



April 14, 2021

Mike Hybl, Executive Director
Nebraska Public Service Commission
PO Box 94927
Lincoln, NE 68509

RECEIVED

By Deena Ackerman at 8:30 am, Apr 14, 2021

RE: In the Matter of the Commission, on its own motion, seeking to investigate the effect of the February 2021 cold weather event upon the cost of gas supply purchased by Nebraska gas utilities (Docket NG-111; NorthWestern Energy Sub-Docket NG-111.2)

Dear Mr. Hybl,

As per the Commission's order dated March 2, 2021 in the above referenced matter, NorthWestern Corporation, dba NorthWestern Energy (NorthWestern), hereby submits its proposal for the recovery of increased purchased gas costs during the February 2021 cold weather event.

NorthWestern uses a 12-month recovery period for the under/over recovery of purchased natural gas costs (PGA) as approved by the NE PSC and detailed in our natural gas tariffs. Normally, this results in stable rates not subject to price spikes. However, due to the unprecedented extreme price volatility related to the historic cold weather event experienced by Nebraska during the dates of February 13-18, 2021, using our tariffed 12-month recovery method for purchased natural gas, still results in a significant price increase to our customers.

To help counter this significant rate increase from this unprecedented event, NorthWestern proposes that the increase in purchased gas costs experienced during these dates in February be recovered over a 24-month period beginning with its June 1, 2021 PGA filing. The June 1 PGA filing will include the normal commodity and demand true-up balance from April 30 as well as the applicable portion of the 24 month cold weather event deferred cost. Using a 24-month timeline for the recovery of these February cold weather purchased gas costs is the most equitable approach to decreasing the financial impact on customers' monthly bills going forward while allowing timely recovery of these costs by NorthWestern.

As we discussed during our workshop, we do not mark up the cost of gas we purchase on behalf of our customers for their use. That is, every dollar we spend on gas is the exact amount NorthWestern charges our customers. The difference in dollars spent for a month and dollars recovered for a month is moved to the PGA tracker balance. There are times when this balance is a receivable from customers and times when the balance is a payable to customers. In either case, the Return on Rate Base (ROR) from the last rate case is used as the agreed upon interest rate per our tariffs for the calculation of interest either payable to or receivable from customers. It normally takes up to 12 months before the company collects those gas costs from our customers. NorthWestern used its short-term debt availability to pay suppliers for the natural gas commodity in March 2021 and expect to fold the ongoing capital requirements into our 2021 debt and equity financing plans. Our capital structure (including debt and equity) and credit ratings provide the ongoing liquidity needed to withstand an event like the recent cold weather event. Available liquidity is a function of the overall capital structure. Thus we believe the ROR methodology remains the appropriate charge as designed in the tariff, and is applied to the receivable balance as the interest rate to help bridge the timing between when the company pays its gas suppliers and when the company collects the gas costs from its customers.

NorthWestern respectfully requests the Commission's approval of our proposal to recover the increased purchased gas costs resulting from the February cold weather event through our PGA tariffed process over the next 24-months with the approved RoR from our last rate case included in those calculations. We also ask that the dates for the February cold weather related increased purchased gas costs be February 13 through February 18, 2021, inclusive. NorthWestern reached a similar agreement with the South Dakota Public Utilities



Commission for the recovery of increased purchased gas costs during these same dates over a 12-month period through our SD PGA starting March 1, 2021.

As information regarding financial assistance programs for utility payments is still developing, NorthWestern will remain in contact with Commission staff in examining potential assistance programs that can benefit Nebraska customers if they are experiencing financial difficulties in paying their natural gas bills. We see this as an on-going effort in how can we best work together in helping customers who can use a hand when facing unexpected financial challenges.

We want to thank the Commission and staff for its thoughtful approach in examining the February cold weather event and the impact it had on market purchases of natural gas to meet customer demands. NorthWestern appreciated the opportunity to have a free and open discussion with all parties through the workshop process. We also want to recognize staff's efforts in responding to our initial inquiries and interest in our operational and customer care responses during the February cold weather event.

Please let me know if you have any questions or need additional information.

Sincerely,

Pamela A. Bonrud

Director-Government and Regulatory Affairs

Pam.bonrud@northwestern.com

○ 605-978-2900

○ 605-321-4025

Cc: Nichole Mulcahy - Director Natural Gas Department, NPSC

Sallie Dietrich - Legal Counsel, Natural Gas Department, NPSC

William Austin - Blake Austin Law Firm, Cornhusker Plaza, 301 S. 13th St., Ste., 101, Lincoln, NE 68508

Andy Pollock - Rembolt Ludtke, LLP, 3 Landmark Centre, 1128 Lincoln Mall, Ste. 300, Lincoln, NE 68508



April 23, 2021

RECEIVED

By Deena Ackerman at 10:06 am, Apr 23, 2021

Mike Hybl, Executive Director
Nebraska Public Service Commission
PO Box 94927
Lincoln, NE 68509

RE: In the Matter of the Commission, on its own motion, seeking to investigate the effect of the February 2021 cold weather event upon the cost of gas supply purchased by Nebraska gas utilities (Docket NG-111; NorthWestern Energy Sub-Docket NG-111.2)

Dear Mr. Hybl,
NorthWestern Corporation, dba NorthWestern Energy (NorthWestern), hereby submits the attached supplemental filing in the above matter regarding our proposal filed on April 14, 2021 for the recovery of increased purchased gas costs during the February 2021 cold weather event. We believe the additional information provided meets the information requested by the Nebraska Public Service Commission (Commission) so it can appropriately consider our proposal for the recovery of increased purchased gas costs incurred during the February cold weather event. NorthWestern appreciates the Commission for allowing us to supplement our initial filing with this information.

