Service Date: October 6, 2015

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

IN THE MATTER OF NorthWestern Energy's Application for Approval of Unreflected Gas Cost Account Balance and Projected Gas Cost, and Gas Transportation Adjustment Clause Balance	)))))	REGULATORY DIVISION DOCKET NO. D2013.5.34 ORDER NO. 7282d
IN THE MATTER OF NorthWestern Energy's Application for Approval of Unreflected Gas Cost Account Balance and Projected Gas Cost and Gas Transportation Adjustment Clause Balance	)))))	REGULATORY DIVISION DOCKET NO. D2014.5.47

FINAL ORDER

PROCEDURAL HISTORY

1. On May 31, 2013, NorthWestern Energy (NorthWestern) filed an Application before the Montana Public Service Commission (PSC or Commission) for approval of a natural gas rate change that: a) reflects rate treatment for the balance in Unreflected Gas Cost for the 12-month period ending June 30, 2013; b) reflects rate treatment for amortization of the Gas Transportation Adjustment Clause (GTAC) balance as of April 30, 2013; c) extinguishes the unit amortizations in the current rate schedules, approved in *Order 7218b* in Docket D2012.5.48; and d) reflects the projected load, supply and related natural gas costs for the 12-month tracker period from July 2013 through June 2014.

2. NorthWestern also requested approval to continue to collect the costs of its interest in the Bear Paw (NFR) field in tracker filings until the utility makes a NFR revenue requirement filing with the Commission.

3. On June 18, 2013, the Commission issued *Interim Order 7282*, approving NorthWestern's proposed rates on an interim basis. The Commission also allowed NorthWestern to continue to reflect the costs of its interest in NFR on an interim basis as part of

future tracker filings until such time that a NFR revenue requirement filing is processed before the Commission.

4. On June 19, 2013, the Commission issued a *Notice of Application and Intervention Deadline*. The Commission granted intervention to the Montana Consumer Counsel (MCC) August 2, 2013. On September 25, 2013, the Commission issued *Procedural Order 7282a*.

5. On December 19, 2013, the Commission directed NorthWestern to file supplemental testimony regarding Commission Findings of Fact ¶ 40-79 in *Order 7219h* involving true-up of lost revenues and the lost revenue adjustment policy that may be applicable to the natural gas tracker application and proceeding. The Commission authorized staff to modify *Procedural Order 7282(a)* to accommodate additional deadlines for testimony and discovery, as necessary.

6. On March 14, 2014, NorthWestern filed a motion to defer proceedings and consolidate the docket with the 2014 natural gas tracker. On June 10, 2014, the Commission granted the motion and consolidated Docket No. D2013.5.34 with Docket No. D2014.5.47.

7. On May 29, 2014, NorthWestern filed its 2014 natural gas annual tracker application, which was assigned Docket No. D2014.5.47 and consolidated with the previous year's tracker. NorthWestern requested approval of a natural gas rate change that: a) reflects rate treatment for the balance in Unreflected Gas Cost for the 12-month period ending June 30, 2014; b) reflects rate treatment for amortization of the GTAC balance as of April 30, 2014; c) extinguishes the unit amortizations in the current rate schedules, approved in *Interim Order* 7282 in Docket D2013.5.34; and d) reflects the projected load, supply and related natural gas costs for the 12-month tracker period from July 2014 through June 2015.

8. NorthWestern also requested approval to continue to collect the cost of its interest in the NFR and Devon natural gas fields on an interim basis until such time that a revenue requirement filing is processed by the Commission.

9. On June 16, 2014, the Commission issued a *Notice of Application and Intervention Deadline* in the consolidated dockets. On June 17, 2014, the Commission issued *Interim Order 7282b* approving the proposed rates for interim purposes.

10. On September 4, 2014, the Commission issued *Procedural Order 7282c*.

11. Commission staff suspended *Procedural Order 7282c* on October 23, 2014, then amended it on January 27, 2015, and again on March 19, 2015, to set deadlines.

