

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

IN THE MATTER of NorthWestern Energy's ) UTILITY DIVISION  
Application for Authority to Establish Increased )  
Natural Gas and Electric Delivery Service Rates ) DOCKET NO. D2009.9.129  
And Implement Allocated Cost of Service and )  
Rate Design Proposals )

APPLICATION

NorthWestern Corporation d/b/a NorthWestern Energy ("NorthWestern" or "Applicant"), by and through its undersigned counsel, hereby submits this Application for Authority to Establish Increased Natural Gas and Electric Delivery Service Rates and Implement Allocated Cost of Service and Rate Design Proposals ("Application") to the Montana Public Service Commission ("Commission") in the above-captioned Docket. In support thereof, NorthWestern states as follows:

I.

Applicant's full name and Post Office address are:

NorthWestern Energy  
40 East Broadway  
Butte, MT 59701

II.

Applicant is a Delaware corporation doing business as NorthWestern Energy in the States of Montana, South Dakota and Nebraska as a public utility.

### III.

The following described tariff sheets are the Natural Gas and Electric delivery service tariff sheets impacted by the proposals in this Application that are presently in effect in Montana and on file with the Commission:

#### Natural Gas Rates:

<u>Schedule</u>	<u>Description</u>	<u>Sheet No.</u>
D-RG-1	Residential Natural Gas Service	10.1
D-RGCA-1	Residential Gas Core Aggregation Service	11.1
D-GSG-1	General Natural Gas Service	20.1
D-GSGCA-1	General Service Gas Core Aggregation	21.1
D-FTG-1	Firm Transportation Natural Gas Service	25.1
D-ITG-1	Interruptible Transportation Natural Gas Service	27.1
T-FUGC-1	Firm Utility Gas Contract Service	30.1
T-FTG-1	Firm Transportation Natural Gas Service	80.1
T-ITG-1	Interruptible Transportation Natural Gas Service	85.1
T-FSG-1	Firm Storage Natural Gas Service	90.1
GTC-1	On System General Terms and Operating Conditions	95.2, 95.4, 95.9, 95.16
Rule No. 6	Line Extensions	R-6.1, R-6.2, R-6.3
SGS-1	Special Gas Services	5.1, 5.2

#### Electric Rates:

<u>Schedule</u>	<u>Description</u>	<u>Sheet No.</u>
REDS-1	Residential Electric Delivery Service	10.1
GSEDS-1	General Service Electric Delivery Service	20.1, 20.2
GSEDS-2	General Service Substation/Transmission Level Electric Delivery Service	21.1
ISEDS-1	Irrigation Pumping & Sprinkling Electric Delivery Service	30.1
ELDS-1	Electric Lighting Delivery Service	40.1, 40.2
EDSS-1	Electric Default Supply Service	60.1, 60.2
Rule No. 6	Line Extensions	R-6.1, R-6.2, R-6.3, R-6.4

The proposed language changes for Natural Gas tariffs GTC-1, Rule No. 6 and SGS-1, as well as the proposed language changes for Electric tariff Rule No. 6 are illustrated and explained in the Prefiled Direct Testimony of Patrick R. Corcoran ("Corcoran Testimony").

The remaining Natural Gas and Electric tariffs listed above include proposed rate changes only; the language of the tariffs remains unchanged. The adoption of NorthWestern's proposed inclining block Residential rates for Natural Gas and Electric Supply, as described in the Corcoran Testimony, would require two supply rates to be shown on the Natural Gas Residential tariff D-RG-1, and two Supply rates to be shown for each Residential rate on Electric tariff EDSS-1. As explained in the Corcoran Testimony, these rates would be revised monthly as part of NorthWestern's monthly natural gas and electric supply tracker filings.

#### IV.

Other than the tariff sheets listed and explained in paragraph III above, all other Natural Gas and Electric tariff sheets remain as previously approved by the Commission.

#### V.

NorthWestern's currently authorized rates for Natural Gas and Electric delivery service are no longer just and reasonable rates as they do not allow NorthWestern to recover in rates its costs of providing delivery service nor do they provide NWE an opportunity to earn a fair and reasonable return on its investments.

