,000)	\$ (3,000)	\$ (3,000)	\$ (3,000)	\$ (3,000)	\$ (36,000)
Total Administrative Expenses	\$ 6,913	\$ 537,841	\$ 212,238	\$ 234,951	\$ 124,981	\$ 269,003	\$ 146,096	\$ 37,191	\$ 145,008	\$ 397,558	\$ 95,001	\$ 49,965	\$ 2,256,746
Rate Base Expenses													
Storage Working Gas	\$ 151,364	\$ 200,015	\$ 241,478	\$ 251,247	\$ 221,240	\$ 169,386	\$ 109,930	\$ 67,208	\$ 40,906	\$ 25,100	\$ 62,449	\$ 106,337	\$ 1,646,660
Deferred Expense	\$ (1,566)	\$ 4,740	\$ 10,834	\$ 35,916	\$ 45,067	\$ 50,813	\$ 38,454	\$ 21,598	\$ 7,661	\$ 3,333	\$ (8,257)	\$ (3,807)	\$ 204,785
Total Rate Base Expense	\$ 149,798	\$ 204,755	\$ 252,312	\$ 287,162	\$ 266,307	\$ 220,199	\$ 148,384	\$ 88,806	\$ 48,567	\$ 28,433	\$ 54,192	\$ 102,530	\$ 1,851,446
Total Expenses	\$ 1,208,615	\$ 2,258,762	\$ 2,512,338	\$ 6,610,266	\$ 7,516,349	\$ 10,188,077	\$ 10,737,295	\$ 8,306,821	\$ 6,986,469	\$ 6,283,563	\$ 3,024,302	\$ 3,239,668	\$ 68,872,526
Deferred Cost Amortization	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 142	\$ -	\$ -	\$ 142
Monthly Deferred Cost	\$ 398,026	\$ (955,390)	\$ (923,391)	\$ (3,800,273)	\$ (1,386,531)	\$ (870,676)	\$ 1,872,654	\$ 2,563,889	\$ 2,111,709	\$ 625,906	\$ 1,859,325	\$ (713,814)	\$ 771,433
Cumulative Deferred Cost	\$ 398,026	\$ (557,364)	\$ (1,480,755)	\$ (5,281,028)	\$ (6,667,559)	\$ (7,538,235)	\$ (5,665,581)	\$ (3,111,692)	\$ (999,983)	\$ (374,077)	\$ 1,485,248	\$ 771,433	

1 **Natural Gas Default Supply Tracking Mechanism**

2	Actual	Actual	Actual	Actual	Actual	Actual	Actual	Actual	Actual	Actual	Actual	Actual	Actual
3 Total Supply Cost Calculations	Jul-12	Aug-12	Sep-12	Oct-12	Nov-12	Dec-12	Jan-13	Feb-13	Mar-13	Apr-13	May-13	Jun-13	
4													
5 Rate Base Storage													
6 Beginning Inventory	2,909,311	4,782,357	6,508,161	7,975,293	8,249,957	7,264,669	5,561,958	3,609,665	2,206,835	1,343,201	872,030	2,036,819	
7 Net Storage Activity	1,873,046	1,725,804	1,467,132	274,664	(985,288)	(1,702,711)	(1,952,293)	(1,402,830)	(863,634)	(471,171)	1,164,789	1,324,077	
8 Ending Inventory	4,782,357	6,508,161	7,975,293	8,249,957	7,264,669	5,561,958	3,609,665	2,206,835	1,343,201	872,030	2,036,819	3,360,896	
9													
10 Beginning Rate Base \$	\$ 10,718,298	\$ 16,334,241	\$ 21,584,399	\$ 26,058,785	\$ 27,112,948	\$ 23,874,863	\$ 18,279,014	\$ 11,862,929	\$ 7,252,620	\$ 4,414,343	\$ 2,865,870	\$ 7,130,240	
11 Net Storage Activity \$	\$ 5,615,943	\$ 5,250,158	\$ 4,474,386	\$ 1,054,162	\$ (3,238,085)	\$ (5,595,849)	\$ (6,416,084)	\$ (4,610,310)	\$ (2,838,277)	\$ (1,548,473)	\$ 4,264,370	\$ 5,011,046	
