



November 20, 2015

Mr. Will Rosquist
Interim Regulatory Division Chief
Montana Public Service Commission
1701 Prospect Avenue
PO Box 2022601
Helena, Montana 59620-2601

**Re: Docket No. D2015.10.81
PSC Set 1 Data Requests (001-011) Property Tax Tracker**

Dear Mr. Rosquist:

Enclosed for filing is a copy of NorthWestern Energy's responses to PSC Set 1 Data Requests in Docket No. D2015.10.81. It will be hand delivered to the Montana Public Service Commission and the Montana Consumer Counsel this date. It has also been mailed to the service list in this docket, e-filed on the PSC website, and emailed to counsel of record.

Should you have questions please contact Joe Schwartzenberger at (406) 497-3362.

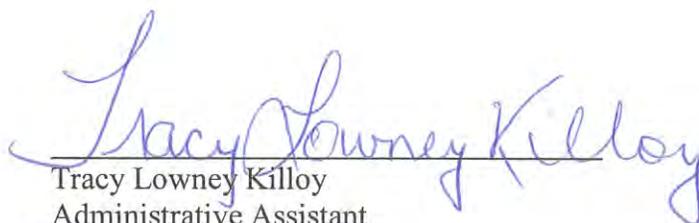
Sincerely,

Tracy Lowney Killoy
Administrative Assistant

CERTIFICATE OF SERVICE

I hereby certify that a copy of NorthWestern Energy's responses to the PSC Set 1 Data Requests (001-011) in Docket No. D2015.10.81 has been hand delivered to the Montana Public Service Commission and to the Montana Consumer Counsel this date. It has been e-filed on the PSC website, emailed to counsel of record, and served on the most recent service list by mailing a copy thereof by first class mail, postage prepaid.

Date: November 20, 2015



Tracy Lowney Killoy
Administrative Assistant
Regulatory Affairs

Docket Service List
Docket No. D2015.10.81

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NorthWestern Energy
Docket No. D2015.10.81
PSC Investigation into Taxes and Fees/Property Tax Tracker

Montana Public Service Commission (PSC)
Set 1 (001-011)

Data Requests received November 6, 2015

PSC-001

Regarding: Disclosure of Tax Expense to Consumers
Witness: N/A

- a. Please detail the steps that NWE has taken over the past year to disclose to its customers the amount of property tax and other tax expense that they are responsible for through their bills.
- b. Please explain the steps NWE has taken in the past year to explore the feasibility of “separately disclos[ing] in a customer’s bill the amount of state and local taxes assessed against the public utility that the customer is paying.” MCA 69-3-308(1).
- c. Please provide all materials, including but not limited to PowerPoint presentations, fact sheets, talking points, or other written, visual or audio materials, that NWE has distributed or presented in public presentations in the past year that discuss the amount of state and local taxes the company pays.

RESPONSE:

- a. The following public communications developed and distributed within the past year reference the topic of property taxes. The relevant pages from each are attached as follows:
 - Attachment 1 - Community Works Report which is distributed broadly throughout the year at various events and is direct mailed to approximately 800 key stakeholders in Montana with a personal letter attached from Bob Rowe;
 - Attachment 2 - The topic of property taxes was included in the slide deck for the NorthWestern Energy sponsored social events held in conjunction with seven of the 2015 Economic Outlook Seminars conducted by the University of Montana Bureau of Business and Economic Research;
 - Attachment 3 - A chart showing property taxes by county was included as part of the 2015 Quick Facts Montana publication, which is distributed to customers and community members at events throughout the year.
 - Attachment 4 - The January 2015 Energy Connections bill insert mentioned that location-based fees and taxes affect energy bills.
 - Attachment 5 – These slides have been used in multiple public and investor presentations throughout the year.

NorthWestern Energy
Docket No. D2015.10.81
PSC Investigation into Taxes and Fees/Property Tax Tracker

Montana Public Service Commission (PSC)
Set 1 (001-011)

Data Requests received November 6, 2015

PSC-001 cont'd

In addition, in May and November 2015, NorthWestern included the following message to residential customers in the “message board” section of their bills:

DID YOU KNOW? Approximately 10% of your utility bill goes to pay Montana state property taxes.

And finally, NorthWestern’s media relations spokespeople also include the amount of property taxes on customer bills when talking to reporters about billing and payment issues throughout the year.

- b. NorthWestern considered the feasibility of two different options that would separately disclose the amount of a customer’s monthly bill pertaining to the corresponding level of NorthWestern state and local tax assessments in that customer’s total bill. This included:
1. Maintaining the existing form of the electric and natural gas bills, with the addition of an information item on the bill each month that indicates the portion of a customer’s bill related to state and local tax assessment. For example:

“Your total bill includes \$x.xx used by NorthWestern to pay its state and local tax assessments, which are primarily related to property tax payments.”
 2. Breaking out, or unbundling, the component of current rates related to state and local tax assessments in order to compute and present a standalone billing amount related to state and local tax assessments. An illustrative example is shown in the following:

SUMMARY OF CURRENT CHARGES

	<u>Delivery Service</u>	<u>Supply Service</u>	<u>State and Local Tax Assessments</u>	<u>Total</u>
Electric Service	\$ x.xx	\$ x.xx	\$x.xx	\$ x.xx
Natural Gas Service	\$ x.xx	\$ x.xx	\$x.xx	\$ x.xx
Total Current Charges	\$ x.xx	\$ x.xx	\$x.xx	\$ x.xx

NorthWestern Energy
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Montana Public Service Commission (PSC)
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PSC-001 cont'd

Feasibility of Each Option

Option One is not feasible given that NorthWestern's billing system is simply not designed to calculate and include a representative separate state and local tax assessment amount for each customer for informational purposes.

Option Two, while technically feasible, is not necessarily cost effective or practical and would place a significant additional administrative burden on NorthWestern, given that it would have to double its 122 unbundled rate components. This would require breaking out and maintaining a separate set of state and local tax assessment rates for each of the existing unbundled rate components listed below:

- Electric Utility Unbundled Rates:
 - Transmission and Distribution Rates – 67
 - Supply Rates – 10
- Natural Gas Unbundled Rates:
 - Transmission, Storage and Distribution Rates – 41
 - Supply Rates – 4

Additionally, Option Two would involve a significant restructuring and expansion of our already confined current billing format, which was designed to provide our customers an accurate bill that is easy to read. Such a change would also require adding pages to the existing bill; increase processing and postage costs; lead to customer confusion and higher customer billing-related call volumes; and necessitate additional and ongoing processing, administrative and maintenance costs.

- c. See the response to part a, above.



GROWING OUR COMMUNITIES



NORTHWESTERN ENERGY'S

Community Works

2015 report



From the left, NorthWestern employees Howard Skjervem, Noel Jacobson, Bob Rowe and Bodie Leaf present Thompson Falls' Mayor Carla Parks with a ceremonial check representing a \$15,000 donation to a major renovation project for a city park.

Welcome from Bob Rowe

Dear Friends,

Welcome to our 2015 Community Works report!

According to the Department of Homeland Security, the utility and energy sector is unique because it provides the critical infrastructure upon which all other infrastructure platforms (important areas such as agriculture, health care and public safety) depend.

We at NorthWestern Energy are privileged to be stewards of this essential infrastructure and to provide service across an extraordinary part of America.

As we have focused on building and maintaining high-quality infrastructure to serve our customers and communities, the size of our commitment has grown. We grew in 2014 with the acquisition of 11 hydroelectric facilities. These great assets are dedicated to serving our Montana customers at cost-based prices. They enable us to meet our Montana light-load electric supply requirements for a number of years to come.

Acquiring the hydro facilities reduced the carbon intensity of our overall Montana electric portfolio by a remarkable 41 percent. Indeed, more than half of the electricity we supply to our Montana customers is

generated by wind and water!

In addition to valuable facilities, experienced and dedicated hydro employees have also joined us, helping provide their neighbors great service. With the acquisition, our commitment to environmental stewardship is expanded to include public recreation and responsible operation of the hydroelectric facilities.

Acquiring the dams for our customers will benefit Montana for the 21st century. The acquisition was possible because we have become a financially strong company, with solid credit ratings and long-term equity investors. In fact, our shareholders contributed about \$50 million just to get us to the day we took over operations of the dams.

NorthWestern is also securing energy resources by other means. In fact, the best resource is cost-effective energy efficiency. In Montana, NorthWestern Energy's programs are responsible for much of the energy efficiency that has been achieved in the state. With support from the South Dakota Public Utilities Commission, we rolled out new efficiency programs in that state that are getting a great response from customers.

We have now almost completely reintegrated the electric generation portfolio in Montana with a well-diversified mix of owned hydro, wind, natural gas and coal assets.

In South Dakota, where we've always been a vertically integrated electric utility, we've continued to work with our other utility partners to invest in pollution control equipment to meet federal "regional haze" regulations. The Neal Unit 4 upgrade was completed in 2013, and the upgrade of the Big Stone plant in South Dakota will be completed this year. To cover these and other investments and operating costs in South Dakota, we filed, in late in 2014, our first South Dakota general electric rate case since 1980. While a rate case can take up to a year or longer to process, we have asked for an interim rate increase to be put in place in mid-2015 pending the outcome.

In our natural gas operations, we've added regulated, cost-based natural gas production in Montana in recent years. With prices low, this is a great time to acquire natural gas assets. As with electric generation, our approach is to dedicate this gas production to serve customers long-term at prices based on cost. We believe an appropriate goal is to eventually provide customers with about half of their gas supply through owned, regulated resources. We hope to do the same for customers in South Dakota and Nebraska if the right opportunities present themselves.

While we've expanded our energy supply resources, we've maintained a strong focus on the grid that connects us to our customers. In 2014, we invested more than \$270 million in capital improvement projects, including new technology, transmission and distribution infrastructure and critical plant upgrades. As a result, we are continuing to address aging infrastructure while maintaining or improving our already high levels of reliability.

We have continued construction on an upgraded 161 kV line serving the Big Sky, Mont., area and have begun construction of a new 11-mile segment of 115 kV line that will improve reliability to customers in the Yankton, S.D., area. The Yankton project is scheduled for completion in 2015, while the Big Sky facilities will be completed in early 2017. We've made progress on a new 100 kV line in southcentral Montana that will improve reliability and capacity in the Red Lodge, Columbus and Absarokee areas.

In 2014, we successfully stabilized the new Customer Information System that was installed in late 2013. Customers now are experiencing enhanced service and shorter wait times when speaking with our customer representatives. The new system allows our call centers in Huron, S.D., and Butte, Mont., to be on a single platform and work virtually as one center.

We believe that we should communicate with our customers in the manner they prefer to interact with us – in person, on the phone, or online. We've always had customer walk-in offices throughout South Dakota and Nebraska and will open five additional offices in Montana in 2015. The new offices will be pleasant and lively places where customers can go for information and advice on all kinds of energy matters. It's another aspect of continuing to deepen the strong relationships we have with the communities we serve.

This strategy appears to be working. Our JD Power Customer Satisfaction Index scores are among the best we've ever had. We were named by Cogent Reports at Market Strategies International as the top regional trusted brand for combined electric and natural gas utilities in the Pacific Northwest.

Taking care of customers requires top-notch employees and we've become a company where great people want to work. We're hiring talented, dedicated employees throughout the company at an unprecedented pace as our seasoned veterans begin to retire and as our business grows. Our employees are busier than ever – and are working more safely than ever. 2014 was the best safety year we've ever had.

Our employees are active in their communities. In 2014, employees reported volunteering 9,000 hours of their personal time to enrich their communities. In addition, NorthWestern contributed about \$2.25 million in philanthropic, economic development, community engagement and educational support last year, bringing our total to approximately \$20 million since 2004.

As you read this year's Community Works Report, I invite and encourage you to share your comments with us. We get to spend a lot of time visiting with customers and community members across our service territory. I value our discussions with our customers, our employees and our other stakeholders.

On behalf of the more than 1,600 employees in Montana, South Dakota and Nebraska, thank you for the opportunity to serve you!



Economic impact on our service territory

ECONOMIC BENEFITS SUMMARY	MONTANA	SOUTH DAKOTA
Full- or part-time jobs supported	More than 10,800	More than 1,200
Gross economic output	\$1.7 billion	\$288.3 million
Gross county output	\$775.9 million	\$132.1 million
Total labor income	\$366.5 million	\$58.4 million
Capital income	\$377.9 million	\$63.1 million
Indirect business taxes and fees	\$31.6 million	\$10.5 million

Every year, we work with an independent third party, Solution Mountain Inc., to show us what kind of economic impact we have on the communities we serve in Montana and South Dakota. Such an analysis takes into account not only the revenue we receive and money we spend but also the indirect value we provide to the communities in which we operate. For example, the study examines tax dollars paid by the company, payroll paid to employees and local spending by company workers, among other things. The economic elements studied showed that in 2014, NorthWestern Energy operations generated \$1.7 billion in total economic impacts in Montana alone. Of the total benefits, the study estimated that counties within our Montana service territory retained about \$775.9 million. The study also showed that NorthWestern Energy generated \$132.1 million in total economic impacts in South Dakota last year.

Our communities rely on us to build and maintain the energy infrastructure they need to thrive. We believe that when our communities thrive, so do we.

Financial Summary

Total Assets – Montana	\$3.5 billion
Total Assets – South Dakota & Nebraska	\$701 million
Total Assets	\$4.97 billion
Total Capitalization	\$3.4 billion
Montana Capital Investment	\$202 million
South Dakota & Nebraska Capital Investment	\$68 million
Total Capital Expenditures	\$270 million
Total Non-Payroll Expenditures	\$197 million

Liberty	285,463
Madison*	1,278,549
Meagher	605,215
Mineral	531,573
Missoula	9,735,822
Musselshell	529,323
Park	1,974,917
Phillips	423,537
Pondera	823,215
Powell	1,774,031
Ravalli	2,352,850
Rosebud	3,088,060
Sanders*	769,698
Stillwater*	1,541,656
Sweet Grass	760,299
Teton	1,312,960
Toole	910,795
Treasure	133,607
Valley	584,683
Wheatland	738,300
Yellowstone	10,845,795

OTHER	
Battle Creek - Wells (100%)	\$5,779
Bear Paw - Wells (100%)	33,341
Bear Paw South - Wells (100%)	45,037
Blackfeet Loop & Possessory Tax	306,929
Canadian Montana Pipeline	20,248
City of Bozeman	20,103
City of Dillon	652
Crow Tribe Railroad & Utility Tax	139,816
Fort Peck Tribe Utility Tax**	279
ID Property Tax Bill - MSTI	397
Montana Rail Link	891
TOTAL	\$99,444,147

SOUTH DAKOTA COUNTY	PAID IN 2014
Aurora	\$26,796
Beadle	849,962
Bon Homme	96,557
Brookings	114,021
Brown***	1,165,460
Brule	66,005
Charles Mix	129,584
Clark	110,899
Codington	31,646
Davison	417,289
Day	114,988
Deuel	36,881
Douglas	43,522
Edmunds	18,698
Faulk	65,564
Grant	508,999
Hamlin	40,151
Hand	31,347
Hanson	26,108
Hughes	14,315
Hutchinson	166,690
Hyde***	65,467
Jerauld	14,109
Kingsbury	32,530
Lake	59,730
Lincoln	42,838
Marshall	3,518
Mc Cook	10,192
Miner	9,811
Roberts	2,265
Sanborn	50,508
Spink	240,366
Turner	54,332
Yankton	322,533
TOTAL	\$4,983,678

NEBRASKA COUNTY	PAID IN 2014
Buffalo	\$111,729
Hall	171,233
Kearney	1,276
Lincoln	96,565
Merick	836
TOTAL	\$381,639

* Includes hydro Nov - Dec

** Estimated

*** Some tax bills filed under protest

Property Taxes by County

MONTANA COUNTY	PAID* IN 2014
Anaconda-Deer Lodge	\$5,978,283
Beaverhead	991,187
Big Horn	875,635
Blaine	1,192,865
Broadwater	904,271
Butte-Silver Bow	8,536,460
Carbon	1,762,340
Cascade*	8,163,183
Chouteau*	948,223
Fergus	1,246,481
Flathead*	1,888,440
Gallatin*	8,834,064
Glacier	3,097,751
Golden Valley	418,781
Granite	918,960
Hill	2,424,490
Jefferson	1,564,533
Judith Basin	692,051
Lake*	313,119
Lewis & Clark*	8,662,362

Did you know?