#### VI.

NorthWestern has prepared, and files concurrently with this Application, its cost of providing Natural Gas and Electric delivery service in Montana based upon a 2008 test year. The filed cost of service includes the information required in the Commission's Minimum Rate Case Filing Standards, ARM §§ 38.5.103 through 38.5.175 and 38.5.179 through 38.5.183. NorthWestern also submits with this Application the information required in the minimum filing requirements for Allocated Cost of Service (ARM § 38.5.176) and Rate Design (ARM § 38.5.177) proposals.

#### VII.

The cost of service filed concurrently with this Application establishes that NorthWestern has a revenue deficiency in its rates for Natural Gas delivery service in the

amount of \$1,966,400 and a revenue deficiency in rates for Electric delivery service in the amount of \$15,517,645. Attached as Appendices A and B are summaries of current base<sup>1</sup> rates and proposed new base rates for Natural Gas delivery service and Electric delivery service, respectively. These summaries include all delivery service proposed base rate changes for each tariff listed in paragraph III above. These proposed base rates are just and reasonable and should be approved by the Commission.

#### VIII.

In addition to filing its cost of service as well as its allocated cost of service and rate design proposals in support of this Application, NorthWestern files concurrently all necessary prefiled direct testimony, exhibits, and work papers.

#### IX.

Pursuant to ARM §§ 38.5.101 through 38.5.508, NorthWestern also requests an interim general rate increase in its Natural Gas delivery base rates in the amount of \$1,758,208, and an interim general rate increase in its Electric delivery base rates of \$12,428,133. Support for the interim rate increases is set forth in the Interim Section of this filing.

#### X.

In addition to the marginal cost information recognized by ARM § 38.5.176, NorthWestern has submitted Natural Gas and Electric allocated cost of service models based upon embedded costs. As described in the Corcoran Testimony, NorthWestern and other interested parties have determined that allocated cost of service studies based upon embedded costs are easier to understand and more transparent. In turn, NWE's delivery service rate design proposals are based on the moderated results of the embedded cost models. NorthWestern requests the Commission process this filing utilizing the embedded cost allocated class cost of service materials submitted by NorthWestern. The marginal cost studies have been provided to ensure that this Application meets Commission rules.

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<sup>1</sup> Rates exclude the tax tracker deferred balance from Order 6967a.

WHEREFORE, Applicant respectfully requests that the Commission:

1. After hearing as provided by law, issue an order approving as authorized final rates, the rates set for Natural Gas delivery service set forth in Appendix A;
2. After hearing as provided by law, issue an order approving as authorized final rates, the rates set for Electric delivery service set forth in Appendix B;
3. Approve an interim general rate increase in Natural Gas delivery rates in the amount of \$1,758,208;
4. Approve an interim general rate increase in Electric delivery rates in the amount of \$12,428,133;
5. Approve the Electric and Natural Gas allocated cost of service proposals based upon embedded costs as set forth in this filing;
6. Approve the Electric and Natural Gas rate design proposals presented in this filing;
7. Approve the Electric and Natural Gas Line Extension tariff revisions discussed in this filing and presented in detail in Phase II of Docket D2007.7.82;
8. Approve the additional Natural Gas tariff language related to Large Variable Load Customers and Hourly Flow Limitations and Natural Gas Quality discussed in this filing and presented in detail in Phase II of Docket D2007.7.82; and
9. Approve the Electric Lighting tariff proposals as discussed in this filing and as presented in detail in Phase II of Docket D2007.7.82.

Respectfully submitted this 16th day of October, 2009.