12. On April 21, 2015, the Commission issued a *Notice of Public Hearing* for a May 19, 2015, hearing.

13. On September 8, 2015, the Commission held a work session to discuss and act on these consolidated applications.

DISCUSSION AND FINDINGS OF FACT

Adjustments to the Energy Efficiency Savings Estimates

14. NorthWestern witness Marjorie McRae affirmed that her testimony in Docket No. D2012.5.49 (NorthWestern's 2012 electricity tracker) primarily concerned the measurement and treatment of free ridership, spillover, and leakage. Hrg. Transcr. (Tr.) at 54:8-13 (May 19, 2015). She stated that her testimony in that proceeding would accurately apply to the current proceeding and would apply to natural gas efficiency programs the same as electric energy efficiency programs. Tr. at 54:19. The Commission previously ruled in the 2011-2012 Electricity Tracker Order that NorthWestern must "true up its lost revenue calculations using realized savings that incorporate the free ridership and spillover figures provided in response to Data Request PSC-003." *In re NorthWestern 2011-2012 Electricity Supply Tracker*, Dkt. No. D2012.5.46, Or. 7219h ¶ 59 (Oct. 22, 2013). *Order 7219h* stated "[t]he Commission is not persuaded that it is reasonable to assume spillover completely offsets free ridership when verifying NorthWestern's realized energy efficiency savings. Specifically, the record does not show that [a net-to-gross (NTG)] ratio of 1.0 is preferable to an adjustment based on SBW's empirical research." *Id.* The live testimony of Dr. McRae in the 2011-2012 Electricity Tracker hearing, as well as the SBW report, are also record evidence in this proceeding. Ex. PSC-1; Tr. at 53:17-54:19; Ex. NWE-9, MBH-1a, MBH-1b.

15. NorthWestern had an opportunity through its supplemental testimony to submit additional information arguing for the appropriateness of their adjustments to their programs' energy savings. On December 19, 2013, the Commission issued a *Notice of Additional Issue* directing NorthWestern to "respond to the recent Commission Findings of Fact ¶ 40-79 in *Order 7219h* involving true-up of lost revenues and the lost revenue adjustment policy that may be applicable to the natural gas tracker application and proceeding." Notice of Additional Issue

(Dec. 19, 2013). No new evidence has been introduced in this proceeding that would alter the Commission's previous findings on NTG ratio.

16. Since no new evidence has been introduced on this matter, the Commission must make a finding decision consistent with its previous order. "It is a well-established principle of agency law that an agency has a duty to either follow its own precedent or provide a reasoned analysis explaining its departure." *Waste Mgmt. Partners v. Mont. Dep't of Pub. Serv. Regulation*, 284 Mont. 245, 257, 944 P.2d 210, 217 (1997). Additionally, the Commission's decision regarding NTG in *Order 7219h* has already been upheld on judicial review. *See NorthWestern Energy v. Mont. Pub. Serv. Comm'n*, DV-13-399, Order Affirming Decision of the Mont. Pub Serv. Comm'n pp. 10-12 (2nd Mont. Dist. Ct. Aug 13, 2015). The facts at hand in this proceeding and in Docket No. D2012.5.49 are the same with respect to the net-to-gross adjustment to total estimated energy efficiency savings and the Commission adopts its net-to-gross findings expressed in *Order 7219h*. Therefore, NorthWestern must update its proposed natural gas utility lost revenues to conform to the Commission's net-to-gross findings in *Order 7219h* and Exhibit PSC-2.

Lost Revenue Payments Resulting from the Universal System Benefits Program

17. MCC witness George Donkin testified that USB-related lost revenues should be disallowed in current and future trackers. He argues that because the USB program is legislatively mandated and unavoidable by NorthWestern, NorthWestern requires no further inducement to perform its USB programming, such as the make-whole payment of the Lost Revenues Adjustment Mechanism (LRAM). He contends that the payment of LRAM to NorthWestern further erodes the cost-effectiveness of USB programming generally. MCC-1, 5:4-16:14; MCC-2, 5:11-17:9.

18. NorthWestern witness Joe Schwartzenberger addressed Donkin's recommendations concerning USB-related lost revenue recovery in his testimony. He argues that LRAM should not be altered with retroactive application and that the appropriate place for the Commission to address LRAM policy is in the pending Docket No. D2014.6.53. NWE-15, 5:13-28:3.