NorthWestern Energy will pay more than \$100 million in property taxes in 2014-15, far more than any other taxpayer in Montana.



- Montana tax structure has always been very dependent on property taxes.
- Payment of taxes is part of the normal course of business and we work hard with MDOR to make sure our property tax bill is fair.
 - Protests are a last resort and one that we've worked hard to avoid for many years.



- **Property taxes are one of the largest single components of customers' rates.**
 - For a typical electric customer, property taxes make up 10 percent of the monthly bill.
 - For a natural gas customer, it's 14 percent.



- Taxes can work in favor of the customer, too.
- We've worked hard to manage federal and state tax obligations; because we are regulated, any benefit flows through to customers.

Property taxes by county

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Other	Paid in 2014
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ID Property Tax Bill - MSTI	397
Montana Rail Link	891
Total	\$99,444,147

*Includes Hydro Nov - Dec
 **Estimated

Employee summary 2014

In 2014, NorthWestern Energy employed 1,290 individuals working in 57 Montana communities and their total payroll was \$108.4 million. Of these employees, unions represented 465 of them and their total payroll was \$37.9 million.

Retiree summary 2014

Number of NorthWestern retirees who had worked in Montana	1,514
Annual pension payments to retirees – gross amount	\$19.2 million

Customer Care by the numbers

- Contact centers: 2 - (Butte, Montana, and Huron, South Dakota)
- Customer access: 24/7
- Average calls per month: 89,760
- Average talk time: 4 min. 8 sec.
- Our employees read about 416,809 electric and 277,741 natural gas meters each month, estimating only about 2 percent of the reads.

Our Vision

Enriching lives through a safe, sustainable energy future

Our Mission

Working together to deliver safe, reliable and innovative energy solutions

Our Values

Safety, Excellence, Respect, Value, Integrity, Community, Environment

Contact information

www.northwesternenergy.com

Connect with us



Customer service

(888) 467-2669
 7 a.m. - 6 p.m., M-F
 24/7 Emergency Service

Corporate support office

3010 W. 69th Street
 Sioux Falls, SD 57108
 (605) 978-2900

Montana operational support office

40 East Broadway
 Butte, MT 59701
 (406) 497-1000

Unless specifically noted, all information presented here is from our 2015 Community Works Report and based on information from the fiscal year ended Dec. 31, 2014

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Printed on recycled paper.



2015 Quick Facts Montana

NorthWestern
 Energy

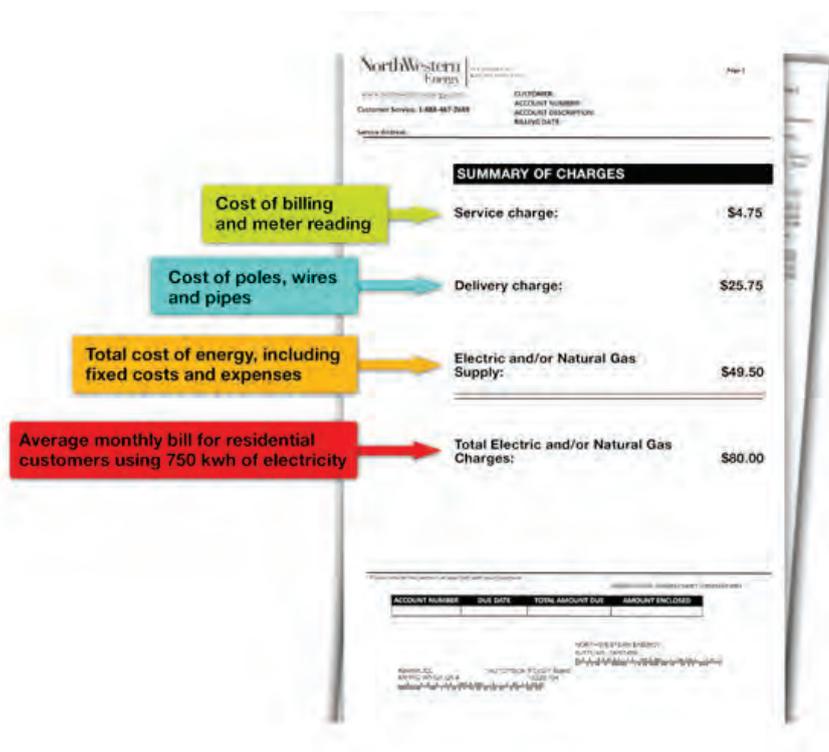
Community Works

ENERGY CONNECTIONS

JANUARY 2015 - MONTANA

Understanding your bill

Utility bills can be complicated – with all the abbreviations, jargon, regulatory requirements and tiny print – it’s no wonder that most customers only look at the amount that is due each month. Yet the more you know about your energy use, the better you’ll be able to help manage it.



Several factors affect your energy bill. These include customer type (residential vs. business), location-based fees and taxes, fuel costs, seasonality, and energy usage. Some of these factors, such as fuel costs, change frequently.

We are a regulated utility. This means that our rates can only be changed – increased or decreased – with approval from state public utility commissions. Utility commissions in Montana, Nebraska and South Dakota oversee our rate structure and set rates they believe serve the public interest.

We provide electric, natural gas and limited propane service in Montana, South Dakota and Nebraska. Standard residential service is available to any customer for domestic purposes while living in a single private residence, multiplex, townhouse, condominium, etc. Rates include a basic service charge per month as well as a delivery charge for the cost of providing the service to your home or business.

How do we manage costs?

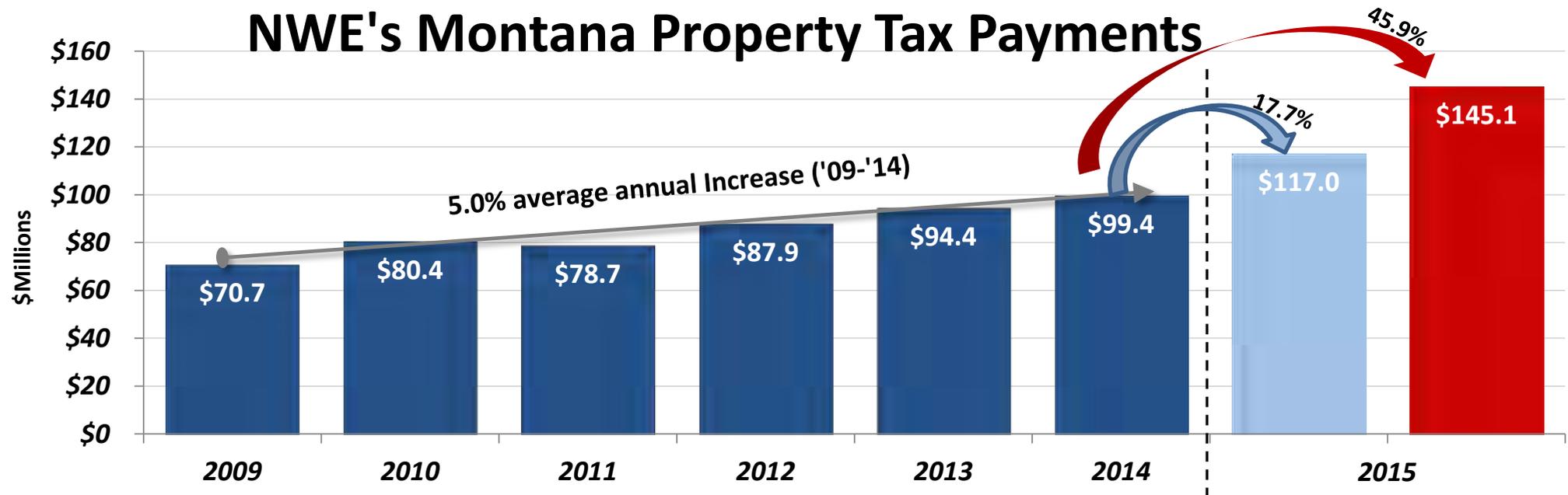
We invest in the future. The cost of delivering safe, reliable energy includes maintaining a vast network of pipelines, power poles and towers, substations and gate stations and the equipment needed to operate and maintain these systems. Some parts of our infrastructure are the same as when we installed them. Although they are still functional and safe, they might be many decades old.

Just as you work to maintain the value and usefulness of your home, we work to ensure our energy system is ready to meet your needs today and in the future. You might replace the roof on a building before it leaks and causes damage. We are replacing hundreds of power poles before they cause a significant issue in energy delivery. We incur the same kind of maintenance expenses you do.

We are investing millions of dollars into our system every year so we can provide safe, reliable service for customers now and in the future. While we work hard to keep costs as low as possible, we also have a legal commitment to do our best to make certain your lights and heat come on when you need them. Keeping this promise to you requires us to put money into our system.



NorthWestern Energy: 2009 - 2014 MT Property Tax Informal Review Results with Proposed 2015



	2009	2010	2011	2012	2013	2014	2015 NWE Proposed	2015 DOR Proposed ¹
Montana DOR. Market Value for NWE								
Montana Market Value	\$1,165.0	\$1,352.7	\$1,330.2	\$1,479.8	\$1,574.8	\$1,598.5	\$2,082.6	\$2,585.4
Property Tax Payments								
Total Actual / Estimated Property Taxes	\$70.7	\$80.4	\$78.7	\$87.9	\$94.4	\$99.4	\$117.0	\$145.1
Effective Property Tax Rate ²	6.1%	5.9%	5.9%	5.9%	6.0%	6.2%	5.6%	5.6%
Year over Year Escalation Rate	-5.8%	13.7%	-2.1%	11.6%	7.4%	5.4%	17.7%	45.9%
Average Actual Annual Escalation Rate (2009-2014)						5.0%		

<u>Estimated Prop. Tax Impact on Customer Bills</u>	<u>Pre-Hydro</u>	<u>W/Hydro (NWE)</u>	<u>W/Hydro (DOR)</u>
Estimated property tax expense	\$103M	\$117M	\$145M
Estimated Impact of Hydro ³	-	+\$14M	+\$42M
Estimated property taxes as a % of customer bills ⁴	8.5%	10%	13%

1.) Montana DOR's 2015 proposed Montana Market Value of \$2.6B is based on a system-wide value of \$3.6B. This is in contrast to South Dakota's 2015 system-wide value of \$2.0B.

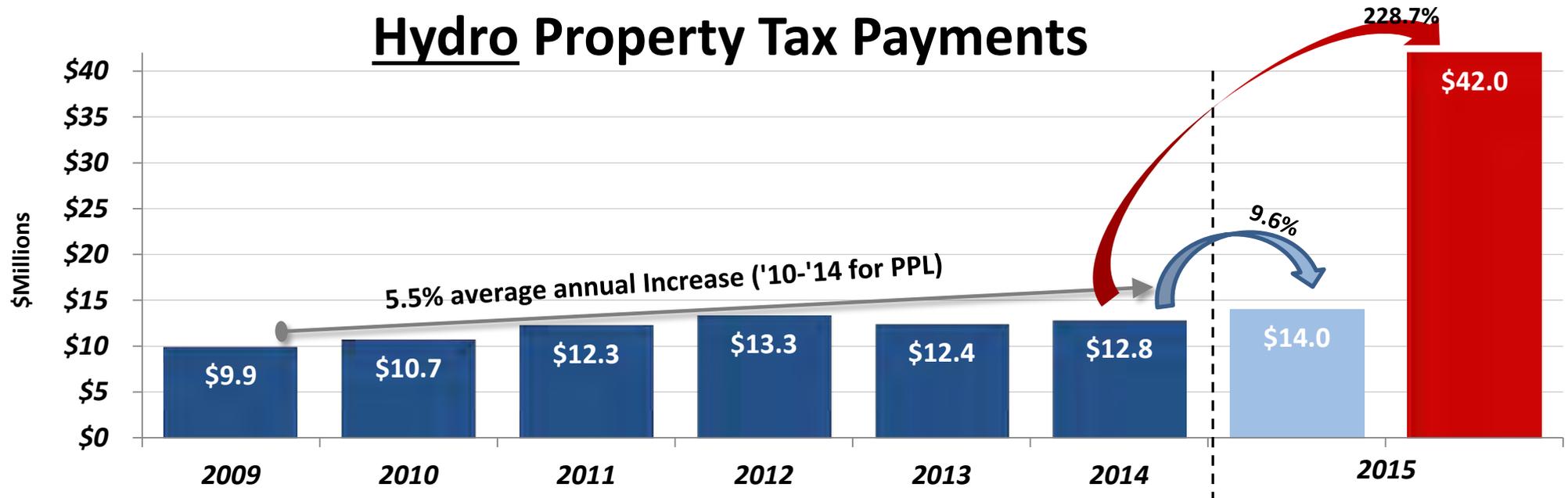
2.) Effective Property Tax Rate = Total Property Taxes divided by Montana Market Value.

3.) \$14M estimate based on PPL's historic hydro property tax expense.

4.) Assumes 60% recovery of increased property tax expense through the Montana property tax tracker. Customer bill impact at 100% recovery (via rate filing) would be higher.

NorthWestern Energy: 2009 - 2014 Hyrdo Property Tax Informal Review Results with Proposed 2015

Hydro Property Tax Payments



(\$Millions)	PPL Montana (Hydro only)						2015 NWE Est.	2015 DOR Proposed
	2009	2010	2011	2012	2013	2014		
Hydro Property Tax Payments	\$9.9	\$10.7	\$12.3	\$13.3	\$12.4	\$12.8	\$14.0	\$42.0
Year over Year Escalation Rate		8.3%	14.5%	8.5%	-6.8%	3.2%	9.6%	228.7%
Average Actual Annual Escalation Rate (2010-2014)						5.5%		

While NorthWestern estimated 2015 property taxes related to hydro to be \$14M (or nearly 10% increase from 2014 actual taxes paid by PPL), this is far short of the \$42M increase (or 229%) we are currently seeing in the property tax expense due to the addition of hydro.