12 Ending Rate Base \$	\$ 16,334,241	\$ 21,584,399	\$ 26,058,785	\$ 27,112,948	\$ 23,874,863	\$ 18,279,014	\$ 11,862,929	\$ 7,252,620	\$ 4,414,343	\$ 2,865,870	\$ 7,130,240	\$ 12,141,286	
13													
14 Beginning Unit Cost	\$ 3.6841	\$ 3.4155	\$ 3.3165	\$ 3.2674	\$ 3.2864	\$ 3.2864	\$ 3.2864	\$ 3.2864	\$ 3.2864	\$ 3.2864	\$ 3.2864	\$ 3.5007	
15 Activity Unit Cost	\$ 2.9983	\$ 3.0422	\$ 3.0498	\$ 3.8380	\$ 3.2864	\$ 3.2864	\$ 3.2864	\$ 3.2864	\$ 3.2864	\$ 3.2864	\$ 3.6611	\$ 3.7846	
16 Ending Unit Cost	\$ 3.4155	\$ 3.3165	\$ 3.2674	\$ 3.2864	\$ 3.2864	\$ 3.2864	\$ 3.2864	\$ 3.2864	\$ 3.2864	\$ 3.2864	\$ 3.5007	\$ 3.6125	
17													
18													
19 Deferred Supply Cost Expense													
20 Beginning Balance	\$ 160,757	\$ (237,269)	\$ 718,121	\$ 1,641,512	\$ 5,441,785	\$ 6,828,316	\$ 7,698,992	\$ 5,826,338	\$ 3,272,449	\$ 1,160,740	\$ 534,692	\$ (1,324,632)	
21 Monthly Activity	\$ (398,026)	\$ 955,390	\$ 923,391	\$ 3,800,273	\$ 1,386,531	\$ 870,676	\$ (1,872,654)	\$ (2,553,889)	\$ (2,111,709)	\$ (626,047)	\$ (1,859,325)	\$ 713,814	
22 Ending Balance	\$ (237,269)	\$ 718,121	\$ 1,641,512	\$ 5,441,785	\$ 6,828,316	\$ 7,698,992	\$ 5,826,338	\$ 3,272,449	\$ 1,160,740	\$ 534,692	\$ (1,324,632)	\$ (610,818)	
23													
24													
25													
26 Interest	Interest Rate Changed 4/1/2013												
27 Working Gas	11.12%	10.51%											
28 Deferred Account	7.92%	7.48%											
29													
30													
31 Regulatory Taxes	Oct.1,2012												
32 MCC Rate	0.07%												
33 MPSC Rate	0.230%												
34													
35													
36													
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NorthWestern Energy
2013/2014 TRACKING CASE
GAS MARKET/SUPPLY/COST SUMMARY

	<u>Dkt (000)</u>	<u>\$/DKT</u>	<u>\$ (000)</u>
1 CITY GATE REQUIREMENTS			
2 DBU Sales Billed	19,020		
3 FUGC	215		
4 Subtotal Sales Volumes	19,235		
5 Core Fuel U&UAF	473		
6			
7 Grand Total HER	19,708		
8			
9			
10			
11 GAS SUPPLY			
12			
13			
14 NOVA	16,828	\$ 0.120	\$ 2,025
15			
16 Trans Canadian Pipeline	5,750	\$ 3.413	\$ 19,623
17			
18 Havre Pipeline	6,187	\$ 3.129	\$ 19,362
19			
20 EnCana Pipeline	5,074	\$ 3.073	\$ 15,594
21			
22 Colorado Interstate Pipeline	0	\$ -	\$ -
23			
24 NW Energy Owned Production	1,620	\$ 0.865	\$ 1,401
25			
26 Intra-Montana Purchases	1,165	\$ 3.089	\$ 3,599
27			
28			
29 Storage Net Injection	4	NA	\$ 1,580
30 Storage Fuel Use	(92)	NA	NA
31			
32 Total Gas Supply & Cost	19,708		\$ 63,184
33			
34 Incremental Peaking Expense	0	\$ -	\$ -
35			