19. The Commission has consistently allowed NorthWestern to collect lost revenues. *See In re NorthWestern 2009 Gas Supply Tracker*, Dkt. No. D2009.5.63, Or. 7004c ¶ 21 (Dec.

21, 2010); *In re NorthWestern 2010 Electricity Supply Tracker*, Dkt. No. D2010.5.50, Or. 7093c ¶ 24 (Apr. 15, 2011) (estimating $3,555,817 for electric lost revenues in 2009-2010); *In re NorthWestern 2011 Gas Supply Tracker*, Dkt. No. D2011.5.36, Or. 7152b ¶ 11 (Apr. 10, 2012); *In re NorthWestern 2012 Gas Supply Tracker*, Dkt. No. D2012.5.48, Or. 7218b ¶ 11 (May 21, 2013) (approving gas supply costs). In a separate docket, the Commission is addressing the general issue of LRAM policy in NorthWestern's natural gas and electric utilities. *See* Dkt. No. D2014.6.53. Consistent with the subject matter and scope of that proceeding, the Commission permits the recovery of LRAM for past tracker years, and reserves for decision in the final order of Docket No. D2014.6.53 a resolution on USB-related LRAM. And for future gas tracker filings, including D2014.7.59, the Commission will evaluate this issue in accordance with the final order of Docket D2014.6.53.

Ratemaking Treatment of Natural Gas Production Assets

20. The MCC asserted through the direct testimony of Donkin that conventional ratemaking procedures for NorthWestern-owned natural gas production assets result in unreasonable rates to consumers, higher than those NorthWestern itself forecast to justify its purchase of those assets. MCC-2, pp. 17-31.

21. NorthWestern witness Pat DiFronzo testified about the company's use of a net-present-value (NPV) calculation in the proceeding where it demonstrated the Battle Creek asset's value to consumers. That NPV calculation was based on a revenue requirement that began high but declined each year, compared to a market price of gas that started low but increased each year. The purpose of the calculation was to arrive at a point of customer indifference between acquisition of Battle Creek and market purchases, which would support Battle Creek as a low- or at least equal-cost option to supply consumers. The calculation was presented in order to support a prudence determination. DiFronzo agreed the calculation would change if the annual declines did not occur. Tr. at 22:14-24:11.

22. A crossover point occurs when the expected unit cost of the acquisition drops below the expected market price. As the cost of a NorthWestern-owned gas field fell and the market price of natural gas rose over the course of years, a crossover between these two items occurred in the NPV model. That intersection became the basis of the Unit Cost-Market-Price Crossover Point Stipulation between NorthWestern and the MCC, which the Commission

approved. For a range of 20-year levelized unit revenue requirements, the agreement stipulated maximum periods to this crossover point. The Commission stated that "[t]he proper ratemaking treatment of any future gains on any activity involving Battle Creek will be determined by the Commission." *In re Battle Creek*, Dkt. No. 2012.3.25, Or. 7210b p. 22 (Nov. 15, 2012).

23. In updated responses to Data Requests PSC-041(a) and PSC-042(a), NorthWestern submitted Excel files including detailed analysis of the models used to evaluate the purchases of the NFR and Devon properties. The "Output" tabs of these spreadsheets show the NPV of a discounted stream of expected annual revenue requirements resulting from NorthWestern's purchase of the properties, compared to a discounted stream of expected production multiplied by forecast natural gas market prices. The NPV of the revenue requirements are slightly less than the NPV of alternative market purchases in each case: $30.06 million vs. $30.08 million for NFR and $149.5 million vs. $151.1 million for Devon. Similar to the Battle Creek analysis, these NPV comparisons purport to establish customer indifference points regarding the purchase prices at which customers would be essentially indifferent to the alternative outcomes of a natural gas production property purchase or market purchases, given the model assumptions, known information, and reasonable inference. PSC-041a Updated Attachment NFR and PSC-042a Updated Attachment Devon; Tr. at 22:17-23:10.

