

NEBRASKA PUBLIC SERVICE COMMISSION

**Financial and Accounting Audit Procedures of
NorthWestern Corporation d/b/a NorthWestern
Energy**

For the Period January 1, 2019
through December 31, 2021



Report on Financial and Accounting Audit Procedures of NorthWestern Corporation d/b/a NorthWestern

Nebraska Public Service Commission
Lincoln, Nebraska

In accordance with the Nebraska Public Service Commission's (the "Commission") docket dated June 28, 2022, in which the Commission ordered a review of the gas supply cost adjustment schedules implemented by NorthWestern Corporation d/b/a NorthWestern Energy ("NorthWestern"), Sioux Falls, South Dakota, pursuant to *Neb. Rev. Stat. § 66-1854*, HORNE LLP ("HORNE" and "we") performed certain financial and accounting audit procedures of NorthWestern for the period of January 1, 2019 through December 31, 2021. The scope of HORNE's procedures is further described in the Scope and Procedures section below.

We were not engaged to conduct, nor did we conduct, an audit in accordance with auditing standards generally accepted in the United States of America ("GAAS") of NorthWestern's financial statements or any part thereof, or an examination of management's assertions concerning the effectiveness of internal control systems or an examination of compliance with laws, regulations, or other matters. Accordingly, we do not express any such opinion or other form of assurance.

Scope and Procedures

HORNE'S procedures consisted of obtaining an understanding of the significant processes impacting gas supply costs, developing a test plan and selecting a sample of transactions from the period of January 1, 2019 to December 31, 2021. A summary of procedures performed included the following:

- Review of all gas supply costs for the period of January 1, 2019 to December 31, 2021
- Review of all costs for transportation and storage related to gas procured
- Review all Gas Supply Cost Adjustment filings and calculations for the period of January 1, 2019 to December 31, 2021, including allocation of costs, if any
- Trace gas costs to general ledger
- Trace revenues to general ledger
- Trace Gas Supply Cost Adjustment to customers' bills on a sample basis, and
- Conduct transaction sampling to trace individual transactions from their origin (payments to suppliers, etc.) to their recognition and recovery in rates.

Specific procedures performed include a review of the six purchased gas cost adjustment filings submitted by NorthWestern to the Commission during the period from January 1, 2019 to December 31, 2021. The filings consisted of six routine semi-annual filings effective April and November of 2019 and 2020 and June and November of 2021.

HORNE sampled over 200 accounting transactions and certain schedules related to gas supply and transportation costs and revenue transactions from January 2019 through December 2021. Specific procedures performed on items selected for testing include reviewing schedules filed by Northwestern in support of its purchased gas cost adjustment factor; reviewing the BTU adjustment factor; obtaining and reviewing supporting detailed schedules and transactional data; receiving and reviewing supporting documentation for all gas cost purchases and storage transactions; reconciling gas supply costs and gas costs recovered from customers to the general ledger; reviewing and testing the calculation of gas cost over/under recovery; and reviewing the gas supply cost adjustment on a sample of customer bills. Additionally, we tested revenue transactions from January 1, 2019 through December 31, 2021 for completeness and accuracy of revenue recorded during the period. HORNE also reviewed organization charts and general policies and procedures. HORNE had numerous discussions with NorthWestern team members responsible for creation and maintenance of accounting records and for preparation of financial reports

Conclusion

We identified no errors specific to the transactions selected and procedures performed above. Furthermore, we identified no discrepancies in NorthWestern's written policies and procedures as a result of the procedures performed. Finally, HORNE found that the accounting department appear to exercise appropriate oversight and maintain reasonable systems to ensure proper accounting for its gas supply and transportation costs and revenue reporting.

HORNE's report is intended solely for the use of the Commission and is not intended to be and should not be relied upon by anyone other than this specified party. If you have any questions or comments relating to the contents of this report, please contact us.

HORNE LLP

Ridgeland, Mississippi