NorthWestern Energy
Docket No. D2015.10.81
PSC Investigation into Taxes and Fees/Property Tax Tracker

Montana Public Service Commission (PSC)
Set 1 (001-011)

Data Requests received November 6, 2015

PSC-002

Regarding: Tax Expense Paid for by Customers

Witness: N/A

- a. Please identify by customer class the amount of state and local taxes that are included in the monthly service charges that customers of NWE pay.
- b. Please identify by customer class the amount of state and local taxes, in aggregate, that are recovered in the volumetric charges that customers of NWE pay.
- c. Please update these responses when NWE makes its tax tracker and Hydro compliance filings, in order to reflect what customers will pay, were those filings to be approved in their entirety.
- d. Please identify how much of the state and local taxes in (a) and (b) were established by the revenue requirement of a rate case, and how much of these were established through tax trackers.
- e. Please explain how the information provided in (a) and (b) could be converted into a volumetric rate specific to state and local tax expense.

RESPONSE:

- a. The numbers below are state and local tax revenues from natural gas and electric monthly service charges based on six months of actual and six months of budgeted data for 2015 using the tax component of each of the applicable tariffs.

<u>Electric Utility: (Monthly Service Charge)</u>	
Residential	\$3,729,393
GS-1 Secondary Non-Demand	\$811,003
GS-1 Secondary Demand	\$446,649
GS-1 Primary Non-Demand	\$835
GS-1 Primary Demand	\$7,759
GS-2 Substation	\$25,498
GS-2 Transmission	\$75,026
Irrigation Non-Demand	\$14,908
Irrigation Demand	\$69,081
Lighting	<u>\$1,986,301</u>
Total	\$7,166,453

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PSC Investigation into Taxes and Fees/Property Tax Tracker

Montana Public Service Commission (PSC)
Set 1 (001-011)

Data Requests received November 6, 2015

PSC-002 cont'd

<u>Natural Gas Utility: (Monthly Service Charge)</u>	
Residential	\$2,942,445
General Service	\$1,535,565
Firm Utility	\$2,765
DBU Firm Transportation	\$87,317
TBU Firm Transportation	<u>\$22,289</u>
Total	\$4,590,381

- b. The tables below reflect the volumetric rates in kWh for electricity and therms for natural gas. Also included is the amount attributable to demand charges in kilowatts for electricity and MDDQ (maximum daily delivery quantity) for natural gas. These numbers are state and local tax revenues based on six months of actual and six months of budgeted data for 2015 using the tax component of each of the applicable tariffs.

<u>Electric Utility: (kWh) Energy</u>	<u>T&D</u>	<u>CU4</u>	<u>DGGS</u>	<u>Spion</u>	<u>Hydro</u>	<u>Total</u>
Residential	\$18,295,834	\$1,022,268	\$1,265,108	\$125,767	\$5,060,260	\$25,769,237
GS-1 Secondary Non-Demand	\$2,493,794	\$122,216	\$151,249	\$15,036	\$604,977	\$3,387,272
GS-1 Secondary Demand	\$2,525,369	\$1,046,826	\$1,295,502	\$128,792	\$5,181,838	\$10,178,327
GS-1 Primary Non-Demand	\$2,992	\$184	\$228	\$22	\$910	\$4,336
GS-1 Primary Demand	\$593,939	\$144,127	\$178,668	\$17,583	\$713,937	\$1,648,254
GS-2 Substation	None	\$93,219	\$115,391	\$11,467	\$461,696	\$681,773
GS-2 Transmission	None	\$55,117	\$68,252	\$6,823	\$273,057	\$403,249
Irrigation Non-Demand	\$37,077	\$40,469	\$50,082	\$4,979	\$200,323	\$332,930
Irrigation Demand	\$67,492					
Lighting	<u>\$410,003</u>	<u>\$24,291</u>	<u>\$30,061</u>	<u>\$2,989</u>	<u>\$120,241</u>	<u>\$587,585</u>
Total	\$24,426,500	\$2,548,717	\$3,154,541	\$313,458	\$12,617,239	\$43,060,455

NorthWestern Energy
Docket No. D2015.10.81
PSC Investigation into Taxes and Fees/Property Tax Tracker

Montana Public Service Commission (PSC)
Set 1 (001-011)

Data Requests received November 6, 2015

PSC-002 cont'd

Electric Utility: (kW) Demand	T&D	CU4	DGGS	Spion	Hydro	Total
Residential						
GS-1 Secondary Non-Demand						
GS-1 Secondary Demand	\$14,568,971					\$14,568,971
GS-1 Primary Non-Demand						
GS-1 Primary Demand	\$1,347,594					\$1,347,594
GS-2 Substation	\$1,452,163					\$1,452,163
GS-2 Transmission	\$348,682					\$348,682
Irrigation Non-Demand						
Irrigation Demand						
Lighting						
Total	\$17,717,410					\$17,717,410

<u>Natural Gas Utility: (Therms)</u>	TD&S	Production Assets	Total
Residential	\$9,458,879	\$46,796	\$9,505,675
General Service	\$4,951,988	\$25,275	\$4,977,263
Firm Utility	\$3,986	\$799	\$4,785
DBU Firm Transportation	\$7,598		\$7,598
TBU Firm Transportation	\$742,862		\$742,862
Storage	\$151,174		\$151,174
Total	\$15,316,487	\$72,870	\$15,389,357
<u>Natural Gas Utility: (MDDQ)</u>	TD&S	Production Assets	Total
Residential			\$0
General Service			\$0
Firm Utility	\$60,955		\$60,955
DBU Firm Transportation	\$408,054		\$408,054
TBU Firm Transportation	\$2,360,405		\$2,360,405
Storage	\$501,063		\$501,063
Total	\$3,330,477		\$3,330,477

NorthWestern Energy
Docket No. D2015.10.81
PSC Investigation into Taxes and Fees/Property Tax Tracker

Montana Public Service Commission (PSC)
Set 1 (001-011)

Data Requests received November 6, 2015

PSC-002 cont'd

- c. NorthWestern will update this response after filing the annual tax tracker and the Hydro compliance filing.
- d. See Attachment.
- e. See the response to Data Request PSC-011.

**NorthWestern Energy
 Electric Utility
 Transmission & Distribution Tax Components**

Line No.		¹ Amount of Property Taxes Included in Baseline	Incremental Taxes	Total Amount in Current Rates
1	Residential:			
2	<u>Residential:</u>			
3	Service Charge (monthly)	\$ 2,964,245	\$ 761,940	\$ 3,726,185
4	Transmission	\$ 3,689,196	\$ 755,619	\$ 4,444,814
5	Transmission (Choice)	\$ -	\$ -	\$ -
6	Distribution	\$ 11,484,421	\$ 2,351,176	\$ 13,835,597
7	<u>Employee:</u>			
8	Service Charge	\$ 3,471	\$ (263)	\$ 3,208
9	Transmission	\$ 4,595	\$ (848)	\$ 3,748
10	Distribution	\$ 14,304	\$ (2,629)	\$ 11,675
11				
12	General Service 1:			
13	<u>GS 1 Secondary Non Demand:</u>			
14	Service Charge	\$ 664,548	\$ 146,455	\$ 811,003
15	Transmission	\$ 402,484	\$ 38,665	\$ 441,149
16	Transmission (Choice)	\$ -	\$ -	\$ -
17	Distribution	\$ 1,871,749	\$ 180,897	\$ 2,052,645
18	<u>GS 1 Secondary Demand:</u>			
19	Service Charge	\$ 351,410	\$ 95,240	\$ 446,649
20	Energy - Distribution	\$ 2,212,570	\$ 312,799	\$ 2,525,369
21	Demand - Transmission	\$ 3,989,260	\$ 731,506	\$ 4,720,766
22	Demand - Transmission (Choice)	\$ -	\$ -	\$ -
23	Demand - Distribution	\$ 8,372,336	\$ 1,475,868	\$ 9,848,204
24	<u>GS 1 Primary Non Demand:</u>			
25	Service Charge	\$ 715	\$ 120	\$ 835
26	Transmission	\$ 779	\$ 101	\$ 880
27	Transmission (Choice)	\$ -	\$ -	\$ -
28	Distribution	\$ 1,879	\$ 234	\$ 2,112
29	<u>GS 1 Primary Demand:</u>			
30	Service Charge	\$ 6,408	\$ 1,351	\$ 7,759
31	Energy - Distribution	\$ 526,814	\$ 67,125	\$ 593,939
32	Demand - Transmission	\$ 496,642	\$ 94,856	\$ 591,498
33	Demand - Transmission (Choice)	\$ -	\$ -	\$ -
34	Demand - Distribution	\$ 665,894	\$ 90,201	\$ 756,096
35	General Service 2:			
36	<u>GS 2 Substation:</u>			
37	Monthly Cust Charge	\$ 23,497	\$ 2,001	\$ 25,498
38	Max Dmd - Transmission	\$ 277,284	\$ 144,569	\$ 421,853
39	Max Dmd - Transmission (Choice)	\$ -	\$ -	\$ -
40	Max Dmd - Distribution	\$ 869,167	\$ 161,143	\$ 1,030,310
41	<u>GS 2 Transmission:</u>			
42	Monthly Cust Charge	\$ 48,007	\$ 27,019	\$ 75,026
43	Max Dmd - Transmission	\$ 200,412	\$ (6,487)	\$ 193,925
44	Max Dmd - Transmission (Choice)	\$ -	\$ -	\$ -
45	Max Dmd - Distribution	\$ 119,585	\$ 35,172	\$ 154,757
46				
47	Irrigation:			
48	<u>Irrigation Non Demand:</u>			
49	Seasonal Cust Chg	\$ 12,988	\$ 1,920	\$ 14,908
50	Energy - Transmission	\$ 9,986	\$ 2,215	\$ 12,201
51	Energy - Distribution	\$ 20,348	\$ 4,528	\$ 24,876
52	<u>Irrigation Demand:</u>			
53	Seasonal Cust Chg	\$ 56,400	\$ 12,681	\$ 69,081
54	Energy - Distribution	\$ 58,291	\$ 9,201	\$ 67,492
55	Demand - Transmission	\$ 121,456	\$ 28,184	\$ 149,640
56	Demand - Transmission (Choice)	\$ -	\$ -	\$ -
57	Demand - Distribution	\$ 443,725	\$ 102,900	\$ 546,625
58				
59	Lighting:			
60	Transmission	\$ 35,309	\$ 3,242	\$ 38,551
61	Transmission (Choice)	\$ -	\$ -	\$ -
62	Distribution	\$ 337,642	\$ 33,810	\$ 371,452
63				
64	Ownership Charge (monthly):			
65	Ownership Chg 200-399	\$ 61,249	\$ 7,125	\$ 68,374

**NorthWestern Energy
 Electric Utility
 Transmission & Distribution Tax Components**

Line No.		¹ Amount of Property Taxes Included in Baseline	Incremental Taxes	Total Amount in Current Rates
66	Ownership Chg 400-599	\$ 587,453	\$ 44,648	\$ 632,101
67	Ownership Chg 600-799	\$ 140,756	\$ 11,070	\$ 151,826
68	Ownership Chg 800-999	\$ 164,062	\$ 15,779	\$ 179,841
69	Ownership Chg 1000-1199	\$ 56,464	\$ 6,398	\$ 62,863
70	Ownership Chg 1200-1399	\$ 179,040	\$ 22,251	\$ 201,290
71	Ownership Chg 1400-1599	\$ 156,993	\$ 19,678	\$ 176,671
72	Ownership Chg 1600-1799	\$ 73,738	\$ 12,714	\$ 86,452
73	Ownership Chg 1800-1999	\$ 40,772	\$ 8,788	\$ 49,560
74	Ownership Chg 2000-2199	\$ 25,062	\$ 7,464	\$ 32,525
75	Ownership Chg 2200-2399	\$ 12,219	\$ 7,573	\$ 19,792
76	Ownership Chg 2400-2599	\$ 14,542	\$ (117)	\$ 14,425
77	Ownership Chg 2600-2799	\$ 5,799	\$ 9,506	\$ 15,305
78	Ownership Chg 2800-2999	\$ 26,741	\$ 19,569	\$ 46,310
79	Ownership Chg 3000-3199		\$ 92	\$ 92
80	Ownership Chg 3200-3399		\$ 184	\$ 184
81	Ownership Chg 3400-3599		\$ 464	\$ 464
82	Ownership Chg 3600-3799		\$ 98	\$ 98
83	Ownership Chg 3800-3999		\$ 1,035	\$ 1,035
84	Ownership Chg 4000-4199		\$ 628	\$ 628
85	Ownership Chg 4200-4399		\$ 798	\$ 798
86	Ownership Chg 4400-4599		\$ 596	\$ 596
87	Ownership Chg 4600-4799		\$ -	\$ -
88	Ownership Chg 4800-4999		\$ -	\$ -
89	Ownership Chg 5000-5199		\$ -	\$ -
90	Ownership Chg 5200-5399		\$ -	\$ -
91	Ownership Chg 5400-5599		\$ 292	\$ 292
92	Ownership Chg 5600-5799		\$ 1,058	\$ 1,058
93	Ownership Chg 5800-5999		\$ 3,348	\$ 3,348
94				
95				
96	Lighting Miscellaneous Charges			
97	Operations Charge	\$ 110,348	\$ 7,948	\$ 118,297
98	Maintenance Charge	\$ 102,169	\$ 13,420	\$ 115,589
99	Billing Charge	\$ 5,664	\$ 822	\$ 6,486
100				
101	Total	\$ 42,120,889	\$ 7,885,740	\$ 50,006,630

¹Reference Docket No. D2009.9.129 Final Order No. 70461

**NorthWestern Energy
 Electric Utility
 Colstrip Unit 4**

Line No.		¹ Amount of Property Taxes Included in Baseline	Incremental Taxes	Total Amount in Current Rates
1	Residential:			
2	<u>Residential:</u>			
3	Supply	\$ 1,037,049	\$ (15,658)	\$ 1,021,391
4	<u>Employee:</u>			
5	Supply	\$ 1,497	\$ (621)	\$ 876
6				
7	General Service 1:			
8	<u>GS 1 Secondary Non Demand:</u>			
9	Supply	\$ 140,333	\$ (18,116)	\$ 122,216
10	<u>GS 1 Secondary Demand:</u>			
11	Supply	\$ 1,251,856	\$ (205,030)	\$ 1,046,826
12	<u>GS 1 Primary Non Demand:</u>			
13	Supply	\$ 353	\$ (169)	\$ 184
14	<u>GS 1 Primary Demand:</u>			
15	Supply	\$ 146,723	\$ (2,597)	\$ 144,127
16	General Service 2:			
17	<u>GS 2 Substation:</u>			
18	Supply	\$ 155,829	\$ (62,610)	\$ 93,219
19	<u>GS 2 Transmission:</u>			
20	Supply	\$ 77,203	\$ (22,086)	\$ 55,117
21				
22	Irrigation:			
23	<u>Irrigation</u>			
24	Supply	\$ 44,787	\$ (4,318)	\$ 40,469
25				
26	Lighting:			
27	Supply	\$ 30,053	\$ (5,762)	\$ 24,291
28				
29	Total	<u>\$ 2,885,683</u>	<u>\$ (336,967)</u>	<u>\$ 2,548,716</u>