24. NorthWestern projects the fixed cost revenue requirements to decrease annually for each property. Unlike many types of utility property, the depreciation that primarily drives this decline does not occur on a straight-line basis, with an equal amount of plant value depreciated annually until the property is fully amortized. Tr. at 27:7-28:14. Instead, depreciation, or depletion as it is called with respect to gas production assets, is driven by the amount of gas removed from the area to the total gas projected to remain in position. Tr. at 28:25-29:10. For example, on an annual-analysis basis the total investment in the Devon property was projected to depreciate $4.9 million between 2013 and 2014. In the later period of 2015 to 2018, these same assets were only projected to depreciate by $3.1 million. This trend demonstrates that depletion expense is higher in earlier years than in later years. PSC-042(a).

25. Donkin noted this peculiarity of the assets in question and testified that NorthWestern's annual revenue requirement and unit rates for Battle Creek, NFR, and Devon should be established annually in gas tracker filings rather than a general rate case. PSC-046(b). He stated that this treatment is necessary for ratepayers to benefit from the NPV comparisons,

levelized cost comparisons, and cross-over point assumptions that were used to evaluate the reasonableness of the Battle Creek, NFR, and Devon acquisitions.

26. Donkin testified that the current fixed cost rates of NorthWestern's natural gas producing properties are based on outdated revenue requirement data. He recommended that the Commission direct NorthWestern to file actual cost of service support for the rates that have been collected, and to replace the bridge rates for NFR and Devon with actual cost-based rates resulting from current fixed cost revenue requirements for each property. MCC-2, 30:17-31:14.

27. In response to PSC-046(c), Donkin stated that for each of the Battle Creek, NFR, and Devon purchases, NorthWestern provided the MCC with detailed quantitative analyses of expected economic performance, including NPV comparison of revenue requirements to market purchases. For each property, the calculations showed a declining rate base and declining revenue requirements in each future year. He asserted that if authorized rates fail to accurately reflect the annually declining revenue requirements, the impact on ratepayers would be unreasonable, primarily because those rates would reflect a higher and inaccurate charge for depreciation and the associated return on the undepreciated rate base. The NPV comparisons would not be valid, crossover points may be distorted, and cost recovery would exceed the NPV revenue-requirement model used to evaluate a property because of the difference between the ratemaking assumptions used in the model versus in actual practice.

28. Donkin testified that it is essential that ratepayers get the benefits of declining revenue requirements in the early years when volumes are large. In the out years, the volumes are small and benefits are heavily discounted. Tr. at 132:18-133:4. He also asserted that NorthWestern may be over-recovering almost $3 million over cost of service for Battle Creek, NFR, and Devon due to out-of-date fixed cost rates in the tracker. Tr. at 124:12-125:10.

29. DiFronzo argued that Donkin's ratemaking proposal for the natural gas production assets would not be appropriate because the models used to evaluate the assets were not intended to be used for ratemaking. PSC-050(a). The MCC, in turn, contended that "[i]n making a purchase decision, consumers have no interest in cost projections that bear no relationship to what they will actually be asked to pay." MCC Post-Hearing Brief, p. 10 (July 22, 2015).

30. DiFronzo testified that the current Battle Creek fixed cost rate was approved in the last natural gas general rate case, D2012.9.94. For the Commission to adjust this rate outside

of a general rate filing would be retroactive ratemaking. NWE-3, 2:8-3:17. The MCC agreed with this arguing that their testimony stands for the proposition that the Commission order a proceeding opened to readjust the rates of this property. MCC Post-Hearing Brief at p. 9 ("Mr. Donkin has not suggested any form of retroactive ratemaking, and this inability to reach backward actually supports the urgency of his recommendation for a timely filing").

31. DiFronzo testified that the NFR and Devon fixed cost rates would be adjusted to actual cost of service when NorthWestern makes the respective filings for review and acquisition approval with the Commission. At that time, the interim rates would be trued up to Commission approved final rates. He stated that NorthWestern planned to make these filings as part of a consolidated natural gas utility revenue requirement filing in 2016, using test year 2015. Under and over collections of NFR and Devon fixed costs would be reimbursed to the utility or customers as appropriate. NWE-3, 3:19-5:3; Tr. at 25:21-26:23.