36 Working Gas Rate Base			\$ 1,686
37 Deferred Account Interest			\$ 110
38 Administrative Costs			\$ 3,296
39			
40 TOTAL GAS COST			\$ 68,276
41 Lost DSM Revenue (negative revenue reported here as a cost)			\$ (613)
42 TOTAL GAS COST (Including Lost Revenue)			\$ 67,663
43			
44 July 2013 CORE Unit Gas Cost (\$/Dkt)			\$3.47390
45 Thermal Unit Rate (\$/Therm)			\$0.347390
46			
47 Battle Creek Revenue Requirement (\$/Dkt)			\$0.12370
48 Battle Creek Revenue Requirement (\$/Therm)			\$0.012370
49			
50 Battle Creek Under-collection Rate (\$/Dkt)			\$0.025740
51 Battle Creek Under-collection Rate (\$/Therm)			\$0.002574
52			
53 Bear Paw Revenue Requirement (\$/Dkt)			\$0.18170
54 Bear Paw Revenue Requirement (\$/Therm)			\$0.018170
55			
56 Total Combined Rate (\$/Dkt)			\$3.80504
57 Total Combined Rate (\$/Therm)			\$0.380504

1 Natural Gas Default Supply Tracking Mechanism

2	Estimate	Estimate	Estimate	Estimate	Estimate	Estimate	Estimate	Estimate	Estimate	Estimate	Estimate	Estimate	Estimate	Total
3	Jul-13	Aug-13	Sep-13	Oct-13	Nov-13	Dec-13	Jan-14	Feb-14	Mar-14	Apr-14	May-14	Jun-14		
4														
5	Billed Market (Dekatherms)													
6	302,505	214,623	279,804	494,381	1,074,279	1,588,006	2,049,754	1,802,090	1,595,289	1,241,767	751,187	540,015	11,933,700	
7	LIEAP	16,468	9,695	13,424	23,738	48,642	74,370	98,340	89,981	84,739	80,895	49,591	34,602	624,485
8	Employee	896	538	810	1,446	2,753	4,210	5,341	4,618	4,184	3,515	2,355	1,580	32,246
9	Commercial	186,546	146,881	177,238	257,844	537,033	803,747	1,050,702	928,116	806,665	637,485	369,801	285,686	6,187,744
10	Firm Industrial	4,192	2,843	2,942	4,690	12,959	15,153	23,334	20,502	16,332	12,219	6,062	5,243	126,471
11	Governmental	1,063	674	1,693	3,139	5,690	7,820	10,321	7,593	6,667	6,072	3,321	2,480	56,533
12	Inter-Department	1,619	1,304	1,610	2,453	5,106	7,653	10,013	8,280	7,797	5,935	3,823	2,798	58,391
13	CNG Vehicles	-	-	-	-	-	-	-	-	-	-	-	-	-
14	Total Distribution Sales	513,289	376,558	477,521	787,691	1,686,462	2,500,959	3,247,805	2,861,180	2,521,673	1,987,888	1,186,140	872,404	19,019,570
15														
16	Cycle Billing Adjustment	-68,365	50,481	155,085	449,386	407,249	373,423	-193,313	-169,754	-266,893	-400,874	-156,868	-179,558	-
17														
18	Distribution City Gate Deliveries	444,924	427,040	632,606	1,237,077	2,093,711	2,874,382	3,054,493	2,691,427	2,254,781	1,587,014	1,029,272	692,847	19,019,570
19														
20	Firm Utility Gas Sales (Dekatherms)													
21	Cut Bank	4,412	713	1,311	3,459	13,921	22,902	26,424	32,175	26,041	25,680	16,171	7,414	180,623