¹Reference Docket No. D2009.12.155 Final Order No. 7057a

**NorthWestern Energy
 Electric Utility
 Dave Gates Generation Station**

Line No.		¹ Amount of Property Taxes Included in Baseline	Incremental Taxes	Total Amount in Current Rates
1	Residential:			
2	<u>Residential:</u>			
3	Supply	\$ 1,177,871	\$ 86,155	\$ 1,264,026
4	<u>Employee:</u>			
5	Supply	\$ 1,506	\$ (424)	\$ 1,082
6				
7	General Service 1:			
8	<u>GS 1 Secondary Non Demand:</u>			
9	Supply	\$ 146,211	\$ 5,039	\$ 151,249
10	<u>GS 1 Secondary Demand:</u>			
11	Supply	\$ 1,273,287	\$ 22,215	\$ 1,295,502
12	<u>GS 1 Primary Non Demand:</u>			
13	Supply	\$ 272	\$ (44)	\$ 228
14	<u>GS 1 Primary Demand:</u>			
15	Supply	\$ 170,044	\$ 8,624	\$ 178,668
16	General Service 2:			
17	<u>GS 2 Substation:</u>			
18	Supply	\$ 126,679	\$ (11,288)	\$ 115,391
19	<u>GS 2 Transmission:</u>			
20	Supply	\$ 72,206	\$ (3,954)	\$ 68,252
21				
22	Irrigation:			
23	<u>Irrigation</u>			
24	Supply	\$ 45,120	\$ 4,962	\$ 50,082
25				
26	Lighting:			
27	Supply	\$ 30,175	\$ (114)	\$ 30,061
28				
29	Total	\$ 3,043,371	\$ 111,171	\$ 3,154,542

¹Reference Docket No. D2008.8.95 Final Order No. 6943e

**NorthWestern Energy
 Electric Utility
 Spion Kop Wind Generation**

Line No.		¹ Amount of Property Taxes Included in Baseline	Incremental Taxes	Total Amount in Current Rates
1	Residential:			
2	<u>Residential:</u>			
3	Supply	\$ 173,092	\$ (47,429)	\$ 125,663
4	<u>Employee:</u>			
5	Supply	\$ 166	\$ (62)	\$ 104
6				
7	General Service 1:			
8	<u>GS 1 Secondary Non Demand:</u>			
9	Supply	\$ 20,563	\$ (5,526)	\$ 15,036
10	<u>GS 1 Secondary Demand:</u>			
11	Supply	\$ 183,636	\$ (54,844)	\$ 128,792
12	<u>GS 1 Primary Non Demand:</u>			
13	Supply	\$ 41	\$ (19)	\$ 22
14	<u>GS 1 Primary Demand:</u>			
15	Supply	\$ 25,606	\$ (8,024)	\$ 17,583
16	General Service 2:			
17	<u>GS 2 Substation:</u>			
18	Supply	\$ 16,526	\$ (5,059)	\$ 11,467
19	<u>GS 2 Transmission:</u>			
20	Supply	\$ 9,584	\$ (2,761)	\$ 6,823
21				
22	Irrigation:			
23	<u>Irrigation</u>			
24	Supply	\$ 6,341	\$ (1,362)	\$ 4,979
25				
26	Lighting:			
27	Supply	\$ 4,243	\$ (1,255)	\$ 2,989
28				
29	Total	\$ 439,798	\$ (126,341)	\$ 313,457

¹Reference Docket No. D2011.5.41 Final Order No. 71591

**NorthWestern Energy
 Electric Utility
 Hydro Generation**

Line No.		¹ Amount of Property Taxes Included in Baseline	Change due to Load Growth	Total Amount in Current Rates
1	Residential:			
2	<u>Residential:</u>			
3	Supply	\$ 4,940,141	\$ 115,795	\$ 5,055,936
4	<u>Employee:</u>			
5	Supply	\$ 4,453	\$ (129)	\$ 4,324
6				
7	General Service 1:			
8	<u>GS 1 Secondary Non Demand:</u>			
9	Supply	\$ 584,608	\$ 20,369	\$ 604,977
10	<u>GS 1 Secondary Demand:</u>			
11	Supply	\$ 5,085,689	\$ 96,149	\$ 5,181,838
12	<u>GS 1 Primary Non Demand:</u>			
13	Supply	\$ 1,161	\$ (251)	\$ 910
14	<u>GS 1 Primary Demand:</u>			
15	Supply	\$ 724,409	\$ (10,472)	\$ 713,937
16	General Service 2:			
17	<u>GS 2 Substation:</u>			
18	Supply	\$ 465,202	\$ (3,505)	\$ 461,696
19	<u>GS 2 Transmission:</u>			
20	Supply	\$ 262,485	\$ 10,572	\$ 273,057
21				
22	Irrigation:			
23	<u>Irrigation</u>			
24	Supply	\$ 194,233	\$ 6,089	\$ 200,323
25				
26	Lighting:			
27	Supply	\$ 124,189	\$ (3,948)	\$ 120,241
28				
29	Total	<u>\$ 12,386,568</u>	<u>\$ 230,670</u>	<u>\$ 12,617,238</u>

¹Reference Docket No. D2013.12.85 Final Order No. 7159I

**NorthWestern Energy
 Natural Gas Utility
 Transmission, Distribution & Storage Tax Components**

Line No.		¹ Amount of Property Taxes Included in Baseline	Incremental Taxes	Total Amount in Current Rates
1	Core:			
2	Residential:			
3	<i>Residential:</i>			
4	Service Charge (monthly)	\$ 2,673,190	\$ 265,458	\$ 2,938,647
5	Distribution	\$ 5,148,928	\$ 178,609	\$ 5,327,537
6	Transmission	\$ 3,048,986	\$ 105,769	\$ 3,154,755
7	Storage	\$ 927,949	\$ 32,177	\$ 960,126
8	<i>Employee:</i>			
9	Service Charge	\$ 4,164	\$ (366)	\$ 3,798
10	Distribution	\$ 10,519	\$ (1,231)	\$ 9,288
11	Transmission	\$ 6,229	\$ (729)	\$ 5,500
12	Storage	\$ 1,896	\$ (222)	\$ 1,674
13				
14	General Service:			
15	<i>Monthly Service Charge</i>			
16	meters rated 0 to 300 cf/hr	\$ 644,049	\$ 88,250	\$ 732,299
17	meters rated 301 to 1000 cf/hr	\$ 184,273	\$ 18,947	\$ 203,220
18	meters rated 1001 to 2000 cf/hr	\$ 281,745	\$ 39,215	\$ 320,961
19	meters rated 2001 to 5000 cf/hr	\$ 191,473	\$ 19,100	\$ 210,573
20	meters rated 5001 to 10000 cf/hr	\$ 50,875	\$ 6,366	\$ 57,241
21	meters rated 10001 to 30000 cf/hr	\$ 9,508	\$ (220)	\$ 9,289
22	meters rated > 30000 cf/hr	\$ 1,467	\$ 517	\$ 1,984
23	Distribution	\$ 2,659,419	\$ 134,413	\$ 2,793,832
24	Transmission	\$ 1,574,195	\$ 81,259	\$ 1,655,454
25	Storage	\$ 478,018	\$ 24,684	\$ 502,703
26				
27	Utilities:			
28	<i>Monthly Service Charge</i>			
29	meters rated 10001 to 30000 cf/hr	\$ 294	\$ 23	\$ 317
30	meters rated > 30000 cf/hr	\$ 2,275	\$ 174	\$ 2,448
31	<i>Commodity:</i>			
32	Transmission	\$ 3,404	\$ (193)	\$ 3,211
33	Storage	\$ 822	\$ (47)	\$ 775
34	<i>Reservation:</i>			
35	Transmission	\$ 39,386	\$ 3,020	\$ 42,406
36	Storage	\$ 17,228	\$ 1,321	\$ 18,549
37				
38	Non-Core:			
39	DBU Firm Transportation			
40	<i>Monthly Service Charge</i>			
41	meters rated 2000 to 5000 cf/hr	\$ 13,657	\$ 890	\$ 14,548
42	meters rated 5000 to 10000 cf/hr	\$ 31,856	\$ 2,938	\$ 34,794
43	meters rated 10001 to 30000 cf/hr	\$ 24,404	\$ 2,501	\$ 26,905
44	meters rated > 30000 cf/hr	\$ 9,205	\$ 1,865	\$ 11,070
45	<i>Reservation:</i>			
46	Distribution	\$ 376,785	\$ 28,401	\$ 405,186
47	Contract	\$ 2,868	\$ 0	\$ 2,868
48				
49	DBU Interrupt Transportation			
50	<i>Commodity:</i>			
51	Distribution	\$ 4,432	\$ 3,166	\$ 7,598
52				
53	TBU Firm Transportation			
54	<i>Monthly Service Charge</i>			
55	meters rated 5001 to 10000 cf/hr	\$ 276	\$ 300	\$ 576
56	meters rated 10001 to 30000 cf/hr	\$ 1,355	\$ 1,130	\$ 2,485
57	meters rated > 30000 cf/hr	\$ 23,797	\$ (4,568)	\$ 19,228
58	<i>Reservation:</i>			
59	Transmission	\$ 2,176,711	\$ 183,694	\$ 2,360,405
60	<i>Commodity:</i>			
61	Transmission	\$ 240,061	\$ 30,007	\$ 270,068
62				

**NorthWestern Energy
 Natural Gas Utility
 Transmission, Distribution & Storage Tax Components**

Line No.		¹ Amount of Property Taxes Included in Baseline	Incremental Taxes	Total Amount in Current Rates
63	TBU Interrupt Transportation			
64	<i>Commodity:</i>			
65	Transmission	\$ 363,090	\$ 109,705	\$ 472,794
66				
67	Storage			
68	Withdrawal Reservation Rate	\$ 867,064	\$ (366,001)	\$ 501,063
69	Injection Commodity Rate	\$ 18,752	\$ (8,581)	\$ 10,171
70	Withdrawal Commodity Rate	\$ 27,315	\$ (8,047)	\$ 19,268
71	Storage Capacity	\$ 265,505	\$ (143,771)	\$ 121,734
72				
73	Total	<u>\$ 22,407,422</u>	<u>\$ 829,925</u>	<u>\$ 23,237,346</u>

¹Reference Docket No. D2012.9.94 Final Order No. 7249e

**NorthWestern Energy
 Natural Gas Utility
 Natural Gas Tax Components**

Line No.		¹ Amount of Property Taxes Included in Baseline	Incremental Taxes	Total Amount in Current Rates
1	Core:			
2	Residential:			
3	<u>Residential:</u>			
4	Gas Supply Production	\$ 46,714	\$ -	\$ 46,714
5				
6	<u>Employee:</u>			
7	Gas Supply Production	\$ 81	\$ -	\$ 81
8				
9	General Service:			
10	Gas Supply Production	\$ 25,275	\$ -	\$ 25,275
11				
12	Utilities:			
13	Gas Supply Production	\$ 799	\$ -	\$ 799
14				
15	Total	<u>\$ 72,870</u>	<u>\$ -</u>	<u>\$ 72,870</u>

¹Refer Docket No. D2012.9.94 Final Order No. 7249e for Battle Creek and the Bridge rates for Bear Paw and Devon.

NorthWestern Energy
Docket No. D2015.10.81
PSC Investigation into Taxes and Fees/Property Tax Tracker

Montana Public Service Commission (PSC)
Set 1 (001-011)

Data Requests received November 6, 2015

PSC-003

Regarding: Tax Treatment of Hydros
Witness: N/A

The Commission included \$12,386,568 for property taxes in the initial Hydro revenue requirement, and directed NWE to make a compliance filing to make further revisions to the revenue requirement. Order 7323k, Dkt. D2013.12.85, ¶¶ 138, 190 (Sept. 25, 2014). That compliance filing has been consolidated into this Docket with respect to taxes. Order 7451, Dkt. D2015.10.81, ¶¶ 1-3 (Nov. 5, 2015). Since the Commission set the initial Hydro revenue requirement, the taxes associated with the Hydros have increased.

- a. Please explain whether NWE intends to collect the state and local taxes associated with the Hydros using the tax tracker method (i.e., recovering approximately 60% of the incremental expense through rates, to account for the deductibility of the expense from income tax). If NWE intends to use another method, please explain what that method is.
- b. Please present an exhibit that shows the expected rate increase and customer bill impact from the tax-tracker method and any alternative method NWE intends to use.
- c. Please explain whether NWE would support or oppose the following method of recovering tax expense related to the Hydros, and why NWE holds that view: Kerr Dam's taxes are removed from the Hydro revenue requirement in the compliance filing; and any incremental tax expense associated with the rest of the Hydros between the tax expense included in the revenue requirement and the taxes assessed in November 2015 are included in rates through the tax tracker mechanism.

RESPONSE:

- a. NorthWestern intends to follow the Commission's direction in Docket No. D2013.12.85, Order No. 7323k, ¶ 190. The Commission ordered, "NorthWestern shall make a final compliance filing in December 2015 to reflect post-closing adjustments, the future conveyance of Kerr to the CSKT, **and the actual property tax expense for the Hydroelectric Facilities**" (emphasis added). NorthWestern will include the actual 2015 property taxes for the Hydroelectric Facilities less 100% of the property taxes attributable to Kerr, in the base revenue requirement for 2016. In 2017, NorthWestern will use the tax tracker method ("60/40 Allocation") to collect or refund any difference between 2016 actual tax and 2015 base level of property taxes.

NorthWestern Energy
Docket No. D2015.10.81
PSC Investigation into Taxes and Fees/Property Tax Tracker

Montana Public Service Commission (PSC)
Set 1 (001-011)

Data Requests received November 6, 2015

PSC-003 cont'd

In addition to complying with Order No. 7323k, NorthWestern's intended treatment of property taxes associated with the Hydroelectric Facilities is consistent with the Commission's treatment of property taxes under Mont. Code Ann. § 69-8-421 for Colstrip Unit 4 ("CU4"). In Docket No. D2008.6.69, NorthWestern included \$5,636,258 of property taxes in its CU4 revenue requirement. NorthWestern placed CU4, an existing generation plant, in service on January 1, 2009. In November 2009, NorthWestern learned that the actual 2009 property taxes for CU4 were \$2,549,773. In Docket No. D2009.12.155, NorthWestern proposed to adjust the CU4 property taxes through the property tax tracker using the 60/40 Allocation. In Order No. 7057a, ¶ 29, the Commission rejected NorthWestern's use of the 60/40 Allocation and stated, "The Commission finds and concludes that the base tax expense for CU4 should be the actual 2008 property and WET taxes. . . . The Commission will issue a final determination of tax adjustments with respect to CU4 after NWE has made the filing required by this paragraph." NorthWestern made the filing required by ¶ 29 and, in a separate Motion for Reconsideration, offered to forego the 60/40 Allocation and proposed decreasing the fixed costs for CU4 by the full \$3,086,485 difference between the estimated taxes and the actual taxes. In Order No. 7057b, Ordering ¶ 3, the Commission directed, "NorthWestern Energy to reduce the CU4 fixed costs collected in supply rates by \$3,086,485."

In its Motion for Reconsideration in what now appears to be a prescient statement, NorthWestern stated, "Moreover, as to basic equity and fairness, the Commission needs to ask itself: would it be going this far out of its way to allow NorthWestern to collect 100% of the difference in taxes if NorthWestern had underestimated the base tax expense amount in the CU4 Docket?" The Commission would be patently unfair to require NorthWestern to refund 100% of the difference in taxes when the estimate exceeds the actual taxes and to use the 60/40 Allocation when the actual taxes exceed the estimate. NorthWestern agreed to forego the difference between its actual 2015 taxes and PPL Montana's 2013 actual tax amount.