NorthWestern Energy

By: 

Jason B. Williams  
Attorney for NorthWestern Energy

NorthWestern Energy  
Natural Gas Utility  
Proposed Tariff Rates



Line No.	(A)	(B)	(C)	(D)
		<sup>1</sup> Final Order No. 6967a Adjusted	Increase	Proposed Rates
1	<b>CORE SALES SERVICE</b>			
2				
3	<b>Residential Natural Gas Service</b>			
4	D-RG-1 Rate Schedule			
5	Monthly Service Charge per Meter	\$ 6.86	\$ 0.14	\$ 7.00
6	Commodity Charges:			
7	Distribution	\$ 1.862038	\$ 0.024020	\$ 1.886058
8	Transmission	\$ 1.102623	\$ 0.079389	\$ 1.182012
9	Storage	\$ 0.335580	\$ 0.005022	\$ 0.340602
10	Total Commodity Charge	\$ 3.300241		\$ 3.408672
11				
12				
13	<b>Residential Gas Core Aggregation Service</b>			
14	D-RGCA-1 Rate Schedule			
15	Monthly Service Charge per Meter	\$ 6.86	\$ 0.14	\$ 7.00
16	Commodity Charges:			
17	Distribution	\$ 1.862038	\$ 0.024020	\$ 1.886058
18	Transmission	\$ 1.102623	\$ 0.079389	\$ 1.182012
19	Storage	\$ 0.335580	\$ 0.005022	\$ 0.340602
20	Total Commodity Charge	\$ 3.300241		\$ 3.408672
21				
22				
23	<b>General Natural Gas Service</b>			
24	D-GSG-1 Rate Schedule			
25	Monthly Service Charge per Meter			
26	0 to 300	\$ 17.14	\$ 0.36	\$ 17.50
27	301 to 1,000	\$ 22.61	\$ 0.44	\$ 23.05
28	1,001 to 2,000	\$ 36.47	\$ 0.73	\$ 37.20
29	2,001 to 5,000	\$ 61.31	\$ 1.19	\$ 62.50
30	5,001 to 10,000	\$ 75.27	\$ 1.48	\$ 76.75
31	10,001 to 30,000	\$ 119.05	\$ 2.35	\$ 121.40
32	> 30,000	\$ 144.63	\$ 2.87	\$ 147.50
33	Commodity Charges:			
34	Distribution	\$ 1.840248	\$ (0.280248)	\$ 1.560000
35	Transmission	\$ 1.101533	\$ 0.276307	\$ 1.377840
36	Storage	\$ 0.334491	\$ (0.014491)	\$ 0.320000
37	Total Commodity Charge	\$ 3.276272		\$ 3.257840
38				

<sup>1</sup>Rates exclude the tax tracker deferred balance from Order 6967a  
J:\Projects\Appendix A

NorthWestern Energy  
Natural Gas Utility  
Proposed Tariff Rates



	(A)	(B)	(C)	(D)
Line No.		<sup>1</sup> Final Order No. 6967a Adjusted	Increase	Proposed Rates
1	<b>General Service Gas Core Aggregation</b>			
2	D-GSGCA-1 Rate Schedule			
3	Monthly Service Charge per Meter			
4	0 to 300	\$ 17.14	\$ 0.36	\$ 17.50
5	301 to 1,000	\$ 22.61	\$ 0.44	\$ 23.05
6	1,001 to 2,000	\$ 36.47	\$ 0.73	\$ 37.20
7	2,001 to 5,000	\$ 61.31	\$ 1.19	\$ 62.50
8	5,001 to 10,000	\$ 75.27	\$ 1.48	\$ 76.75
9	10,001 to 30,000	\$ 119.05	\$ 2.35	\$ 121.40
10	> 30,000	\$ 144.63	\$ 2.87	\$ 147.50
11	Commodity Charges:			
12	Distribution	\$ 1.840248	\$ (0.280248)	\$ 1.560000
13	Transmission	\$ 1.101533	\$ 0.276307	\$ 1.377840
14	Storage	\$ 0.334491	\$ (0.014491)	\$ 0.320000
15	Total Commodity Charge	\$ 3.276272		\$ 3.257840
16				
17				
18	<b>Firm Utility Gas Contract Service</b>			
19	T-FUGC-1 Rate Schedule			
20	Monthly Service Charge per Meter			
21	10,001 to 30,000	\$ 108.91	\$ 2.19	\$ 111.10
22	> 30,000	\$ 280.77	\$ 5.58	\$ 286.35
23				
24	Transmission Charges:			
25	Reservation Rate (MDDQ)	\$ 5.301745	\$ 0.170699	\$ 5.472444
26	Transmission Commodity Rate (Dkt)	\$ 0.063194	\$ 0.002035	\$ 0.065229
27				
28	Storage Charges:			
29	Reservation Rate (MDDQ)	\$ 4.216554	\$ -	\$ 4.216554
30	Storage Commodity Rate (Dkt)	\$ 0.015253	\$ -	\$ 0.015253

