

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

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IN THE MATTER OF NorthWestern ) REGULATORY DIVISION  
Energy’s Application to Update Base )  
Power Costs and Credits in the Power ) DOCKET NO. 2021.04.047  
Costs and Credits Adjustment )  
Mechanism )

**MOTION TO DISMISS  
OF THE MONTANA CONSUMER COUNSEL**

The Montana Consumer Counsel (“MCC”) hereby moves to dismiss the *Application for Approval to Update PCCAM Base* (“Application”) filed by NorthWestern Energy (“NorthWestern” or “Company”) on April 21, 2021, and supplemented on June 15, 2021. Allowing such a ‘tracker within a tracker’ would not result in 90-10 sharing as required by § 69-3-331(1)(b), MCA, nor would it be consistent with the Fuel and Purchased Power Cost Tracker approved for Montana-Dakota Utilities Company (“MDU”).

The record in the original PCCAM Docket strongly supported the Commission’s decision in *Final Order 7563c* to only update PCCAM base rates in the context of general rate cases. NorthWestern’s insertion of different language over a month after reconsideration (which involved unrelated issues) – different language than what NorthWestern itself proposed throughout the seventeen-month proceeding – was not authorized and should now be considered null and void. Even

if given effect, the prior “Commission approval” assumed in the Tariff cannot reasonably be interpreted as the same approval sought in this Application.

Rather than needlessly expending scarce State time and resources on a second, unauthorized PCCAM filing this year, the Commission should dismiss this case and await NorthWestern’s routine PCCAM filing on September 1, 2021. Consistent with the PCCAM as approved, that annual filing will allow NorthWestern to collect 90 percent of any under-collected supply costs (assuming they were prudently incurred). The PCCAM does not allow NorthWestern to recover the remaining 10 percent (just as it does not allow consumers the last 10 percent of any *over*-collection) in order to create some incentive to control costs between rate cases.<sup>1</sup> Adjusting the base rates by which 90-10 sharing is measured whenever a party deems it necessary would fundamentally alter that incentive.

**I. Allowing adjustments to both base rates and deferred rates creates a ‘tracker within a tracker’ that fails to implement 90-10 sharing.**

PCCAM base rates are the benchmark from which 90-10 sharing is measured. If the Commission allowed them to change in stand-alone proceedings – along with PCCAM deferred rates, which are adjusted annually – it would create two moving targets and not result in 90-10 sharing of incremental supply costs. The Commission is required by law to provide for “90% customer and 10% shareholder

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<sup>1</sup> The MCC had sought a stronger incentive through 50-50 sharing of incremental supply costs between rate cases, in addition to a deadband. Direct Test. on Add’l Issues of George L. Donkin, Dkt. D2017.5.39, p. 14 (Mar. 23, 2018).

sharing of costs, if cost sharing is required.” § 69-3-331, MCA. NorthWestern’s Application fails to explain how the Commission can allow changes to both base and deferred PCCAM rates and abide by the 90-10 sharing statute.

Even if the statute were ambiguous (it is not), the legislative history makes clear that 90-10 sharing was codified to ensure the same sharing ratio would be applied to both NorthWestern and MDU.<sup>2</sup> Although the broader requirement to provide for “identical treatment” has since been repealed, the mandate to apply the same 90-10 sharing ratio to all public utilities remains in effect. Although MDU has had a 90-10 tracker for much longer than NorthWestern, it has never adjusted base supply rates outside of a general rate case. Allowing NorthWestern to do so would effectively create a different sharing ratio for NorthWestern. Granting NorthWestern’s request would not only be inconsistent with the 90-10 sharing statute, but also the Legislative intent to apply the same sharing ratio to both utilities.

Additionally, the effect of resetting base rates between rate cases would be akin to that of a deadband. Just as a deadband reduces the size of annual adjustments by shaving off part of any annual over- or under-collection, resetting base rates between rates cases would reduce the size of subsequent adjustments. In fact, the amount shaved off the first annual adjustment following a resetting of base rates could be much greater than what might have been excluded under the now defunct deadband. This would not be a ‘deadband’ established by Commission order or

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<sup>2</sup> S. 244, 66th Leg. (Mont. 2019).

statute, but one set at NorthWestern's discretion. The fact that the Legislature prohibited deadbands also suggests this Application runs counter to Legislative intent.

Unlike a deadband, however, which reduces the size of annual adjustments but *increases* what is subject to sharing, periodic base cases would reduce the size of annual adjustments *and reduce* what is subject to sharing. This would reduce the incentive to control costs that both the Commission and the Legislature sought to create through 90-10 cost sharing. Rather than limiting what is subject to sharing, the Legislature established an explicit ratio for every dollar above or below a consistent base between rate cases.

The Commission should dismiss NorthWestern's Application because the change sought to base rates would be inconsistent with the 90-10 sharing mandated under § 69-3-331, MCA.