32. The Commission agrees with the MCC. If conventional ratemaking practices are retained for these gas production assets it may be impossible for consumers ever to realize the value that NorthWestern forecast in justifying the asset purchase. The MCC has identified that the risk reduction provided to NorthWestern by these bridge rates can disadvantage consumers, because translating an early year of higher cost into a rate that endures in perpetuity will chronically overstate the property's actual costs. MCC-2, 30:17-31:14. Specifically, the Commission believes it may be appropriate to recover the costs of these properties on an annual basis according to their actual or forecast costs, at least for the first years of the utility's ownership. Accordingly, the Commission requires a comprehensive filing to be made by NorthWestern within the next 12 months of the service date of this Order that must include all necessary data to calculate rates under a range of regulatory approaches to the cost-recovery of the gas production fields that NorthWestern owns and operates. That filing must include sufficient cost and ancillary information to calculate fixed cost rates for the Battle Creek, NFR, and Devon gas production fields under a range of regulatory approaches. If NorthWestern files a comprehensive rate case for its natural gas utility within that period, the assets and requisite information must be included in the comprehensive filing.

33. NorthWestern is required to submit sufficient information to make the adoption of any of these options technically practicable. For all of these assets NorthWestern must submit actual and projected fixed and variable costs, billing units, and produced volume dedicated to

customers. The projected information must extend at least four years from the last complete year of actuals, and shall be incorporated into multi-year revenue requirements and rate calculations, including rate true-ups of interim bridge rates. The Commission would also appreciate any additional information that may be useful to investigating this matter.

34. All of the parties involved are encouraged to collaborate and consider modifications to the traditional method or other alternatives that might satisfy the concerns expressed herein. For instance, the Commission is interested in whether a regulatory policy is necessary to protect customers from rate impact due to lower-than-anticipated production from gas fields, while still having unit rates that assume higher production determined in a rate-case proceeding, leading to increased market purchases of gas recovered through a tracker.

35. The Commission is willing to explore at least three differing approaches to ratemaking for the gas production assets, including: A multi-year revenue requirement with annually stair-stepping rates based on an historic test year and several years of forecast data; annual updating of revenue requirements based upon actual cost of service through a tracker; and a traditional method of permanent rates set using a historic test year. Absent establishing an unconventional ratemaking treatment, the Commission would also consider an alternative approach in the next docket when the remaining gas assets are proposed for inclusion in rate base. Without further information or explanation from the parties, a predictable outcome from this approach might require adjusting rates to reflect the difference between the NPV that was modeled using an annually declining revenue requirement and the expected NPV under traditional ratemaking recovery assumptions. The Commission may consider the appropriate entry into a rate case of these assets by using an NPV that makes assumptions of lagging rate cases that cause the type of problem the MCC has identified here. *Supra* ¶ 22-28. Despite these suggestions, the Commission does not bind NorthWestern to a particular ratemaking approach in making its future filings.

36. Although this type of required filing is a departure from normal rating making procedures, it has been recognized by the Montana Supreme Court as a proper exercise of the Commission's authority. *See, e.g. Qwest Corp. v. Mont. Dep't of Pub. Serv. Regulation*, 2007 MT 350, ¶¶ 35-39, 340 Mont. 309, 174 P.3d 496 (finding the Commission's request to provide information "that that would meet the minimum filing requirements contained in ARM 38.5.2803 through 38.5.2820" is consistent with Commission's statutory duty to investigate

utilities). Typically, a utility may recover an asset's full cost of service only after it has actually been acquired and has been demonstrated in a general rate case proceeding to be used and useful. Mont. Code Ann. § 69-3-109 (2015); Mont. Admin R. 38.5.106 (2015) (only actual costs shall be recorded in the test year which is the basis of the authorized revenue requirement, unless additional adjustments "are known with certainty and measurable with reasonable accuracy at the time of the filing"). One exception to the general rate case approach occurs when a utility like NorthWestern seeks pre-approval of a gas production asset's costs on a one-off, prospective basis. *See* Mont. Code Ann. § 69-3-1415. This Commission has never relied on this preapproval statute to create an exception to the generic ratemaking process. Instead, the Commission, with the support of NorthWestern and the MCC, has permitted the introduction of bridge rates through its generic supervisory and ratemaking authority, in addition to its authority to establish interim rates which are subject to refund or surcharge. *In re NorthWestern 2013-2014 Consolidated Gas Supply Trackers*, Dkt. D2013.5.34, Or. 7282b ¶¶ 14-15 (citing Mont. Code Ann. § 69-3-304)