Similarly, the Commission required NorthWestern to adjust base rates for the Dave Gates Generating Station to collect actual for property taxes. NorthWestern initially estimated the DGGS taxes to be \$8,029,365, adjusted them to \$5,772,435 in its compliance filing, and further adjusted them to \$3,137,779 in its rebuttal testimony on the compliance filing. The Commission required 100% of the difference between estimated taxes and actual taxes to be refunded to customers.

NorthWestern Energy
Docket No. D2015.10.81
PSC Investigation into Taxes and Fees/Property Tax Tracker

Montana Public Service Commission (PSC)
Set 1 (001-011)

Data Requests received November 6, 2015

PSC-003 cont'd

- b. The increase in the hydro property taxes will have no impact to the annual tax tracker filing as there will be no true-up for the under-collection amount. The hydro revenue requirement will be updated in the compliance filing that will reflect the actual 2015 property tax expense estimated to be \$3.8 million higher than is currently reflected in rates. This increase in property taxes will result in an increase of the hydro rate by approximately \$0.00063/kWh ($\$3,800,000 / 6,000,000,000$ kWh). This would result in a monthly increase to residential customer bills of approximately \$0.47 or 0.50% based on 750 kWh of usage.

- c. NorthWestern would strongly oppose the method described (“Method (c)”). As stated above in the response to part a, NorthWestern intends to follow the Commission’s precedent and its specific directive in setting the base level of property taxes for the Hydroelectric Facilities before making any subsequent hydro property tax adjustments. Such adjustments would begin with the 2016 property tax tracker filing. See the response to part a, above.

NorthWestern Energy
Docket No. D2015.10.81
PSC Investigation into Taxes and Fees/Property Tax Tracker

Montana Public Service Commission (PSC)
Set 1 (001-011)

Data Requests received November 6, 2015

PSC-004

Regarding: True-Up of Actual Tax Expense

Witness: N/A

Please explain whether and how the tax expenses collected through volumetric rates are trued up to actual tax expenses, both with respect to tax expenses that are tracked and tax expenses collected through a fixed revenue requirement.

RESPONSE:

The actual tax expense is compared to the base tax revenues to derive either the over- or under-collection of the taxes and fees rate change component change. This difference is then reduced by the income tax percentage of 39.39% to derive the net taxes and fee component change. This change represents the incremental change in taxes after deducting income taxes. This incremental change in taxes is then added to or subtracted from each of the applicable tariff rates. The base tax revenues are based on applying the tax component portion from each of the applicable tariff rates (monthly service charge, energy, and demand for electric and monthly service charge, commodity and reservation for natural gas utility) to the actual billed units to customer during the year. The base tax rates are established from the latest approved MPSC Order. Below is an illustration of the computation.

MT Actual Tax Expense		\$1,000
¹ Base Tax Revenues:		
Monthly Service Charge	25 Customers x \$0.75 Tax Rate x 12 Months =	\$225
Commodity (Dkt)	2,000 Dkt x \$0.20 Tax Rate =	\$400
Reservation (MDDQ)	200 MDDQ x \$1.50 Tax Rate =	<u>\$300</u>
Taxes & Fees Rate Change Component Change		\$75
Less: Income Tax Adjustment @ 39.39%		<u>\$30</u>
Net Taxes & Fees Rate Change Component Change		\$45

¹The base tax amount of \$925 is from the last approved general rate filing.

NorthWestern Energy
Docket No. D2015.10.81
PSC Investigation into Taxes and Fees/Property Tax Tracker

Montana Public Service Commission (PSC)
Set 1 (001-011)

Data Requests received November 6, 2015

PSC-005

Regarding: Department of Revenue (DOR) Assessment
Witness: N/A

- a. Does NWE agree with or have any concerns about DOR's November 2015 assessment? Please explain any points of concern or disagreement with how DOR has centrally assessed NWE.
- b. Describe any steps NWE is taking to reduce its tax liability that results from the DOR assessment.
- c. Provide any citations to case law that you find relevant, which weigh on NWE's decision whether or not to protest the DOE assessment.

RESPONSE:

- a. NorthWestern's senior management reviewed and discussed DOR's final assessment with legal counsel over the course of several conference calls. Based upon those discussions, it was decided that an appeal of the assessment to the State Tax Appeal Board would not likely be successful. NorthWestern's analysis of the DOR assessment cannot be disclosed to the Commission without destroying its character as communications protected against disclosure by the attorney client privilege.
- b. NorthWestern requested an informal review of its assessed value by the DOR. NorthWestern held teleconference meetings with the DOR and traveled to the offices of the DOR in Helena, Montana, for in person meetings and discussions. NorthWestern pointed out various mathematical and computational errors and disagreed with various approaches and calculations in the DOR appraisal report. DOR eventually made various corrections and modifications which resulted in a decrease of \$435.7 million in the original system-wide assessment value of \$3,594.7 million to the final system-wide assessment value of \$3,159.0 million. The decrease in the system-wide assessment value generated a decrease of \$316.2 million in the original Montana allocated assessed value of \$2,585.4 million to the final Montana allocated assessed value of \$2,269.2 million. The final Montana allocated assessed value was allocated across the taxing jurisdictions by DOR and resulted in total property tax billings of approximately \$122.0 million. Additionally, NorthWestern reviewed all the bills for errors or required adjustments and has worked with the various tax jurisdictions to correct any erroneous bills, which yielded an additional decrease in bills of approximately \$90 thousand which is included in the \$122.0 million total.

NorthWestern Energy
Docket No. D2015.10.81
PSC Investigation into Taxes and Fees/Property Tax Tracker

Montana Public Service Commission (PSC)
Set 1 (001-011)

Data Requests received November 6, 2015

PSC-005 cont'd

Please see the Attachment which depicts a summary of 2015 Montana property tax expense for Kerr, Hydro, and Non-Hydro property as budgeted versus actual. As can be seen via footnote 5, actual non-Hydro tracker taxes after informal review results increased by \$2.5 million or 2.4% higher than expected as budgeted.

- c. See the response to part a, above.

NORTHWESTERN ENERGY
 ANALYSIS OF PROPERTY TAX IN SUPPORT OF PSC-005(b) DATA REQUEST
 FOR THE YEAR 2015 (IN MILLIONS OF DOLLARS)

SUMMARY OF TAX BILLS	KERR HYDRO	OTHER HYDRO	TOTAL HYDRO	NON- HYDRO ASSETS	TOTAL
2015 BUDGETED PROPERTY TAX	\$ 1.0	\$ 13.1	\$ 14.1 (1)	\$ 102.9 (4)	\$ 117.0
INCREASE / (DECREASE) TO ACTUAL	\$ 1.0	\$ 1.5	\$ 2.5 (2)	\$ 2.5 (5)	\$ 5.0
2015 ACTUAL PROPERTY TAX	<u>\$ 2.0</u>	<u>\$ 14.6 (3)</u>	<u>\$ 16.6</u>	<u>\$ 105.4 (6)</u>	<u>\$ 122.0</u>

FOOTNOTES:

-
- (1) INCLUDED IN ORIGINAL HYDRO REVENUE REQUIREMENT. REDUCED TO \$12.4 MILLION PURSUANT TO FINAL HYDRO SETTLEMENT.
 - (2) SUBJECT TO NON-RECOVERY PURSUANT TO INITIAL HYDRO FILING SETTLEMENT.
 - (3) AMOUNT TO BE INCLUDED IN 2016 HYDRO COMPLIANCE FILING ASSUMING NO FORECASTED ESCALATION.
 - (4) \$102.9 MILLION LESS PRIOR YEAR \$100 MILLION WOULD HAVE GENERATED A TRACKER RECOVERY OF \$1.7 MILLION AFTER 40% OFFSET.
 - (5) THIS AMOUNT IS ADDITIONAL INCREASE FOR TRACKER RECOVERY OF \$1.5 MILLION AFTER 40% OFFSET.
 - (6) \$105.4 MILLION LESS PRIOR YEAR \$100 MILLION GENERATES A TOTAL TRACKER RECOVERY OF \$3.2 MILLION AFTER 40% OFFSET.

NorthWestern Energy
Docket No. D2015.10.81
PSC Investigation into Taxes and Fees/Property Tax Tracker

Montana Public Service Commission (PSC)
Set 1 (001-011)

Data Requests received November 6, 2015

PSC-006

Regarding: Local Assessments
Witness: N/A

- a. Has NWE received the local assessments that result from the DOR assessment? Please provide them on a CD once they become available.
- b. Has NWE identified any errors in any local assessment? If so, identify those error(s).
- c. Please provide the sum total of the tax assessments in aggregate, and identify the incremental taxes beyond the baseline that is included in current rates.

RESPONSE:

- a. NorthWestern will provide this information on a CD once it has received all local assessments.
- b. Yes. Approximately \$90,000 of errors were identified and correctly adjusted on bills by the relevant taxing authorities. Please see the Attachment showing those amounts across tax jurisdictions.
- c. See Attachment. Current aggregate after processing most of the tax bills is yielding an aggregate amount of property tax expense of \$122.0 million compared to \$100.0 million for 2014. Also see the Attachment provided in response to Data Request PSC-005b summarizing 2015 property tax expense.

This will be updated after completion of the annual tax tracker filing that will be filed in December 2015.

County	Bill Version	Taxpayer ID #	PP Tax District	Legal Description	Tax Bill Notes	Levy District	School District	Taxable Value	Mill Levy	1st Half Tax - due 11/30	2nd Half Tax - due 5/31	Total Property Tax	Specials Amount	Error/Issue Notes	
Overall Results															
								Tax Increase (Decrease)		(205,293.01)	(45,242.19)	(45,242.09)	(90,484.28)	360.52	

By County Results Below:

Various Issue 2% of the tax bills (31 out of 1508 tax bills) had incorrect company and/or mailing address information listed on the tax bills.														
Various Results Called county officials and asked them to update the company and/or address information in their records. Will need to review in Tax Year 2016 to verify if updated.														
Butte-Silver Bow	Incorrect	2003200	MT-01-0848 (BGO)	11 E Park St, 13-03 N-08 W	Locally Assessed Tax Bill	01-0848	1UP	746	742.5500	778.51	778.47	1,556.98	1,003.04	Double taxation of Land. Land Value was included in centrally assessed bill 1899500. Specials still need to be paid as they were not included on 1899500.
Butte-Silver Bow	Correct	2003200	MT-01-0848 (BGO)	11 E Park St, 13-03 N-08 W	Specials Only for BGO Land on #1899500	01-0848	1UP	-	742.5500	501.53	501.51	1,003.04	1,003.04	
Butte-Silver Bow Results								Tax Increase (Decrease)	(746)	-	(276.98)	(276.96)	(553.94)	0.00
Yellowstone Issue 29 Centrally Assessed Tax Bills have the incorrect market and taxable values printed on the tax bills. 28 of these bills calculated the tax due on the correct taxable value, even though it wasn't listed on the bill. Tax ID E00004 was not correctly calculated. See below.														
Yellowstone Results All 29 Centrally Assessed Tax Bills will be reprinted and sent with the correct market and taxable values printed on the tax bills. They will use the taxable value printed on the bill to calculate the tax due.														
Yellowstone	Incorrect	E00004	MT-03-0965	C/S 2846 in NWNW4 Belrock Station #7 24th St .482 AC Centrally Assessed TR 1 6 15 26E (96)		03-0965	2	8,146,327	670.0200	2,754,389.45	2,754,389.45	5,508,778.90	50,576.88	Incorrect Taxable Value Used.
Yellowstone	Correct	E00004	MT-03-0965	C/S 2846 in NWNW4 Belrock Station #7 24th St .482 AC Centrally Assessed TR 1 6 15 26E (96)		03-0965	2	8,081,492	670.0200	2,732,669.08	2,732,669.07	5,465,338.15	50,576.88	
Yellowstone Results								Tax Increase (Decrease)	(64,835)	-	(21,720.37)	(21,720.38)	(43,440.75)	0.00
Missoula	Incorrect	414195012	MT-04-8583			04-8583	1-6	-	795.9400	-	-	-	-	County missed calculating tax bill.
Missoula	Correct	414195012	MT-04-8583			04-8583	1-6	49,784	795.9400	20,290.88	20,290.88	40,581.76	956.68	
Missoula Results								Tax Increase (Decrease)	49,784	-	20,290.88	20,290.88	40,581.76	956.68
Missoula	Incorrect	2012030500	MT-04-2595	Turah Rd Hellgate Pines #2, S12 T12N R18W, Block 1 Lot 9 Acres 1.77	Forest Fire Fee	04-2595	32-7	-	680.4700	6.08	6.07	12.15	12.15	NOT NWE's Property
Missoula	Correct	2012030500	MT-04-2595	Turah Rd Hellgate Pines #2, S12 T12N R18W, Block 1 Lot 9 Acres 1.77	Forest Fire Fee	04-2595	32-7	-	680.4700	-	-	-	-	
Missoula Results								Tax Increase (Decrease)	-	-	(6.08)	(6.07)	(12.15)	(12.15)
Hill	Incorrect	18202	MT-12-0424 (BP South)		DAVEY	12-0424	A-12	560	590.4300	165.32	165.32	330.64	(0.00)	Incorrect Taxable Value Used.
Hill	Correct	18202	MT-12-0424 (BP South)		DAVEY	12-0424	A-12	531	590.4300	156.76	156.76	313.52	0.00	
Hill Results								Tax Increase (Decrease)	(29)	-	(8.56)	(8.56)	(17.12)	0.00
Hill	Incorrect	18203	MT-12-1508 (BP South)		CHESTER/JOPLIN/INVERNESS FDHF	12-1508	J98F	798	435.7000	173.85	173.84	347.69	0.00	Incorrect Taxable Value Used.
Hill	Correct	18203	MT-12-1508 (BP South)		CHESTER/JOPLIN/INVERNESS FDHF	12-1508	J98F	756	435.7000	164.70	164.69	329.39	0.00	
Hill Results								Tax Increase (Decrease)	(42)	-	(9.15)	(9.15)	(18.30)	(0.00)
Hill	Incorrect	18204	MT-12-2445 (BP South)		HAVRE/COTTONWOOD/KREMLIN FDHB	12-2445	A57B	94,784	445.6800	21,185.59	21,185.59	42,371.18	127.85	Incorrect Taxable Value Used.
Hill	Correct	18204	MT-12-2445 (BP South)		HAVRE/COTTONWOOD/KREMLIN FDHB	12-2445	A57B	89,797	445.6800	20,070.93	20,070.92	40,141.85	121.12	
Hill Results								Tax Increase (Decrease)	(4,987)	-	(1,114.66)	(1,114.67)	(2,229.33)	(6.72)
Hill	Incorrect	18205	MT-12-4427 (BP South)		HAVRE RURAL FIRE #1/CCP	12-4427	161P	8,962	573.2200	2,568.60	2,568.60	5,137.20	0.00	Incorrect Taxable Value Used.
Hill	Correct	18205	MT-12-4427 (BP South)		HAVRE RURAL FIRE #1/CCP	12-4427	161P	8,490	573.2200	2,433.32	2,433.32	4,866.64	0.00	
Hill Results								Tax Increase (Decrease)	(472)	-	(135.28)	(135.28)	(270.56)	(0.00)
Hill	Incorrect	18209	MT-12-1427 (BP South)		SOUTH HAVRE	12-1427	A16R	216	555.2000	59.96	59.96	119.92	(0.00)	Incorrect Taxable Value Used.
Hill	Correct	18209	MT-12-1427 (BP South)		SOUTH HAVRE	12-1427	A16R	204	555.2000	56.63	56.63	113.26	(0.00)	
Hill Results								Tax Increase (Decrease)	(12)	-	(3.33)	(3.33)	(6.66)	0.00
Chouteau	Incorrect	515615	MT-19-1137 (BP South)		Bear Paw South	19-1137	11	67,732	474.9700	16,085.34	16,085.33	32,170.67	0.00	Incorrect Taxable Value and Incorrect Tax ID Used. Tax ID should be 808103.
Chouteau	Correct	515615	MT-19-1137 (BP South)		Bear Paw South	19-1137	11	-	474.9700	-	-	-	-	
Chouteau Results								Tax Increase (Decrease)	(67,732)	-	(16,085.34)	(16,085.33)	(32,170.67)	(0.00)
Chouteau	Incorrect	807500	MT-19-2133			19-2133	1WOF	-	538.7300	-	-	-	-	Incorrect Tax ID Used. Tax ID used was 808005.
Chouteau	Correct	807500	MT-19-2133			19-2133	1WOF	21,822	538.7300	5,878.09	5,878.08	11,756.17	0.00	
Chouteau Results								Tax Increase (Decrease)	21,822	-	5,878.09	5,878.08	11,756.17	0.00
Chouteau	Incorrect	808005	MT-19-2133			19-2133	1WOF	21,822	538.7300	5,878.09	5,878.08	11,756.17	0.00	Incorrect Tax ID Used. Tax ID should be 807500. Tax ID switched from 807500 to 808005??? DOR to switch it back for history.
Chouteau	Correct	808005	MT-19-2133			19-2133	1WOF	-	538.7300	-	-	-	-	
Chouteau Results								Tax Increase (Decrease)	(21,822)	-	(5,878.09)	(5,878.08)	(11,756.17)	(0.00)
Chouteau	Incorrect	808100	MT-19-0144 (BP Lodge Creek)		Bear Paw Lodge Creek	19-0144	26	710	474.9700	169.01	168.99	338.00	0.77	Should not have received a tax bill for this Tax ID, since school district 26 consolidated with school district 11. A 2014 Taxable Value was rolled over into this Tax ID by mistake, which calculated a bill.
Chouteau	Correct	808100	MT-19-0144 (BP Lodge Creek)		Bear Paw Lodge Creek	19-0144	26	-	474.9700	-	-	-	-	
Chouteau Results								Tax Increase (Decrease)	(710)	-	(169.01)	(168.99)	(338.00)	(0.77)

