

SECRETARY'S RECORD, PUBLIC SERVICE COMMISSION

BEFORE THE NEBRASKA PUBLIC SERVICE COMMISSION

In the Matter of the ) Application No. NG-115.1
Commission, to conduct a )
management review of gas supply )
schedules implemented by ) ORDER OPENING DOCKET,
NorthWestern Energy Public ) INITIATING REVIEW, AND
Service Corporation d/b/a ) NOTICE OF ASSESSMENT
NorthWestern Energy, Sioux )
Falls, South Dakota, pursuant )
to Neb. Rev. Stat. § 66-1854. ) Entered: March 5, 2024

BY THE COMMISSION:

The Commission opens this docket on its own motion in order to review the gas supply procurement practices associated with gas purchasing of NorthWestern Energy Public Service Corporation1 d/b/a NorthWestern Energy ("NorthWestern"), Sioux Falls, South Dakota, pursuant to Neb. Rev. Stat. § 66-1854. The Commission previously conducted a financial review of the gas supply cost adjustment schedules filed by NorthWestern regarding the gas supply in Docket No. NG-115, however a management and prudence review of NorthWestern's procurement policies was not conducted at that time.2 This docket is opened to conduct the second planned portion of the audit of NorthWestern, the management audit.

O P I N I O N A N D F I N D I N G S

Jurisdictional utilities are specifically authorized to implement gas supply cost adjustment ("GSCA") rate schedules in

1 Previously known as NorthWestern Corporation d/b/a NorthWestern Energy. The name was formally changed January 1, 2024. See Commission Docket No. NG-121, In the Matter of the Joint Application of NorthWestern Corporation and NorthWestern Energy Public Service Corporation, Sioux Falls, South Dakota, seeking authority to issue securities and transfer its Nebraska certificate of public convenience and necessity, Order Granting Application (December 12, 2023).

2 "The current review shall not include a prudence review of NorthWestern's purchasing strategy and approach to natural gas procurement and hedging. A second audit shall be initiated at a later date to review prudence of the utility's gas procurement programs." Commission Docket No. NG-115, In the Matter of the Commission, to conduct a review of gas supply cost adjustment schedules implemented by NorthWestern Corporation d/b/a NorthWestern Energy, Sioux Falls, South Dakota, pursuant to Neb. Rev. Stat. § 66-1854. Order Opening Docket and Initiating Review Notice of Assessment (June 28, 2022) at p. 3.

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Neb. Rev. Stat. § 66-1854. Neb. Rev. Stat. § 66-1854(1) states, "The commission shall allow jurisdictional utilities to implement and thereafter modify gas supply cost adjustment rate schedules that reflect increases or decreases in the cost of the utility's gas supply such as (a) federally regulated wholesale rates for energy delivered through interstate facilities, (b) direct costs for natural gas delivered, or (c) costs for fuel used in the manufacture of gas. Such costs may, in the discretion of the commission, include costs related to gas price volatility risk management activities, the costs of financial instruments purchased to hedge against gas price volatility, if prudent, and other relevant factors...."

In addition, Neb. Rev. Stat. § 66-1854(3) states, "The commission may modify a jurisdictional utility's gas supply cost adjustment rate schedule under procedures specified in the act for setting rates by order of the commission."

Furthermore, "Once annually, the commission may initiate public hearings, upon complaint, to determine whether the gas supply cost adjustment schedule of a jurisdictional utility reflects the costs of the utility's gas supply and whether such costs were prudently incurred and to reconcile any amounts collected from ratepayers with the actual costs of gas supplies incurred by the utility." Neb. Rev. Stat. § 66-1854(4).

Although §66-1854 outlines formal alternatives for the filing of a complaint regarding a jurisdictional utility's GSCA, the Commission is not restricted to the filing of a formal complaint in order to review GSCAs.

In addition to the specific provision regarding gas cost adjustments, the Commission is granted broad authority under the State Natural Gas Regulation Act, Neb. Rev. Stat. §§ 66-1801 to 66-1868 (the "Act"). Pursuant to Neb. Rev. Stat. § 66-1804,

(1) The commission shall have full power, authority, and jurisdiction to regulate natural gas public utilities and may do all things necessary and convenient for the exercise of such power, authority, and jurisdiction. Except as provided in the Nebraska Natural Gas Pipeline Safety Act of 1969, and notwithstanding any other provision of law, such power, authority, and jurisdiction shall extend to, but not be

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limited to, all matters encompassed within the State Natural Gas Regulation Act.

(2) The State Natural Gas Regulation Act and all grants of power, authority, and jurisdiction in the act made to the commission shall be liberally construed, and all incidental powers necessary to carry into effect the provisions of the act are expressly granted to and conferred upon the commission.

Furthermore, the Commission is specifically authorized to "examine and audit all accounts of jurisdictional utilities..." Neb. Rev. Stat. § 66-1818.

Pursuant to the Commission's general grant of authority and its power to audit, we find that the Commission shall conduct an informal review of NorthWestern's GSCA as it relates to management and prudence. Such informal review will be conducted by the Commission's consultant.

## Scope of Review

The scope of the informal review will include, but is not limited to the following:

1. Review prudence of purchasing strategy and approach to natural gas procurement and hedging in effect from January 1, 2020, to December 31, 2022, which may include examination of gas costs beyond the period described.

A Protective Order was entered in the initial audit docket on July 11, 2022, and remains in effect for the management audit conducted pursuant to this order and will apply to any commercially sensitive documents exchanged in this docket.<sup>3</sup>

## Notice of Assessment

The Commission finds that it may be necessary to assess certain expenses associated with this docket to NorthWestern, pursuant to Neb. Rev. Stat. § 66-1840. The Commission hereby

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<sup>3</sup> *Id.*, Protective Order, July 11, 2022.

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provides notice to the utility, as required by Neb. Rev. Stat. § 66-1840, that expenses may be assessed.

O R D E R

IT IS THEREFORE ORDERED by the Nebraska Public Service Commission that this docket be opened in order to review the prudence of the procurement strategy for natural gas utilized by NorthWestern Energy Public Service Corporation d/b/a NorthWestern Energy, Sioux Falls, South Dakota, pursuant to Neb. Rev. Stat. § 66-1854.

ENTERED AND MADE EFFECTIVE at Lincoln, Nebraska, this 5th day of March, 2024.

NEBRASKA PUBLIC SERVICE COMMISSION

COMMISSIONERS CONCURRING:

*Eric M. Hamler*

*[Signature]*

*Tim Schram*

*Kevin Stocker*

*[Signature]*

Chair

ATTEST:

*Thomas W. Golden*

Executive Director