<sup>1</sup>Rates exclude the tax tracker deferred balance from Order 6967a  
J:\Projects\Appendix A

NorthWestern Energy  
Natural Gas Utility  
Proposed Tariff Rates



Line No.	(A)	(B)	(C)	(D)
		<sup>1</sup> Final Order No. 6967a Adjusted	Increase	Proposed Rates
1	<b>NONCORE: TRANSPORTATION SERVICE</b>			
2				
3	<b><i>Distribution Business Unit:</i></b>			
4	<b><u>Firm Transportation Natural Gas Service</u></b>			
5	D-FTG-1 Rate Schedule			
6				
7	Monthly Service Charge per Meter			
8	<u>Distribution Level Meter Charges:</u>			
9	2,000 to 5,000	\$ 104.29	\$ 2.06	\$ 106.35
10	5,001 to 10,000	\$ 119.19	\$ 2.36	\$ 121.55
11	10,001 to 30,000	\$ 163.86	\$ 3.24	\$ 167.10
12	> 30,000	\$ 190.24	\$ 3.76	\$ 194.00
13				
14	<u>Distribution Charge: (\$/MDDQ)</u>			
15	Monthly Reservation Rate/Trans. MDDQ	\$ 6.598309	\$ 0.290216	\$ 6.888525
16				
17				
18	<b><u>Interruptible Transportation Natural Gas Service</u></b>			
19	D-ITG-1 Rate Schedule			
20				
21	Monthly Service Charge per Meter			
22	<u>Distribution Level Meter Charges:</u>			
23	2,000 to 5,000	\$ 104.29	\$ 2.06	\$ 106.35
24	5,001 to 10,000	\$ 119.19	\$ 2.36	\$ 121.55
25	10,001 to 30,000	\$ 163.86	\$ 3.24	\$ 167.10
26	> 30,000	\$ 190.24	\$ 3.76	\$ 194.00
27				
28	<u>Distribution Charge: (\$/MDDQ)</u>			
29	Commodity Charge - Maximum	\$ 0.216907	\$ 0.004272	\$ 0.221179
30				
31				
32	<b><i>Transportation Business Unit:</i></b>			
33	<b><u>Firm Transportation Natural Gas Service</u></b>			
34	T-FTG-1 Rate Schedule			
35				
36	Monthly Service Charge per Meter			
37	<u>Transmission Level Meter Charges:</u>			
38	5,001 to 10,000	\$ 102.00	\$ 2.00	\$ 104.00
39	10,001 to 30,000	\$ 146.67	\$ 2.93	\$ 149.60
40	> 30,000	\$ 325.44	\$ 6.46	\$ 331.90
41				
42	<u>Transmission Charge:</u>			
43	Monthly Reservation Rate/Trans. MDDQ	\$ 8.339408	\$ 0.235616	\$ 8.575024
44	Commodity Charge - Maximum	\$ 0.063194	\$ 0.001512	\$ 0.064706
45				
46				

<sup>1</sup>Rates exclude the tax tracker deferred balance from Order 6967a  
J:\Projects\Appendix A