County	Bill Version	Taxpayer ID #	PP Tax District	Legal Description	Tax Bill Notes	Levy District	School District	Taxable Value	Mill Levy	1st Half Tax - due 1/30	2nd Half Tax - due 5/31	Total Property Tax	Specials Amount	Error/Issue Notes	
Chouteau	Incorrect	808101	MT-19-1137 (BP Lodge Creek)		Bear Paw Lodge Creek	19-1137	11	2,910	474.9700	692.65	692.65	1,385.30	3.14	Incorrect Taxable Value Used.	
Chouteau	Correct	808101	MT-19-1137 (BP Lodge Creek)		Bear Paw Lodge Creek	19-1137	11	2,754	474.9700	655.53	655.51	1,311.04	2.97		
Chouteau	Results							Tax Increase (Decrease)		(156)	-	(37.12)	(37.14)	(74.26)	(0.16)
Chouteau	Incorrect	808102	MT-19-0144 (BP South)		Bear Paw South	19-0144	26	58,570	474.9700	13,940.68	13,940.67	27,881.35	62.36	Should not have received a tax bill for this Tax ID, since school district 26 consolidated with school district 11. A 2014 Taxable Value was rolled over into this Tax ID by mistake, which calculated a bill.	
Chouteau	Correct	808102	MT-19-0144 (BP South)		Bear Paw South	19-0144	26	-	474.9700	-	-	-	-		
Chouteau	Results							Tax Increase (Decrease)		(13,940.68)	(13,940.67)	(27,881.35)	(62.36)		
Chouteau	Incorrect	808103	MT-19-1137 (BP South)		Bear Paw South	19-1137	11	-	474.9700	-	-	-	-	Incorrect Taxable Value and Incorrect Tax ID Used. Tax ID used was 515615.	
Chouteau	Correct	808103	MT-19-1137 (BP South)		Bear Paw South	19-1137	11	64,168	474.9700	15,238.94	15,238.93	30,477.87	0.00		
Chouteau	Results							Tax Increase (Decrease)		15,238.94	15,238.93	30,477.87	(0.00)		
Chouteau	Incorrect	808300	MT-19-1137			19-1137	11	338,528	474.9700	80,413.38	80,413.36	160,826.74	36.10	Incorrect Taxable Value Used.	
Chouteau	Correct	808300	MT-19-1137			19-1137	11	344,993	474.9700	81,948.72	81,948.70	163,897.42	36.09		
Chouteau	Results							Tax Increase (Decrease)		1,535.34	1,535.34	3,070.68	(0.00)		
Chouteau	Incorrect	808400	MT-19-0144			19-0144	26	6,465	474.9700	1,535.34	1,535.34	3,070.68	0.00	Should not have received a tax bill for this Tax ID, since school district 26 consolidated with school district 11. A 2015 Taxable Value for Tax ID 808300 was entered into this Tax ID by mistake, which calculated a bill.	
Chouteau	Correct	808400	MT-19-0144			19-0144	26	-	474.9700	-	-	-	-		
Chouteau	Results							Tax Increase (Decrease)		(1,535.34)	(1,535.34)	(3,070.68)	0.00		
Chouteau	Incorrect	900451	MT-19-1137 (HPC)		HPC	19-1137	11	-	474.9700	-	-	-	-	Incorrect Tax ID Used. Tax ID used was 900555.	
Chouteau	Correct	900451	MT-19-1137 (HPC)		HPC	19-1137	11	5,566	474.9700	1,321.84	1,321.84	2,643.68	0.00		
Chouteau	Results							Tax Increase (Decrease)		1,321.84	1,321.84	2,643.68	(0.00)		
Chouteau	Incorrect	900551	MT-19-0144 (HPC)		HPC	19-0144	26	2,299	474.9700	545.98	545.98	1,091.96	0.00	Should not have received a tax bill for this Tax ID, since school district 26 consolidated with school district 11. A 2014 Taxable Value was rolled over into this Tax ID by mistake, which calculated a bill.	
Chouteau	Correct	900551	MT-19-0144 (HPC)		HPC	19-0144	26	-	474.9700	-	-	-	-		
Chouteau	Results							Tax Increase (Decrease)		(545.98)	(545.98)	(1,091.96)	(0.00)		
Chouteau	Incorrect	900555	MT-19-1137 (HPC)		HPC	19-1137	11	5,566	474.9700	1,321.84	1,321.84	2,643.68	0.00	Incorrect Tax ID Used. Tax ID should be 900451.	
Chouteau	Correct	900555	MT-19-1137 (HPC)		HPC	19-1137	11	-	474.9700	-	-	-	-		
Chouteau	Results							Tax Increase (Decrease)		(1,321.84)	(1,321.84)	(2,643.68)	0.00		
Big Horn	Incorrect	H800300	MT-22-2023	S12 T0105 R330E		22-2023	7HM	172,805	517.5030	44,741.02	44,741.01	89,482.03	54.92	Incorrect Taxable Value Used.	
Big Horn	Correct	H800300	MT-22-2023	S12 T0105 R330E		22-2023	7HM	166,204	517.5030	43,025.84	43,025.83	86,051.67	40.60		
Big Horn	Results							Tax Increase (Decrease)		(1,715.18)	(1,715.18)	(3,430.36)	(14.32)		
Blaine	Incorrect	11184	MT-24-0048 (HPC)		HPC	24-0048	67	257,012	514.3670	66,119.24	66,119.23	132,238.47	39.98	County revised bill to include Blaine garbage fees from Tax ID 11892.	
Blaine	Correct	11184	MT-24-0048 (HPC)		HPC	24-0048	67	257,012	514.3670	66,206.24	66,119.23	132,325.47	126.98		
Blaine	Results							Tax Increase (Decrease)		87.00	-	87.00	87.00		
Blaine	Incorrect	11293	MT-24-6030			24-6030	R12M	223,745	503.2070	56,944.65	56,944.63	113,889.28	1,299.23	County revised bill to include Zurich irrigation fees from Tax ID 11890.	
Blaine	Correct	11293	MT-24-6030			24-6030	R12M	223,745	503.2070	56,988.76	56,988.73	113,977.49	1,387.44		
Blaine	Results							Tax Increase (Decrease)		44.11	44.10	88.21	88.21		
Blaine	Incorrect	11890	MT-24-6030		Special Only Bill for 11293 Zurich Irrig Fees	24-6030	R12M	-	503.2070	44.11	44.10	88.21	88.21	Zurich irrigation fees belong on Tax ID 11293.	
Blaine	Correct	11890	MT-24-6030		Special Only Bill for 11293 Zurich Irrig Fees	24-6030	R12M	-	503.2070	-	-	-	-		
Blaine	Results							Tax Increase (Decrease)		(44.11)	(44.10)	(88.21)	(88.21)		

County	Bill Version	Taxpayer ID #	PP Tax District	Legal Description	Tax Bill Notes	Levy District	School District	Taxable Value	Mill Levy	1st Half Tax - due 11/30	2nd Half Tax - due 5/31	Total Property Tax	Specials Amount	Error/Issue Notes
Blaine	Incorrect	11892	MT-24-0048 (HPC)	Sec 29, Twn 31N Rng 18E Tract in E2NWNE 4.999 acres and Sec 29, Twn 31N Rng 18E Tract in E2NENW & W2NWNE 10.001 acres. Total 15 acres,	Special Only Bill for 11184 Garbage Fee	24-0048	67	-	514.3670	87.00	-	87.00	87.00	Blaine garbage fees belong on Tax ID 11184.
Blaine	Correct	11892	MT-24-0048 (HPC)	Sec 29, Twn 31N Rng 18E Tract in E2NWNE 4.999 acres and Sec 29, Twn 31N Rng 18E Tract in E2NENW & W2NWNE 10.001 acres. Total 15 acres,	Special Only Bill for 11184 Garbage Fee	24-0048	67	-	514.3670	-	-	-	-	
Blaine	Results							Tax Increase (Decrease)		(87.00)		(87.00)	(87.00)	
Blaine	Incorrect	12583	MT-24-1028 (Battle Creek JV)		Battle Creek JV	24-1028	R10	13,675	646.9070	4,423.28	4,423.26	8,846.54	0.09	Incorrect Taxable Value Used.
Blaine	Correct	12583	MT-24-1028 (Battle Creek JV)		Battle Creek JV	24-1028	R10	12,956	646.9070	4,190.72	4,190.70	8,381.42	0.09	
Blaine	Results							Tax Increase (Decrease)		(232.56)	(232.56)	(465.12)	(0.01)	
Blaine	Incorrect	12584	MT-24-0034 (Battle Creek JV)		Battle Creek JV	24-0034	17	48,287	534.3870	12,902.14	12,902.13	25,804.27	0.32	Incorrect Taxable Value Used.
Blaine	Correct	12584	MT-24-0034 (Battle Creek JV)		Battle Creek JV	24-0034	17	45,746	534.3870	12,223.20	12,223.18	24,446.38	0.31	
Blaine	Results							Tax Increase (Decrease)		(678.94)	(678.95)	(1,357.89)	(0.01)	
Blaine	Incorrect	12702	MT-24-0032 (BP Lodge Creek)		Bear Paw Lodge Creek	24-0032	14	2,561	515.7270	661.13	661.10	1,322.23	1.45	Incorrect Taxable Value Used.
Blaine	Correct	12702	MT-24-0032 (BP Lodge Creek)		Bear Paw Lodge Creek	24-0032	14	2,427	515.7270	626.53	626.52	1,253.05	1.38	
Blaine	Results							Tax Increase (Decrease)		(34.60)	(34.58)	(69.18)	(0.07)	
Blaine	Incorrect	12703	MT-24-0034 (BP Lodge Creek)		Bear Paw Lodge Creek	24-0034	17	2,689	534.3870	719.26	719.24	1,438.50	1.53	Incorrect Taxable Value Used.
Blaine	Correct	12703	MT-24-0034 (BP Lodge Creek)		Bear Paw Lodge Creek	24-0034	17	2,548	534.3870	681.54	681.53	1,363.07	1.45	
Blaine	Results							Tax Increase (Decrease)		(37.72)	(37.71)	(75.43)	(0.08)	
Blaine	Incorrect	12704	MT-24-0048 (BP Lodge Creek)		Bear Paw Lodge Creek	24-0048	67	4,702	514.3670	1,210.62	1,210.60	2,421.22	2.67	Incorrect Taxable Value Used.
Blaine	Correct	12704	MT-24-0048 (BP Lodge Creek)		Bear Paw Lodge Creek	24-0048	67	4,454	514.3670	1,146.77	1,146.75	2,293.52	2.53	
Blaine	Results							Tax Increase (Decrease)		(63.85)	(63.85)	(127.70)	(0.14)	
Blaine	Incorrect	12705	MT-24-1028 (BP Lodge Creek)		Bear Paw Lodge Creek	24-1028	R10	13,996	646.9070	4,531.04	4,531.02	9,062.06	7.95	Incorrect Taxable Value Used.
Blaine	Correct	12705	MT-24-1028 (BP Lodge Creek)		Bear Paw Lodge Creek	24-1028	R10	13,260	646.9070	4,292.77	4,292.75	8,585.52	7.53	
Blaine	Results							Tax Increase (Decrease)		(238.27)	(238.27)	(476.54)	(0.42)	
Blaine	Incorrect	12771	MT-24-0034 (Battle Creek GP)		Battle Creek GP	24-0034	17	420	534.3870	112.22	112.22	224.44	(0.00)	Incorrect Taxable Value Used.
Blaine	Correct	12771	MT-24-0034 (Battle Creek GP)		Battle Creek GP	24-0034	17	398	534.3870	106.35	106.34	212.69	0.00	
Blaine	Results							Tax Increase (Decrease)		(5.87)	(5.88)	(11.75)	(0.01)	
Blaine	Incorrect	12772	MT-24-1028 (Battle Creek GP)		Battle Creek GP	24-1028	R10	119	646.9070	38.49	38.49	76.98	(0.00)	Incorrect Taxable Value Used.
Blaine	Correct	12772	MT-24-1028 (Battle Creek GP)		Battle Creek GP	24-1028	R10	113	646.9070	36.55	36.55	73.10	(0.00)	
Blaine	Results							Tax Increase (Decrease)		(1.94)	(1.94)	(3.88)	(0.00)	
Anaconda-Deer Lodge	Incorrect	527400	MT-30-0712			30-0712	1	36,279	728.3200	13,211.41	13,211.40	26,422.81	0.09	Incorrect Taxable Value Used.
Anaconda-Deer Lodge	Correct	527400	MT-30-0712			30-0712	1	36,126	728.3200	13,155.69	13,155.68	26,311.37	0.08	
Anaconda-Deer Lodge	Results							Tax Increase (Decrease)		(55.72)	(55.72)	(111.44)	(0.01)	
Anaconda-Deer Lodge	Incorrect	527700	MT-30-J712			30-J712	1JF	74,424	734.6300	27,337.91	27,337.88	54,675.79	1.69	Incorrect Taxable Value Used.
Anaconda-Deer Lodge	Correct	527700	MT-30-J712			30-J712	1JF	74,051	734.6300	27,200.90	27,200.87	54,401.77	1.68	
Anaconda-Deer Lodge	Results							Tax Increase (Decrease)		(137.01)	(137.01)	(274.02)	(0.00)	
Anaconda-Deer Lodge	Incorrect	533390	MT-30-Y236 (GEN T&D)		DGGS 12% Generation Property	30-Y236	1236T4-101	538,314	667.7300	179,724.20	179,724.21	359,448.41	0.00	Incorrect Mill Levy Used.
Anaconda-Deer Lodge	Correct	533390	MT-30-Y236 (GEN T&D)		DGGS 12% Generation Property	30-Y236	1236T4-101	538,314	667.3700	179,627.31	179,627.30	359,254.61	(0.00)	
Anaconda-Deer Lodge	Results							Tax Increase (Decrease)		(96.89)	(96.91)	(193.80)	(0.01)	
Stillwater	Incorrect	7000054	MT-32-0850			32-0850	9	207,761	578.7800	60,124.18	60,124.16	120,248.34	0.43	Incorrect Taxable Value Used.
Stillwater	Correct	7000054	MT-32-0850			32-0850	9	196,827	578.7800	56,960.00	56,959.96	113,919.96	0.43	
Stillwater	Results							Tax Increase (Decrease)		(3,164.18)	(3,164.20)	(6,328.38)	(0.00)	
Stillwater	Incorrect	7000229	MT-32-1853 (HYDRO)		Hydro	32-1853	13-O	1,557,640	400.3900	312,922.67	312,922.66	625,845.33	2,181.85	Incorrect Taxable Value Used.
Stillwater	Correct	7000229	MT-32-1853 (HYDRO)		Hydro	32-1853	13-O	1,475,684	400.3900	296,458.10	296,458.07	592,916.17	2,067.05	
Stillwater	Results							Tax Increase (Decrease)		(16,464.57)	(16,464.59)	(32,929.16)	(114.80)	
Judith Basin	Incorrect	CA04720009	MT-36-0472 (Spion Kop)		Spion Kop	36-0472	58RF	643,378	356.8500	114,794.73	114,794.71	229,589.44	0.00	Incorrect Taxable Value Used.
Judith Basin	Correct	CA04720009	MT-36-0472 (Spion Kop)		Spion Kop	36-0472	58RF	642,504	356.8500	114,638.79	114,638.77	229,277.56	0.01	
Judith Basin	Results							Tax Increase (Decrease)		(155.94)	(155.94)	(311.88)	(0.01)	
Granite	Incorrect	1450246	MT-46-1415		NOT NWE's Local Bill	46-1415	10	12,521	521.1600	3,444.22	3,444.11	6,888.33	362.89	NOT NWE's Property. Per Vicki Harding (treasurer), it belongs to Contact Mining Company.
Granite	Correct	1450246	MT-46-1415		NOT NWE's Local Bill	46-1415	10	-	521.1600	-	-	-	-	
Granite	Results							Tax Increase (Decrease)		(3,444.22)	(3,444.11)	(6,888.33)	(362.89)	
Granite	Incorrect	1451369	MT-46-1415	Tr in SE4 SECT 25 & 36, Port of Preemption Entry #614 MS	Locally Assessed Tax Bill	46-1415	10	696	521.1600	192.01	191.99	384.00	21.27	Double taxation of Land. Land Value was included in centrally assessed bill
Granite	Correct	1451369	MT-46-1415	2483 Acres 1.31	Locally Assessed Tax Bill	46-1415	10	-	521.1600	-	-	-	-	6015001.
Granite	Results							Tax Increase (Decrease)		(192.01)	(191.99)	(384.00)	(21.27)	