Please let me know if you have any questions.

Sincerely,

Pamela A. Bonrud
Director-Government and Regulatory Affairs
Pam.bonrud@northwestern.com
O 605-978-2900
C 605-321-4025

Enclosure (1): Attachment A – NorthWestern Energy Supplemental Filing NPSC Docket NG-111.2

Cc: Nichole Mulcahy - Director Natural Gas Department, NPSC
Sallie Dietrich - Legal Counsel, Natural Gas Department, NPSC
William Austin - Blake Austin Law Firm, Cornhusker Plaza, 301 S. 13th St., Ste., 101, Lincoln, NE 68508
Andy Pollock - Rembolt Ludtke, LLP, 3 Landmark Centre, 1128 Lincoln Mall, Ste. 300, Lincoln, NE 68508

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By Deena Ackerman at 10:06 am, Apr 23, 2021

Attachment A: NorthWestern Energy Supplemental Filing – NPSC Docket NG-111.2

Table 1: Nebraska Annual Bill Impact by Customer Class – Two Year Recovery Average by Month

| <u>Customer Class</u> | <u>June</u> | <u>July</u> | <u>Aug</u> | <u>Sep</u> | <u>Oct</u> | <u>Nov</u> | <u>Dec</u> | <u>Jan</u> | <u>Feb</u> | <u>March</u> | <u>April</u> | <u>May</u> | <u>Total</u> |
|-----------------------|-------------|-------------|------------|------------|------------|------------|------------|------------|------------|--------------|--------------|------------|--------------|
| Residential | \$7 | \$4 | \$4 | \$4 | \$6 | \$17 | \$24 | \$33 | \$39 | \$31 | \$23 | \$13 | \$205 |
| Small Commercial | \$20 | \$14 | \$16 | \$16 | \$19 | \$56 | \$81 | \$124 | \$147 | \$116 | \$80 | \$44 | \$735 |
| Large Firm | \$321 | \$237 | \$261 | \$261 | \$332 | \$646 | \$849 | \$1,162 | \$1,317 | \$1,108 | \$802 | \$532 | \$7,827 |
| Interruptible | \$556 | \$546 | \$611 | \$561 | \$934 | \$864 | \$667 | \$755 | \$771 | \$667 | \$467 | \$348 | \$7,747 |

Total of increased purchased gas for the February cold weather event to be recovered by NorthWestern Energy through PGA: \$25,433,783^(1,2)

Year One recovery: \$12,716,892 beginning with June 1, 2021 PGA

Year Two recovery: \$12,716,892 plus carrying costs beginning June 2, 2022 PGA*

*Carrying charges on all unrecovered balances will accrue using the ROR of 8.49% as described in NorthWestern’s tariffs. The projected total carrying charge cost for the unrecovered balances over the two year period is projected to be \$2,646,018.

⁽¹⁾The difference between the \$25,954,600 increased purchase gas costs for the February cold weather event shown by NorthWestern Energy in the April 7th workshop with the Commission and the final increased purchase gas cost recovery amount of \$25,433,783 is due to an accounting entry made in March 2021 business. In order to balance the amount of natural gas used by customers in mmbtu with the dollars booked for accounting purposes, we needed to assign dollars to those units of natural gas used. In order to get our books to balance for units used and dollars booked, we used the February average purchase price of \$3.48 per mmbtu. (This price excludes the February cold weather event purchased gas prices.) NorthWestern moved \$520,817 of purchased natural gas costs from the cold weather event deferred account to the PGA commodity tracker balance sheet account. This provides the purchased natural gas accounting with the proper units and dollar match while maintaining the Commission ordered deferral of extraordinary gas costs during this event.

⁽²⁾NorthWestern files a biannual purchased gas adjustment on November 1 and April 1 of each year. Included in that filing is an attachment titled “Exhibit B” that shows the purchased gas true-up balance and displays the current over or under recovered balance that is used to determine the PGA rate for the upcoming filing period. The Commodity section of Exhibit B details the monthly expenses, recoveries and balances, including the recovery of the Feb 13 – 18, 2021 costs. NorthWestern will prepare a separate exhibit for its biannual purchased gas adjustment filing that will detail the recovery of increased purchased costs for the February event on a monthly basis so the Commission can see that recovery separate from the total commodity costs shown in Exhibit B. In 2022, NorthWestern will either delay the April filing until June 1 or will file an update on both April 1 and June 1. The same will be true in 2023.