NorthWestern Energy  
Natural Gas Utility  
Proposed Tariff Rates



	(A)	(B)	(C)	(D)
Line No.		<sup>1</sup> Final Order No. 6967a Adjusted	Increase	Proposed Rates
1	<b>Interruptible Transportation Natural Gas Service</b>			
2	T-ITG-1 Rate Schedule			
3				
4	Monthly Service Charge per Meter			
5	<u>Transmission Level Meter Charges:</u>			
6	5,001 to 10,000	\$ 102.00	\$ 2.00	\$ 104.00
7	10,001 to 30,000	\$ 146.67	\$ 2.93	\$ 149.60
8	> 30,000	\$ 325.44	\$ 6.46	\$ 331.90
9				
10				
11	<u>Transmission Charge:</u>			
12	Commodity Charge - Maximum	\$ 0.365455	\$ 0.007197	\$ 0.372652
13				
14				
15	<b>Firm Storage Natural Gas Service</b>			
16	T-FSG-1 Rate Schedule			
17				
18	<u>Monthly Rate:</u>			
19	T-FSG-1 Rate Schedule			
20	Withdrawal Reservation Charge	\$ 4.216554	\$ -	\$ 4.216554
21	Capacity Commodity Charge	\$ 0.020701	\$ -	\$ 0.020701
22	Injection Commodity Charge	\$ 0.021792	\$ -	\$ 0.021792
23	Withdrawal Commodity Charge	\$ 0.021792	\$ -	\$ 0.021792

<sup>1</sup>Rates exclude the tax tracker deferred balance from Order 6967a  
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NorthWestern Energy  
Electric Utility  
Proposed Tariff Rates

Line No.	(A)	(B) <sup>1</sup> Final Order No. 6967a Adjusted	(C) Increase	(D) Proposed Rates
1	<b>Residential:</b>			
2	<u>Residential:</u>			
3	REDS-1 Rate Schedule			
4	EDSS-1 Rate Schedule			
5	Service Charge	\$ 4.93	\$ 0.32	\$ 5.25
6	Transmission	\$ 0.008666	\$ 0.001103	\$ 0.009769
7	Distribution	\$ 0.026976	\$ 0.002280	\$ 0.029256
8	<u>Employee</u>			
9	Service Charge	\$ 2.96	\$ 0.21	\$ 3.17
10	Transmission	\$ 0.005200	\$ 0.000661	\$ 0.005861
11	Distribution	\$ 0.016186	\$ 0.001368	\$ 0.017554
12				
13	<b>General Service 1:</b>			
14	GSEDS-1 Rate Schedule			
15	EDSS-1 Rate Schedule			
16	<u>GS 1 Secondary Non Demand:</u>			
17	Service Charge	\$ 7.33	\$ 0.52	\$ 7.85
18	Transmission	\$ 0.007883	\$ 0.001211	\$ 0.009094
19	Distribution	\$ 0.036501	\$ 0.001499	\$ 0.038000
20	<u>GS 1 Secondary Demand:</u>			
21	Service Charge	\$ 8.56	\$ 0.59	\$ 9.15
22	Energy - Distribution	\$ 0.004569	\$ 0.001309	\$ 0.005878
23	Demand - Transmission	\$ 2.825689	\$ 0.004477	\$ 2.830166
24	Demand - Distribution	\$ 5.760105	\$ 0.079895	\$ 5.840000
25	<u>GS 1 Primary Non Demand:</u>			
26	Service Charge	\$ 7.33	\$ 0.52	\$ 7.85
27	Transmission	\$ 0.007737	\$ 0.002500	\$ 0.010237
28	Distribution	\$ 0.017739	\$ (0.001143)	\$ 0.016596
29	<u>GS 1 Primary Demand:</u>			
30	Service Charge	\$ 24.42	\$ 1.68	\$ 26.10
31	Energy - Distribution	\$ 0.006974	\$ (0.000587)	\$ 0.006387
32	Demand - Transmission	\$ 3.625970	\$ 0.274030	\$ 3.900000
33	Demand - Distribution	\$ 3.981524	\$ 0.518476	\$ 4.500000
34				
35	<b>General Service 2:</b>			
36	GSEDS-2 Rate Schedule			
37	EDSS-1 Rate Schedule			
38	<u>GS 2 Substation:</u>			
39	Monthly Cust Charge	\$ 207.68	\$ 14.52	\$ 222.20
40	Max Dmd - Transmission	\$ 3.930131	\$ 0.279169	\$ 4.209300
41	Max Dmd - Distribution	\$ 1.547990	\$ 0.052010	\$ 1.600000
42	<u>GS 2 Transmission:</u>			
43	Monthly Cust Charge	\$ 1,343.91	\$ 93.84	\$ 1,437.75
44	Max Dmd - Transmission	\$ 2.336439	\$ 0.949506	\$ 3.285945
45	Max Dmd - Distribution	\$ 1.100012	\$ (0.673866)	\$ 0.426146