37. Additionally, the bridge rates for these assets were intended to be temporary. The bridge rate concept was justified by the possibility that NorthWestern could miss opportunities to secure long-term gas supplies because of the high up-front cost of the gas production properties and their steep depletion curve. *In re Battle Creek*, Dkt. No. D2012.3.25, Or. 7210b pp. 15-16 (Nov. 15, 2012). NorthWestern representatives have testified in this proceeding that without the unconventional ratemaking treatment of bridge rates that the utility would lose out on opportunities to secure long-term sources of gas supply for the benefit of the company's consumers. Tr. at 40:24-42:10. NorthWestern's witness John Smith testified that bridge rates were developed to allow purchased natural gas production properties to be immediately included in rates through the gas tracker. *Id.* He also testified that NorthWestern's production effectively replaces market purchases, and that changes in market purchase costs are fairly quickly reflected in the tracker. *Id.* NorthWestern briefed that elimination of bridging rates from future natural gas trackers would preclude future acquisition of natural gas production resources. NorthWestern Post Hearing Brief pp. 3, 11 (Jun. 26, 2015).

38. NorthWestern also claims this delay would cause it to significantly under-recover their overall investment. *In re NorthWestern 2006 Natural Gas Biennial Procurement Plan*, Dkt. No. N2006.12.184, PSC Comments ¶ 55 (Apr. 11, 2007); *In re NorthWestern 2010 Natural Gas*

Biennial Procurement Plan, Dkt. No. N2010.12.111, PSC Comments ¶ 49 (Jul. 27, 2011). The Commission was sufficiently concerned about this phenomenon that it allowed the company to establish bridge rates for production assets, so that consumers would pay for them virtually beginning on day one of the utility's ownership of them. *In re Battle Creek*, Dkt. No. D2012.3.25, Or. 7210b pp. 16-18 (Nov. 15, 2012). The Commission reauthorizes the use of bridge rates for gas production properties, however, it requires NorthWestern to take steps to cure the precarious situation posed by keeping these bridge rate concepts in place for several years.

Adjustments to Bridge Rates Pending a Final Resolution of Rates for Gas Production Assets

39. The MCC also argued that because the current bridge rates are outdated, they create generational inequities in cost recovery from customers. Tr. at 14:16-15:2. The MCC argues that by establishing a rate based on a high-cost early year of a gas production asset's cost of service, and keeping that rate in place in perpetuity until another rate case is filed, consumers will systematically pay more than the actual cost of the assets in the years after such a rate is established, because of the assets' rapid depreciation. *Supra* ¶¶ 22-28. The Commission agrees this has the potential to create an asymmetrical ratemaking structure that does not accurately match utility expenses with consumer costs. The Commission has departed from traditional ratemaking practice to allow NorthWestern to acquire these gas production assets with unique depletion slopes. In turn, the Commission will also mitigate some of the risk shifted onto consumers by making small adjustments to the interim bridge rates now.

40. The Commission may use its generic supervisory and ratemaking authority to establish interim rates that reflect expected cost of service, in part to reduce intergenerational inequities. *See, e.g. In re NorthWestern 2013-2014 Consolidated Gas Supply Trackers*, Dkt. D2013.5.34, Or. 7282b ¶¶ 14-15 (citing Mont. Code Ann. § 69-3-304). The bridge rates for the Devon and NFR properties are based on a first-year revenue requirement, but have been charged to consumers over multiple years. As market purchase costs are reflected fairly quickly in the tracker, so bridge rates should also be flexible to reflect expected or actual changes in the fixed costs of ownership.