22	Kevin	155	59	59	119	616	1,486	902	1,555	1,631	907	480	256	8,226
23	Sunburst	730	205	328	730	2,239	3,656	3,865	4,766	3,773	3,465	1,979	858	26,594
24	Total Utility Sales	5,297	977	1,698	4,309	16,775	28,045	31,191	38,496	31,445	30,051	18,631	8,528	215,444
25														
26	Total City Gate Deliveries	450,221	428,017	634,304	1,241,385	2,110,486	2,902,427	3,085,684	2,729,922	2,286,226	1,617,065	1,047,903	701,375	19,235,014
27														
28	Transmission U&UAF	11,075	10,529	15,604	30,538	51,918	71,400	75,908	67,156	56,241	39,780	25,778	17,254	473,181
29														
30	Total Supply Requirements	461,296	438,546	649,908	1,271,923	2,162,404	2,973,827	3,161,592	2,797,078	2,342,467	1,656,845	1,073,681	718,629	19,708,195
31														
32	Gas Supply (Dekatherms)													
33	Nova Capacity	-	-	-	-	-	-	-	-	-	-	-	-	-
34	Canada Pipeline	1,100,000	1,000,000	1,000,000	800,000	-	-	-	-	-	-	850,000	1,000,000	5,750,000
35	Havre Pipeline	524,945	524,945	508,945	524,945	508,945	524,945	524,945	476,945	524,945	508,945	524,945	508,945	6,187,340
36	EnCana Pipeline	430,900	430,900	417,000	430,900	417,000	430,900	430,900	389,200	430,900	417,000	430,900	417,000	5,073,500
37	Colorado Interstate Pipeline	-	-	-	-	-	-	-	-	-	-	-	-	-
38	NW Energy Owned Production	135,000	135,000	135,000	135,000	135,000	135,000	135,000	135,000	135,000	135,000	135,000	135,000	1,620,000
39	Intra-Montana Purchases	89,687	89,687	88,587	89,687	88,587	114,487	114,487	108,787	114,487	88,587	89,687	88,587	1,165,344
40														
41	Total Purchases	2,280,532	2,180,532	2,149,532	1,980,532	1,149,532	1,205,332	1,205,332	1,109,932	1,205,332	1,149,532	2,030,532	2,149,532	19,796,184
42														
43														
44														
45	Storage Activity													
46	Storage Supply Activity	1,819,236	1,741,986	1,499,624	708,609	(1,012,872)	(1,768,495)	(1,956,260)	(1,687,146)	(1,137,135)	(507,313)	956,851	1,430,903	87,989
47	Storage U&UAF (injection only)	20,506	19,635	16,903	7,987	-	-	-	-	-	-	10,785	16,128	91,944
48	Metered Storage Activity	1,798,731	1,722,352	1,482,721	700,622	(1,012,872)	(1,768,495)	(1,956,260)	(1,687,146)	(1,137,135)	(507,313)	946,066	1,414,775	(3,955)
49														
50	Net Difference (delivered vs. supply)	0	0	(0)	(0)	-	-	-	-	-	-	(0)	(0)	
51														
52														

1 **Natural Gas Default Supply Tracking Mechanism**

	Estimate Jul-13	Estimate Aug-13	Estimate Sep-13	Estimate Oct-13	Estimate Nov-13	Estimate Dec-13	Estimate Jan-14	Estimate Feb-14	Estimate Mar-14	Estimate Apr-14	Estimate May-14	Estimate Jun-14	Total