<sup>1</sup>Rates exclude the tax tracker deferred balance from Order 6967a.

**NorthWestern Energy  
Electric Utility  
Proposed Tariff Rates**

Line No.	(A)	(B) <sup>1</sup> Final Order No. 6967a Adjusted	(C) Increase	(D) Proposed Rates
1	<b><u>Irrigation:</u></b>			
2	ISEDS-1 Rate Schedule			
3	EDSS-1 Rate Schedule			
4	<b><u>Irrigation Non Demand:</u></b>			
5	Seasonal Cust Chg	\$ 50.11	\$ 3.49	\$ 53.60
6	Energy - Transmission	\$ 0.010774	\$ (0.004229)	\$ 0.006545
7	Energy - Distribution	\$ 0.021954	\$ 0.007460	\$ 0.029414
8	<b><u>Irrigation Demand:</u></b>			
9	Seasonal Cust Chg	\$ 118.19	\$ 8.26	\$ 126.45
10	Energy - Distribution	\$ 0.003650	\$ 0.000400	\$ 0.004049
11	Demand - Transmission	\$ 1.848687	\$ 0.166382	\$ 2.015069
12	Demand - Distribution	\$ 6.737107	\$ 0.606340	\$ 7.343447
13				
14	<b><u>Lighting:</u></b>			
15	ELDS-1 Rate Schedule			
16	EDSS-1 Rate Schedule			
17	Transmission	\$ 0.003143	\$ 0.003605	\$ 0.006748
18	Distribution	\$ 0.028115	\$ (0.001667)	\$ 0.026448
19				
20	<b><u>Ownership Charge:</u></b>			
21	Ownership Chg 200-399	\$ 2.79	\$ 0.20	\$ 2.99
22	Ownership Chg 400-599	\$ 5.97	\$ 0.42	\$ 6.39
23	Ownership Chg 600-799	\$ 9.27	\$ 0.66	\$ 9.93
24	Ownership Chg 800-999	\$ 11.13	\$ 0.79	\$ 11.92
25	Ownership Chg 1000-1199	\$ 13.39	\$ 0.95	\$ 14.34
26	Ownership Chg 1200-1399	\$ 16.24	\$ 1.15	\$ 17.39
27	Ownership Chg 1400-1599	\$ 19.81	\$ 1.40	\$ 21.21
28	Ownership Chg 1600-1799	\$ 22.30	\$ 1.58	\$ 23.88
29	Ownership Chg 1800-1999	\$ 25.13	\$ 1.78	\$ 26.91
30	Ownership Chg 2000-2199	\$ 26.92	\$ 1.90	\$ 28.82
31	Ownership Chg 2200-2399	\$ 29.49	\$ 2.09	\$ 31.58
32	Ownership Chg 2400-2599	\$ 32.03	\$ 2.27	\$ 34.30
33	Ownership Chg 2600-2799	\$ 34.59	\$ 2.45	\$ 37.04
34	Ownership Chg 2800-2999	\$ 37.17	\$ 0.83	\$ 38.00
35				
36	<b><u>Lighting Misc Charges:</u></b>			
37	Billing Charge	\$ 0.24	\$ 0.02	\$ 0.26
38	Maintenance Charge	\$ 0.56	\$ 0.03	\$ 0.59
39	Operations Charge	\$ 0.58	\$ 0.03	\$ 0.61

<sup>1</sup>Rates exclude the tax tracker deferred balance from Order 6967a.