2015 MT Property Taxes

Updated by Kari Randall 11/18/15

0.52514555 2015 Cost to Market Factor

Line #	Budget Reporting Type	Adj.Original Cost	Market	Taxable	Actual 2015 Market & Taxable Values, Mill Levies & Specials.			Code
					Property Tax	Specials	Total Tax	
1	Battle Creek JV Gas Production	931,515	489,181	58,702	32,827	0	32,828	GP
2	Battle Creek Gas Production	8,100	4,254	510	285	0	285	GP
3	Bear Paw Gas Production	1,027,802	539,746	64,769	37,127	35	37,162	GP
4	Bear Paw Lodge Creek Gas Production	3,034,932	1,593,781	191,254	107,490	89	107,578	GP
5	Bear Paw South Gas Production	4,876,501	2,560,873	307,305	151,199	758	151,957	GP
6	Bear Paw Willow Creek Gas Production	143,742	75,485	9,058	5,748	47	5,795	GP
7	Colstrip 4 Generation	292,842,915	153,785,154	9,227,109	2,722,152	34,076	2,756,228	C4
8	Colstrip 4 Pollution Control	78,167,138	41,049,125	1,231,474	367,521	-	367,521	C4
9	Colstrip 4 Pollution Control - Exempt	263,947	138,611	-	-	-	-	C4
10	Common	93,406,093	49,051,794	5,886,215	3,927,994	51,108	3,979,102	C
11	CWIP BGO Common	9,224,920	4,844,426	581,331	431,667	1,003	432,670	BGO
12	CWIP Common	4,500,060	2,363,187	283,582	194,345	-	194,345	C
13	CWIP Electric Distribution	22,408,117	11,767,523	1,412,103	927,850	-	927,850	ED
14	CWIP Electric Transmission	17,350,662	9,111,623	1,093,395	640,923	-	640,923	ET
15	CWIP Gas Distribution	2,000,573	1,050,592	126,071	84,579	-	84,579	GD
16	CWIP Gas Storage	65,029	34,150	4,098	1,838	-	1,838	GS
17	CWIP Gas Transmission	476,502	250,233	30,028	20,109	-	20,109	GT
18	DGGS Generation 12%	8,542,286	4,485,943	538,313	359,254	(0)	359,254	DG
19	DGGS Generation 6%	155,548,495	81,685,600	4,901,136	3,270,871	282	3,271,153	DG
20	DGGS Pollution Control	20,896,876	10,973,901	329,217	219,710	0	219,710	DG
21	Electric Distribution	1,100,576,799	577,963,008	69,355,561	42,632,888	970,027	43,602,915	ED
22	Electric General	60,898,331	31,980,488	3,837,659	2,389,870	-	2,389,870	E
23	Electric Transmission	225,736,455	118,544,495	14,225,339	7,277,791	65,029	7,342,820	ET
24	Electric Transmission - Mileage	398,307,672	209,169,502	25,100,340	12,872,226	21,008	12,893,234	ET
25	Gas Distribution	215,186,268	113,004,111	13,560,493	8,972,032	16,532	8,988,563	GD
26	Gas General	76,772,603	40,316,791	4,838,015	3,215,754	-	3,215,754	G
27	Gas Storage	28,738,560	15,091,927	1,811,031	955,476	46	955,522	GS
28	Gas Transmission	54,686,878	28,718,571	3,446,228	1,944,771	19,595	1,964,366	GT
29	Gas Transmission - Mileage	208,373,262	109,426,291	13,131,155	7,298,698	40,086	7,338,784	GT
30	Havre Pipeline	7,771,231	4,081,027	489,723	262,060	265	262,325	GP
31	Hydro Generation	1,087,466,570	571,078,230	34,264,694	16,512,805	119,603	16,632,407	EG
32	Spion Kop - Wind Generation 12%	1,666,841	875,334	105,040	37,208	-	37,208	EG
33	Spion Kop - Wind Generation 3%	82,188,546	43,160,949	647,414	231,017	-	231,017	EG
34	Storage Lines - Mileage	44,750,610	23,500,584	2,820,070	1,473,727	-	1,473,727	GS
35	Townsend Garrison (BPA) Line	10,775,936	5,658,935	679,072	354,363	-	354,363	ET
36	Townsend Propane	1,519,564	797,992	95,759	56,386	-	56,386	-
37								
38		4,321,132,332	2,269,223,416	214,683,266	119,990,561	1,339,588	121,330,149	
39				0.5651589	Est 2015 Avg Mill Levy			
40								
41	MT DOR CUV Allocated Market Value 2015		2,269,223,613					
42	Market Value variance		(197)					
43								
44	MT DOR CUV Allocated Taxable Value 2015		214,683,044					
45	Taxable Value variance		222					
46								
47	Codes							
48	C = Common	G = Gas General						
49	E = Electric General	GD = Gas Distribution						
50	ED = Electric Distribution	GP = Gas Production						
51	EG = Electric Generation	GS = Gas Storage						
52	ET = Electric Transmission	GT = Gas Transmission						
53	C4 = Colstrip Unit 4	BGO = Butte General Office						
54	DG = Dave Gates Generating Station							
55								
56								
57								
58								
59	Breakdown	Common and General					Total Taxes \$	121,931,308
60	Electric	Plant Allocations	Direct	Total Taxes				
61	Generation - Colstrip 4	-	\$ 3,123,749	\$ 3,123,749		2015 Original Budget		116,977,812
62	Generation - DGGS	-	3,850,117	3,850,117		Increase (Decrease)		4,953,496
63	Generation - Hydro	-	16,632,407	16,632,407				
64	Generation - Spion Kop (Wind)	-	268,225	268,225		2015 Revised Budget		122,466,222
65	Transmission	1,244,659	21,282,781	22,527,440		Increase (Decrease)		(534,914)
66	Distribution	3,958,540	44,531,045	48,489,585				
67		5,203,199	89,688,325	94,891,523				
68	Gas							
69	Transmission	\$ 1,561,617	\$ 9,731,293	\$ 11,292,910				
70	Distribution	2,856,086	9,073,142	11,929,228				
71	Storage	183,720	2,431,087	2,614,807				
72	Production - Battle Creek	-	38,959	38,959				
73	Production - Bear Paw	-	182,099	182,099				
74	Production - Bear Paw South	-	198,003	198,003				
75	Production - Havre Pipeline	-	262,325	262,325				
76		\$ 4,601,423	\$ 21,916,909	\$ 26,518,332				
77						Utility \$		121,382,770
78	BGO Common - Butte General Office	\$ -	\$ 432,670	\$ 432,670		Utility - Tribal Tax \$		459,062
79						Utility - Montana Rail Link \$		693
80	Utility Breakdown Totals	\$ 9,804,622	\$ 112,037,904	\$ 121,842,526		Utility Subtotal \$		121,842,526
81								
82	Breakdown without Tribal & Rail Link	Common and General						
83		Plant Allocations	Direct	Total Taxes				
84	Electric					CMP \$		19,410
85	Generation - Colstrip 4	-	\$ 3,123,749	\$ 3,123,749		Townsend Propane \$		56,386
86	Generation - DGGS	-	3,850,117	3,850,117		Non-Operating \$		12,986
87	Generation - Hydro	-	16,632,407	16,632,407		Total \$		121,931,308
88	Generation - Spion Kop (Wind)	-	268,225	268,225				
89	Transmission	1,244,659	21,231,340	22,475,999				
90	Distribution	3,958,540	44,530,766	48,489,305				
91		5,203,199	89,636,604	94,839,802				
92	Gas					Totals included in Utility Numbers above:		
93	Transmission	\$ 1,561,617	\$ 9,323,259	\$ 10,884,876		Colstrip 4		3,123,749
94	Distribution	2,856,086	9,073,142	11,929,228		DGGS (Mill Creek)		3,850,117
95	Storage	183,720	2,431,087	2,614,807		Hydro		16,632,407
96	Production - Battle Creek	-	38,959	38,959		Spion Kop-Wind		268,225
97	Production - Bear Paw	-	182,099	182,099		Battle Creek-GP		38,959
98	Production - Bear Paw South	-	198,003	198,003		Bear Paw-GP		182,099
99	Production - Havre Pipeline	-	262,325	262,325		Bear Paw South-GP		198,003
100		\$ 4,601,423	\$ 21,508,874	\$ 26,110,298		Havre Pipeline		262,325
101						BGO		432,670
102	BGO Common - Butte General Office	\$ -	\$ 432,670	\$ 432,670				24,988,556
103								
104	Adjusted Utility Breakdown Totals	\$ 9,804,622	\$ 111,578,149	\$ 121,382,770				

NorthWestern Energy
Docket No. D2015.10.81
PSC Investigation into Taxes and Fees/Property Tax Tracker

Montana Public Service Commission (PSC)
Set 1 (001-011)

Data Requests received November 6, 2015

PSC-007

Regarding: Assessment Methodology

Witness: N/A

- a. Please explain NWE's understanding of why DOR adjusted the weighted factors on which the assessment is based.
- b. Please explain which factors are correlated to the profit that NWE makes and the price of shares of NWE's publicly traded stock, and explain how the amount of profit or share price correlates to NWE's assessment.

RESPONSE:

- a. DOR changed its weighting factors during the informal review process in response to NorthWestern's challenge of the assessment. DOR indicated that the weighting of the various factors was a matter committed to its discretion and expertise. The original and final weighting factors are as follows:

	<u>Original</u>	<u>Final</u>
OCLD	45%	25%
NOI	15%	20%
GCF	0%	0%
FCFF	15%	35%
Stock & Debt	<u>25%</u>	<u>20%</u>
Total	100%	100%

- b. DOR uses five value indicators which they weight when determining NorthWestern assessed value. They are as follows:

1. Original Cost less Depreciation ("OCLD")
2. Net Operating Income ("NOI")
3. Gross Cash Flow ("GCF")
4. Free Cash Flow to the Firm ("FCFF") and
5. Stock & Debt

NOI takes a weighted average of prior five years of NorthWestern's NOI as computed by DOR from NorthWestern's financial statement information.

Stock & Debt reflects the average 12-month market price for the calendar year 2014 of NorthWestern's common stock price and the 2014 year-end value of NorthWestern's debt issuances and capital leases.

NorthWestern Energy
Docket No. D2015.10.81
PSC Investigation into Taxes and Fees/Property Tax Tracker

Montana Public Service Commission (PSC)
Set 1 (001-011)

Data Requests received November 6, 2015

PSC-008

Regarding: Construction Work In Progress (CWIP)
Witness: N/A

What is the total amount of property taxes related to Construction Work in Progress that NWE is assessed in Montana? Please provide detail for both the electric and gas utility.

RESPONSE:

See Attachment.

NorthWestern Energy
Docket No. D2015.10.81
PSC Investigation into Taxes and Fees/Property Tax Tracker

Montana Public Service Commission (PSC)
Set 1 (001-011)

Data Requests received November 6, 2015

PSC-009

Regarding: Rate Surcharge for Special Taxes

Witness: N/A

- a. Please identify the total amount of tax expense that falls into the category of “state and local taxes” but which is a tax assessment made by a special tax district or tribal reservation. Please identify each separately.
- b. Please estimate the number of customers who reside in such a district or reservation.