Supply Revenue/Cost Calculations													
Total Sales													
Dekatherms	518,586	377,535	479,219	792,000	1,703,237	2,529,004	3,278,996	2,899,676	2,553,118	2,017,939	1,204,771	880,932	19,235,014
Current Year Supply Cost	\$ 3,9193	\$ 3,4739	\$ 3,4739	\$ 3,4739	\$ 3,4739	\$ 3,4739	\$ 3,4739	\$ 3,4739	\$ 3,4739	\$ 3,4739	\$ 3,4739	\$ 3,4739	\$ 3,4739
Prior Year(s) Deferred Expense	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Current Year Deferred Adjust.	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Gas Cost Revenues													
Current Year Gas Cost	\$ 2,032,495	\$ 1,311,520	\$ 1,664,758	\$ 2,751,328	\$ 5,916,875	\$ 8,785,507	\$ 11,390,905	\$ 10,073,184	\$ 8,869,278	\$ 7,010,119	\$ 4,185,254	\$ 3,060,271	\$ 67,051,493
Prior Year(s) Deferred Expense	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Bear Paw Revenue Credit	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
DSM Lost Revenue (D, T, & S.)	\$ 908,268	\$ (26,823)	\$ (26,823)	\$ (26,823)	\$ (26,823)	\$ (26,823)	\$ (26,823)	\$ (26,823)	\$ (26,823)	\$ (26,823)	\$ (26,821)	\$ (26,821)	\$ 613,219
Total Revenue	\$ 2,940,763	\$ 1,284,697	\$ 1,637,935	\$ 2,724,505	\$ 5,890,052	\$ 8,758,684	\$ 11,364,082	\$ 10,046,361	\$ 8,842,455	\$ 6,983,296	\$ 4,158,433	\$ 3,033,450	\$ 67,664,712
Natural Gas Expenses													
NOVA Capacity	\$ 168,744	\$ 168,744	\$ 168,744	\$ 168,744	\$ 168,744	\$ 168,744	\$ 168,744	\$ 168,744	\$ 168,744	\$ 168,744	\$ 168,744	\$ 168,744	\$ 2,024,928
Canada Pipeline	\$ 3,938,984	\$ 3,359,620	\$ 3,364,942	\$ 2,887,309	\$ -	\$ 142,600	\$ 142,600	\$ 128,800	\$ -	\$ -	\$ 2,372,563	\$ 3,285,000	\$ 19,622,418
Havre Pipeline	\$ 1,596,431	\$ 1,424,512	\$ 1,396,300	\$ 1,488,818	\$ 1,632,960	\$ 1,748,665	\$ 1,748,665	\$ 1,589,778	\$ 1,736,854	\$ 1,644,411	\$ 1,700,108	\$ 1,654,590	\$ 19,362,092
EnCana Pipeline	\$ 1,284,036	\$ 1,142,916	\$ 1,118,558	\$ 1,195,701	\$ 1,312,463	\$ 1,413,089	\$ 1,413,089	\$ 1,277,311	\$ 1,403,394	\$ 1,325,805	\$ 1,373,231	\$ 1,334,145	\$ 15,593,738
Colorado Interstate Pipeline	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
NW Energy Owned Production	\$ 116,750	\$ 116,750	\$ 116,750	\$ 116,750	\$ 116,750	\$ 116,750	\$ 116,750	\$ 116,750	\$ 116,750	\$ 116,750	\$ 116,750	\$ 116,750	\$ 1,401,000
Intra-Montana Purchases	\$ 266,822	\$ 237,449	\$ 237,195	\$ 248,435	\$ 278,388	\$ 376,284	\$ 376,284	\$ 357,703	\$ 373,707	\$ 280,380	\$ 284,534	\$ 282,151	\$ 3,599,332