41. In its next practicable monthly tracker filing, NorthWestern must revise the bridge rates for its NFR and Devon natural gas production assets to reflect expected 2015 fixed cost

revenue requirements, as estimated in NorthWestern's purchase analysis files included with its responses to Data Requests PSC-041(a) and PSC-042(a). The revised bridge rates should be calculated using actual and projected calendar-year 2015 or tracker-year 2015-16 volumes, consistent with the 2015 fixed-cost revenue requirement estimates.

42. The company will also re-calculate bridge rates for the 2012-13 and 2013-14 tracker years by using its estimated revenue requirements of the assets for the respective years.

43. Over collections will be refunded in the gas tracker through the end of June 2016, with interest at 9.8%. Under collections will be recovered in the tracker at interest equal to NorthWestern's current estimated return on natural gas utility investment.

44. It is possible that the revised bridge rates will nonetheless continue to accrue a refund obligation, because the revenue requirements of the assets are projected to continue to decline before NorthWestern makes a revenue requirement filing, at which time, as described above, NorthWestern proposes to refund the difference between the finally approved rates and the bridge rates. *Supra* ¶ 32-35. It should be noted that if the Commission does implement an annual-adjustment tracker or multi-year revenue requirement for the natural gas production assets in the context of the coming revenue requirements filing, it may be appropriate to allow NorthWestern, for the sake of symmetrical treatment, to recover the annual cost of the assets during the bridge rate period, without a further refund representing a true-up to a finally approved rate based on a year where the assets had more fully depreciated. In either case, these adjustments to the interim bridge rates will provide some current relief to generational inequities and prevent an unreasonable refund obligation from accruing.

CONCLUSIONS OF LAW

45. NorthWestern provides natural gas service within the State of Montana and as such is a "public utility" within the meaning of Mont. Code Ann. §69-3-101.

46. The Commission may investigate and ascertain the value of the property of each public utility actually used and useful for the convenience of the public. Mont. Code. Ann. § 69-3-109.

47. The Commission properly exercises jurisdiction over NorthWestern's rates and operations pursuant to Title 69, Chapter 3 of the Montana Code Annotated.

48. The Commission may, in its discretion, make adjustments to interim rates. Mont. Code Ann. § 69-3-304.

49. The Commission's statutory duty to investigate utilities grants it the authority request information "that that would meet the minimum filing requirements contained in ARM 38.5.2803 through 38.5.2820." *Qwest Corp.*, ¶¶ 35-39.

50. The Commission "has the right to inspect the books, accounts, papers, records and memoranda of any public utility." Mont. Code Ann. § 69-3-106.

51. The rate levels and spread approved in this Order are a reasonable means of providing rate relief to NorthWestern.

ORDER

52. NorthWestern shall adhere to and abide by all provisions in this Order. All rate schedules shall comply with all determinations set forth in the Findings of Fact section of this Order.

53. NorthWestern must update its proposed natural gas utility lost revenues to conform to the Commission's net-to-gross findings in *Order 7219h* and Exhibit PSC-2.

54. NorthWestern may collect the recovery of USB-related lost revenues for tracker years addressed by these consolidated applications.

55. NorthWestern must making a filing within the next 12 months of the service date of this Order that addresses the cost-recovery of the Battle Creek and Bear Paw (Devon and NFR) gas production fields that NorthWestern owns and operate. This filing shall be compliant with paragraphs 32-35 of this Order.

56. NorthWestern must make adjustments to the interim bridge rates pursuant to paragraphs 41-44 of this Order.

57. NorthWestern shall file tariffs in compliance with this Order in its next monthly tracker.

58. This Order is effective for all services rendered on and after November 1, 2015.

DONE AND DATED this 8th day of September 2015 by a vote of 5 to 0.

BY ORDER OF THE MONTANA PUBLIC SERVICE COMMISSION

BRAD JOHNSON, Chairman

TRAVIS KAVULLA, Vice Chairman

KIRK BUSHMAN, Commissioner

ROGER KOOPMAN, Commissioner

BOB LAKE, Commissioner

ATTEST:

Aleisha Solem
Commission Secretary

(SEAL)