RESPONSE:

- a. See the Attachment provided in response to Data Request PSC-006c. Please note that not all special tax districts are separately identified on the tax bills NorthWestern receives. Only the ones that are separated out appear on the above-referenced attachment. Also, NorthWestern receives more than 1,500 tax bills in a year for Montana.
- b. NorthWestern is unable to provide an estimate of the number of customers per special district. The taxing authorities do not provide boundaries for each special tax district.

NorthWestern Energy
Docket No. D2015.10.81
PSC Investigation into Taxes and Fees/Property Tax Tracker

Montana Public Service Commission (PSC)
Set 1 (001-011)

Data Requests received November 6, 2015

PSC-010

Regarding: Impact on Income Taxes
Witness: N/A

Please calculate the net impact on NWE's income taxes as a result of the last three years of revenue provided through the tax tracker. Please provide work papers showing your calculation.

RESPONSE:

See Attachment.

**NorthWestern Energy
 Electric & Natural Gas Utility
 2015 Tax Tracker
 Summary**

(A)	(B)	(C)	(D)	(E)	(F)	(G)	(H)
Line No.	Description	MPSC Electric Utility	MPSC Natural Gas Utility	Colstrip Unit 4	DGGs	Spion Kop	MPSC Total Utility
1	2014 Actual Taxes: (Deferred Balance)						
2							
3	Tax Expense						
4	2014 Property Tax Expense	\$ 66,763,206	\$ 24,693,942	\$ 2,570,868	\$ 3,131,599	\$ 272,624	\$ 97,432,238
5	2014 Wholesale Energy Tax Expense	\$ 1,178,755	\$ -	\$ -	\$ -	\$ -	\$ 1,178,755
6	2014 Electricity & Electrical Energy License Tax	\$ -	\$ -	\$ 287,587	\$ 65,756	\$ 26,950	\$ 380,293
7	Total Taxes	<u>\$ 67,941,961</u>	<u>\$ 24,693,942</u>	<u>\$ 2,858,455</u>	<u>\$ 3,197,355</u>	<u>\$ 299,575</u>	<u>\$ 98,991,286</u>
8							
9	Tax Revenues						
10	2014 MPSC Base Tax Revenues	\$ 44,617,111	\$ 22,406,065	\$ 3,052,079	\$ 3,081,402	\$ 447,179	\$ 73,603,836
11	FERC Revenues	\$ 12,828,427	\$ -	\$ -	\$ -	\$ -	\$ 12,828,427
12	2014 DSM Lost Revenues Recovery	\$ 1,215,294	\$ 49,421	\$ 142,098	\$ 97,383	\$ 6,254	\$ 1,510,451
13	Total Revenues	<u>\$ 58,660,832</u>	<u>\$ 22,455,486</u>	<u>\$ 3,194,177</u>	<u>\$ 3,178,786</u>	<u>\$ 453,433</u>	<u>\$ 87,942,713</u>
14							
15	Under (Over) Collection of 2014 Taxes	\$ 9,281,129	\$ 2,238,456	\$ (335,722)	\$ 18,569	\$ (153,858)	\$ 11,048,573
16							
17	Less: Income Tax - Adjustment	39.39% \$ 3,655,605	\$ 881,672	\$ (132,233)	\$ 7,314	\$ (60,601)	\$ 4,351,757
18							
19	2014 Deferred Bal. Rate Component Change	\$ 5,625,524	\$ 1,356,784	\$ (203,490)	\$ 11,255	\$ (93,257)	\$ 6,696,816
20							
21	Less: 2014/2013/2012/2011 MPSC Incremental Tax Revenues	\$ 4,593,053	\$ 962,446	\$ (344,269)	\$ (106,995)	\$ (72,808)	\$ 5,031,427
22							
23	2014 Net Deferred Bal. Rate Component Change	<u>\$ 1,032,471</u>	<u>\$ 394,338</u>	<u>\$ 140,779</u>	<u>\$ 118,250</u>	<u>\$ (20,450)</u>	<u>\$ 1,665,390</u>
24							
25	2013 Tax Tracker True Up Under/(Over) Collection	\$ 631,906	\$ (68,340)	\$ 44,754	\$ 23,089	\$ 752	\$ 632,161
26	2014 Tax Tracker True Up Under/(Over) Collection	\$ (38,435)	\$ (5,503)	\$ (2,052)	\$ (1,013)	\$ 1,013	\$ (45,991)
27							
28	Adjusted 2014 Net Deferred Bal. Rate Component Change	<u>\$ 1,625,942</u>	<u>\$ 320,496</u>	<u>\$ 183,480</u>	<u>\$ 140,327</u>	<u>\$ (18,685)</u>	<u>\$ 2,251,560</u>
29							
30	2013 Prior Year Net Deferred Bal. Enacted By Law ¹ (Reverse)	<u>\$ (1,605,505)</u>	<u>\$ (1,226,338)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (2,831,842)</u>
31							

¹ On January 23, 2014, the Montana Public Service Commission (Commission) held a work session regarding NorthWestern's initial application and filing in Docket D2013.12.83. The Commission elected not to take action in this docket. According to § 69-3-308(2), MCA, "Failure of the commission to issue an order pursuant to subsection (2)(c) is considered approval on the part of the commission."

**NorthWestern Energy
 Electric & Natural Gas Utility
 2014 Tax Tracker
 Summary**

Line No.	Description	(A)	(B)	(C) MPSC Electric Utility	(D) MPSC Natural Gas Utility	(E) Colstrip Unit 4	(F) DGGGS	(G) Spion Kop	(H) MPSC Total Utility
1	2013 Actual Taxes: (Deferred Balance)								
2									
3	Tax Expense								
4	2013 Property Tax Expense			\$ 63,370,753	\$ 23,899,308	\$ 2,380,098	\$ 2,947,543	\$ 295,960	\$ 92,893,661
5	2013 Wholesale Energy Tax Expense			\$ 1,335,175	\$ -	\$ -	\$ -	\$ -	\$ 1,335,175
6	2013 Electricity & Electrical Energy License Tax			\$ -	\$ -	\$ 239,183	\$ 72,769	\$ 28,142	\$ 340,094
7	Total Taxes			<u>\$ 64,705,928</u>	<u>\$ 23,899,308</u>	<u>\$ 2,619,281</u>	<u>\$ 3,020,312</u>	<u>\$ 324,102</u>	<u>\$ 94,568,930</u>
8									
9	Tax Revenues								
10	2013 MPSC Base Tax Revenues			\$ 44,322,176	\$ 20,864,451	\$ 3,040,780	\$ 3,112,951	\$ 439,864	\$ 71,780,222
11	FERC Revenues			\$ 12,039,374	\$ -	\$ -	\$ -		\$ 12,039,374
12	2013 DSM Lost Revenues Recovery			<u>\$ 947,903</u>	<u>\$ 13,863</u>	<u>\$ 126,802</u>	<u>\$ 78,118</u>	<u>\$ 2,466</u>	<u>\$ 1,169,151</u>
13	Total Revenues			<u>\$ 57,309,453</u>	<u>\$ 20,878,314</u>	<u>\$ 3,167,582</u>	<u>\$ 3,191,069</u>	<u>\$ 442,330</u>	<u>\$ 84,988,748</u>
14									
15	Under (Over) Collection of 2013 Taxes			\$ 7,396,475	\$ 3,020,994	\$ (548,301)	\$ (170,757)	\$ (118,229)	\$ 9,580,182
16									
17	Less: Income Tax - Adjustment	39.39%		<u>\$ 2,913,287</u>	<u>\$ 1,189,894</u>	<u>\$ (215,962)</u>	<u>\$ (67,257)</u>	<u>\$ (46,567)</u>	<u>\$ 3,773,394</u>
18									
19	2013 Deferred Bal. Rate Component Change			\$ 4,483,188	\$ 1,831,100	\$ (332,339)	\$ (103,500)	\$ (71,661)	\$ 5,806,788
20									
21	Less: 2013/2012/2011 MPSC Incremental Tax Revenues			\$ 3,036,886	\$ 724,586	\$ (258,844)	\$ (331,383)	\$ -	\$ 3,171,244
22									
23	2013 Net Deferred Bal. Rate Component Change			<u>\$ 1,446,303</u>	<u>\$ 1,106,514</u>	<u>\$ (73,494)</u>	<u>\$ 227,883</u>	<u>\$ (71,661)</u>	<u>\$ 2,635,544</u>
24									
25	2012 Tax Tracker True Up Under/(Over) Collection			\$ 213,783	\$ 95,214	\$ 25,429	\$ 29,354	\$ -	\$ 363,780
26	2013 Tax Tracker True Up Under/(Over) Collection			\$ (54,581)	\$ 24,610	\$ (2,524)	\$ 3,608	\$ -	\$ (28,888)
27									
28	Adjusted 2013 Net Deferred Bal. Rate Component Change			<u>\$ 1,605,505</u>	<u>\$ 1,226,338</u>	<u>\$ (50,590)</u>	<u>\$ 260,845</u>	<u>\$ (71,661)</u>	<u>\$ 2,970,436</u>
29									
30	2012 Prior Year Net Deferred Bal. Enacted By Law ¹ (Reverse)			<u>\$ (3,693,565)</u>	<u>\$ (2,036,036)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (5,729,602)</u>
31									

¹ On January 31, 2013, the Montana Public Service Commission (Commission) held a work session regarding NorthWestern's initial application and supplemental revised filing in Docket D2012.12.124. The Commission elected not to take action in this docket. According to § 69-3-308(2), MCA, "Failure of the commission to issue an order pursuant to subsection (2)(c) is considered approval on the part of the commission."

**NorthWestern Energy
 Electric & Natural Gas Utility
 2013 Tax Tracker
 Summary**

Line No.	Description	(A)	(B)	(C)	(D)	(E)	(F)	(G)
				MPSC Electric Utility	MPSC Natural Gas Utility	Colstrip Unit 4	DGGs	MPSC Total Utility
1	2012 Actual Taxes: (Deferred Balance)							
2								
3	Tax Expense							
4	2012 Property Tax Expense			\$ 59,258,009	\$ 22,407,422	\$ 2,350,191	\$ 2,544,109	\$ 86,559,730
5	2012 Wholesale Energy Tax Expense			\$ 1,355,522	\$ -	\$ -	\$ -	\$ 1,355,522
6	Total Taxes			\$ 60,613,532	\$ 22,407,422	\$ 2,350,191	\$ 2,544,109	\$ 87,915,252
7								
8	Tax Revenues							
9	2012 MPSC Base Tax Revenues			\$ 43,966,924	\$ 18,262,195	\$ 2,668,825	\$ 3,039,343	\$ 67,937,286
10	FERC Revenues			\$ 10,923,505	\$ -	\$ -	\$ -	\$ 10,923,505
11	2012 DSM Lost Revenues Recovery			\$ 1,318,911	\$ 221,482	\$ 186,071	\$ 64,914	\$ 1,791,378
12	Total Revenues			\$ 56,209,339	\$ 18,483,677	\$ 2,854,896	\$ 3,104,257	\$ 80,652,169
13								
14	Under (Over) Collection of 2012 Taxes			\$ 4,404,192	\$ 3,923,745	\$ (504,705)	\$ (560,148)	\$ 7,263,083
15								
16	Less: Income Tax - Adjustment	39.39%		\$ 1,734,701	\$ 1,545,465	\$ (198,791)	\$ (220,628)	\$ 2,860,747
17								
18	2012 Deferred Bal. Rate Component Change			\$ 2,669,491	\$ 2,378,280	\$ (305,915)	\$ (339,520)	\$ 4,402,336
19								
20	Less: 2012/2011 MPSC Incremental Tax Revenues			\$ (541,742)	\$ 373,675	\$ (281,251)	\$ -	\$ (449,318)
21								
22	2012 Net Deferred Bal. Rate Component Change			\$ 3,211,233	\$ 2,004,605	\$ (24,663)	\$ (339,520)	\$ 4,851,655
23								
24	2011 Tax Tracker True Up Under/(Over) Collection			\$ 448,776	\$ 95,193	\$ 25,953	\$ -	\$ 569,923
25	2012 Tax Tracker True Up Under/(Over) Collection			\$ 33,555	\$ (63,761)	\$ 3,038	\$ -	\$ (27,167)
26								
27	Adjusted 2012 Net Deferred Bal. Rate Component Change			\$ 3,693,565	\$ 2,036,036	\$ 4,328	\$ (339,520)	\$ 5,394,410
28								
29	2011 Prior Year Net Deferred Bal. Final Order No. 7191a (Reverse)			\$ 1,359,097	\$ 1,185,872	\$ -	\$ -	\$ 2,544,969
30								
31								

NorthWestern Energy
Docket No. D2015.10.81
PSC Investigation into Taxes and Fees/Property Tax Tracker

Montana Public Service Commission (PSC)
Set 1 (001-011)

Data Requests received November 6, 2015

PSC-011

Regarding: Unified Rate Schedule

Witness: N/A

- a. Please discuss whether amending a single rate schedule (perhaps containing a single volumetric rate) designed to collect all state and local taxes would be simpler to administer than amending numerous rates every time there is a tax tracker adjustment.
- b. Assuming the Commission ordered NWE to utilize and amend a single rate schedule (i.e., tariff) to collect and true-up all state and local taxes, how would you propose to structure such a tariff?
- c. Using NWE's exhibits from last year's filing in Docket D2014.12.96, please calculate the total dollar amount that such a rate schedule would have been designed to collect in 2015. Please provide work papers showing your calculation.

RESPONSE:

- a. The first proposed application of the statutory tax tracking adjustment mechanism, submitted by Energy West, proposed a single rate, volumetric rate structure. It was rejected by the Commission. Orders 6556 and 6556a, MPSC Docket D2003.12.165. The Commission specified in that order that the statutory tax tracking adjustment had to be implemented on an equal percentage basis, including both fixed and volumetric charges. NorthWestern's tax tracking adjustment mechanism was designed and implemented to comply with the Commission's order.

Although there might have been benefits from initially implementing the tax tracking adjustment mechanism through a single rate, volumetric rate structure, changing the rate structure of the tax tracker at this time would be inadvisable. First and foremost, there would be large numbers of customers who would be winners or losers under the changed rate structure. Not only would certain rate classes likely be winners or losers, but customers within rate classes would be winners and losers depending on their individual energy usage.

NorthWestern Energy
Docket No. D2015.10.81
PSC Investigation into Taxes and Fees/Property Tax Tracker

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PSC-011 cont'd

One advantage to the equal percentage rate structure currently used to implement the tax tracking adjustment is that it preserves the underlying rate structure and rate design decisions last implemented by the Commission. The continued vitality of that rate design should be examined as part of a comprehensive review of NorthWestern's rate design, not a proceeding to implement the statutory tax tracker.

- b. See the response to Data Request PSC-001b.
- c. The rate schedule revenues were designed to collect \$73,565,588 of base tax revenues and \$6,565,995 of incremental tax revenues for a total of \$80,131,583 for the year 2015. This information is shown on Exhibit__(PJD-1) page 1, lines 10 and 19. The total expense for this time frame is \$98,992,685 as shown on line 7.