Storage Injection/Withdrawal	\$ (5,814,355)	\$ (5,094,698)	\$ (4,416,359)	\$ (2,159,938)	\$ 3,310,195	\$ 5,779,669	\$ 6,393,308	\$ 5,513,811	\$ 3,716,303	\$ 1,657,965	\$ (2,802,943)	\$ (4,502,846)	\$ 1,580,112
Total Natural Gas Expenses	\$ 1,557,412	\$ 1,355,293	\$ 1,986,130	\$ 3,945,819	\$ 6,819,500	\$ 9,745,801	\$ 10,359,440	\$ 9,152,897	\$ 7,515,752	\$ 5,194,055	\$ 3,212,987	\$ 2,338,534	\$ 63,183,620
Administrative Expenses													
MCC Tax Collection	\$ 1,977	\$ 818	\$ 1,065	\$ 1,825	\$ 4,041	\$ 6,049	\$ 7,873	\$ 6,951	\$ 6,108	\$ 4,807	\$ 2,829	\$ 2,042	\$ 46,385
MPSC Tax Collection	\$ 6,447	\$ 2,678	\$ 3,485	\$ 5,963	\$ 13,145	\$ 19,652	\$ 25,620	\$ 22,531	\$ 19,818	\$ 15,553	\$ 9,147	\$ 6,640	\$ 150,680
Labor & Benefits	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
DSM Expense	\$ 258,473	\$ 387,640	\$ 112,517	\$ 588,720	\$ 100,472	\$ 310,218	\$ 51,127	\$ 37,423	\$ 398,061	\$ 441,049	\$ 105,077	\$ 344,012	\$ 3,134,789
Computer Expense & Support	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Travel/Education Expense	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Legal Expense	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Basin Creek Storage Rebate	\$ (3,000)	\$ (3,000)	\$ (3,000)	\$ (3,000)	\$ (3,000)	\$ (3,000)	\$ (3,000)	\$ (3,000)	\$ (3,000)	\$ (3,000)	\$ (3,000)	\$ (3,000)	\$ (36,000)
Total Administrative Expenses	\$ 263,897	\$ 388,136	\$ 114,067	\$ 593,509	\$ 114,658	\$ 332,920	\$ 81,620	\$ 63,904	\$ 420,987	\$ 458,409	\$ 114,053	\$ 349,694	\$ 3,295,853
Rate Base Expenses													
Storage Working Gas	\$ 157,261	\$ 201,883	\$ 240,563	\$ 259,480	\$ 230,488	\$ 179,868	\$ 123,873	\$ 75,581	\$ 43,033	\$ 28,512	\$ 53,061	\$ 92,498	\$ 1,686,101
Deferred Expense	\$ (9,867)	\$ (5,785)	\$ (1,413)	\$ 11,589	\$ 19,657	\$ 29,188	\$ 24,359	\$ 19,782	\$ 14,495	\$ 6,417	\$ 1,576	\$ 0	\$ 110,000
Total Rate Base Expense	\$ 147,395	\$ 196,098	\$ 239,150	\$ 271,069	\$ 250,145	\$ 209,056	\$ 148,232	\$ 95,364	\$ 57,528	\$ 34,929	\$ 54,636	\$ 92,499	\$ 1,796,100
Total Expenses	\$ 1,968,704	\$ 1,939,527	\$ 2,339,346	\$ 4,810,398	\$ 7,184,302	\$ 10,287,777	\$ 10,589,292	\$ 9,312,165	\$ 7,994,267	\$ 5,687,393	\$ 3,381,677	\$ 2,780,726	\$ 68,275,573
Deferred Cost Amortization	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Monthly Deferred Cost	\$ 972,059	\$ (654,830)	\$ (701,411)	\$ (2,085,893)	\$ (1,294,250)	\$ (1,529,093)	\$ 774,790	\$ 734,196	\$ 848,188	\$ 1,295,904	\$ 776,757	\$ 252,723	\$ (610,862)
Cumulative Deferred Cost	\$ 972,059	\$ 317,229	\$ (384,182)	\$ (2,470,075)	\$ (3,764,325)	\$ (5,293,418)	\$ (4,518,629)	\$ (3,784,433)	\$ (2,936,245)	\$ (1,640,342)	\$ (863,585)	\$ (610,862)	

1 Natural Gas Default Supply Tracking Mechanism

	Estimate Jul-13	Estimate Aug-13	Estimate Sep-13	Estimate Oct-13	Estimate Nov-13	Estimate Dec-13	Estimate Jan-14	Estimate Feb-14	Estimate Mar-14	Estimate Apr-14	Estimate May-14	Estimate Jun-14
3 Total Supply Cost Calculations												
5 Rate Base Storage												
6 Beginning Inventory	3,360,896	5,159,627	6,881,978	8,364,699	9,065,321	8,052,450	6,283,955	4,327,695	2,640,549	1,503,414	996,101	1,942,166
7 Net Storage Activity	1,798,731	1,722,352	1,482,721	700,622	(1,012,872)	(1,768,495)	(1,956,260)	(1,687,146)	(1,137,135)	(507,313)	946,066	1,414,775
8 Ending Inventory	5,159,627	6,881,978	8,364,699	9,065,321	8,052,450	6,283,955	4,327,695	2,640,549	1,503,414	996,101	1,942,166	3,356,941
10 Beginning Rate Base \$	\$ 12,141,286	\$ 17,955,641	\$ 23,050,339	\$ 27,466,699	\$ 29,626,636	\$ 26,316,442	\$ 20,536,773	\$ 14,143,465	\$ 8,629,653	\$ 4,913,350	\$ 3,255,385	\$ 6,058,328
11 Net Storage Activity \$	\$ 5,814,355	\$ 5,094,698	\$ 4,416,359	\$ 2,159,938	\$ (3,310,195)	\$ (5,779,669)	\$ (6,393,308)	\$ (5,513,811)	\$ (3,716,303)	\$ (1,657,965)	\$ 2,802,943	\$ 4,502,846
12 Ending Rate Base \$	\$ 17,955,641	\$ 23,050,339	\$ 27,466,699	\$ 29,626,636	\$ 26,316,442	\$ 20,536,773	\$ 14,143,465	\$ 8,629,653	\$ 4,913,350	\$ 3,255,385	\$ 6,058,328	\$ 10,561,174
14 Beginning Unit Cost	\$ 3.6125	\$ 3.4800	\$ 3.3494	\$ 3.2836	\$ 3.2681	\$ 3.2681	\$ 3.2681	\$ 3.2681	\$ 3.2681	\$ 3.2681	\$ 3.2681	\$ 3.1194
15 Activity Unit Cost	\$ 3.2325	\$ 2.9580	\$ 2.9786	\$ 3.0829	\$ 3.2681	\$ 3.2681	\$ 3.2681	\$ 3.2681	\$ 3.2681	\$ 3.2681	\$ 2.9627	\$ 3.1827
16 Ending Unit Cost	\$ 3.4800	\$ 3.3494	\$ 3.2836	\$ 3.2681	\$ 3.2681	\$ 3.2681	\$ 3.2681	\$ 3.2681	\$ 3.2681	\$ 3.2681	\$ 3.1194	\$ 3.1461
19 Deferred Supply Cost Expense												
20 Beginning Balance	\$ (610,818)	\$ (1,582,877)	\$ (928,047)	\$ (226,636)	\$ 1,859,257	\$ 3,153,507	\$ 4,682,600	\$ 3,907,811	\$ 3,173,615	\$ 2,325,427	\$ 1,029,524	\$ 252,767
21 Monthly Activity	\$ (972,059)	\$ 654,830	\$ 701,411	\$ 2,085,893	\$ 1,294,250	\$ 1,529,093	\$ (774,790)	\$ (734,196)	\$ (848,188)	\$ (1,295,904)	\$ (776,757)	\$ (252,723)
22 Ending Balance	\$ (1,582,877)	\$ (928,047)	\$ (226,636)	\$ 1,859,257	\$ 3,153,507	\$ 4,682,600	\$ 3,907,811	\$ 3,173,615	\$ 2,325,427	\$ 1,029,524	\$ 252,767	\$ 44
26 Interest	Interest Rate											
27 Working Gas	10.51%											
28 Deferred Account	7.48%											
31 Regulatory Taxes	Oct. 1, 2012											
32 MCC Rate	0.07%											
33 MPSC Rate	0.230%											