**II. The record in the original PCCAM proceeding and *Final Order 7563c* make clear that base rates are to remain unchanged between rate cases.**

The PCCAM approved by the Commission does not permit multiple layers of cost tracking adjustments between rate cases. When it proposed the PCCAM, NorthWestern emphasized that it was designed “to be consistent with MDU’s 90-10 cost sharing,” and that base rates would remain “unchanged” between rate cases.<sup>3</sup>

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<sup>3</sup> NorthWestern's Application for Power Costs & Credits Adjustment Mechanism, Dkt. D2017.5.39, p. 3 (July 14, 2017); Test. of Kevin J. Markovich, Dkt. D2017.5.39, p. 4 (July 14, 2017); *see also* Test. of Crystal D. Lail, Dkt. D2017.5.39, p. 6 (July 14, 2017) (“The proposed PCCAM implements a 90/10 incentive

NorthWestern’s witness Kevin Markovich clearly explained that under the PCCAM as proposed, NorthWestern’s base rates would not change outside of a rate case:

[T]he base PCC is an important component of NorthWestern’s proposed PCCAM. If approved, the Base PCC established in this docket will remain unchanged until subsequently adjusted in future NorthWestern electric general rate filings.<sup>4</sup>

NorthWestern’s Director of Regulatory Affairs Joe Schwartzberger reiterated this “important” part of the Company’s proposal in his testimony:

NorthWestern proposes to establish its initial Base PCC, as presented and described in the Prefiled Direct Testimony of Kevin J. Markovich (“Markovich Direct Testimony”), and associated base rates in this docket. Once approved by the Commission in this proceeding, the Base PCC and associated base rates will remain in effect until they are reset in NorthWestern’s 2018 electric general rate filing and approved by Commission order in that docket. Thereafter, the Base PCC and associated base rates will be reestablished as part of, and remain in effect and unchanged between, NorthWestern’s electric general rate filings.<sup>5</sup>

Mr. Schwartzberger described NorthWestern’s proposed cost sharing as “akin to” the 90-10 cost sharing in MDU’s tracker.<sup>6</sup>

In October 2017, when the Commission asked Mr. Schwartzberger about “circumstances where the Base PCC and rates would be revisited between general rate cases,” Mr. Schwartzberger suggested it “could conceivably file an

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consistent with the approach of MDU’s mechanism in that it establishes a base and calculated sharing in comparison to actual costs.”).

<sup>4</sup> Test. Markovich at 4; *see also* Test. Lail at 6-7 (“Tracker mechanisms are approved as a deviation from standard cost of service principles to avoid the possibility of a utility suffering financial instability because of cost increases unforeseen at the time of the last general rate case.” (emphasis added)).

<sup>5</sup> Test. of Joe Schwartzberger, Dkt. D2017.5.39, p. 4 (July 14, 2017) (emphasis added).

<sup>6</sup> *Id.* at 11.

application requesting an adjustment to Base PCC and rates as a result of extraordinary events or unforeseen regulations between general rate cases.”<sup>7</sup>

In rebuttal and additional issues testimony, however, NorthWestern’s witnesses reaffirmed its initial proposal to only update base costs in general rate cases. Noting the Commission’s interest in a tracker that would be “simpler and less burdensome than NorthWestern’s current mechanism,” Mr. Markovich testified that “NorthWestern’s proposal to update the Base PCC in general rate cases more reasonably achieves simplicity without additional litigation.”<sup>8</sup> NorthWestern witness John D. Quackenbush relied on testimony given to a Senate Legislative committee by former Commissioner Travis Kavulla, who “explained that a baseline of fuel and purchased power is established in a general rate case....”<sup>9</sup>

Similarly, in its *Prehearing Memorandum*, NorthWestern said its proposal “provides for annual tracking of electricity supply expenses between rate cases.”<sup>10</sup> Under the heading “Uncontested Issues,” it listed the “Base PCC” and stated: “NorthWestern and the MCC agree to NorthWestern’s proposal to update the Base PCC in NorthWestern’s next general rate case to be filed in September and in every general rate case thereafter.”<sup>11</sup>

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<sup>7</sup> Response to Data Request PSC-028, Dkt. D2017.5.39 (Oct. 25, 2017).

<sup>8</sup> Add’l Issue & Rebuttal Test. of Kevin J. Markovich, Dkt. D2017.5.39, p. 7 (Feb. 7, 2018) (emphasis added).

<sup>9</sup> Rebuttal Test. on Add’l Issues of John D. Quackenbush, Dkt. D2017.5.39, p. 12 (May 7, 2018) (emphasis added).

<sup>10</sup> NorthWestern Prehearing Memo., Dkt. D2017.5.39, p. 2 (May 22, 2018) (emphasis added).

<sup>11</sup> *Id.* at 4 (emphasis added).

At hearing, NorthWestern did not make any changes or modifications to the prefiled testimonies quoted above (despite having an opportunity to do so), and Mr. Schwartzenberger explicitly reaffirmed that “the mechanics that I described in my testimony don’t change.”<sup>12</sup> In her opening statement, counsel for NorthWestern urged the Commission to “[r]emember that the purpose of a tracker is to reduce risk between rate cases.”<sup>13</sup> In its *Post-Hearing Initial Brief*, NorthWestern asserted that its proposed PCCAM “functions exactly the way the Commission described in its testimony before the Legislature when it stated, ‘First a baseline of costs for fuel and purchased power is established in a general rate case based on historic or projected costs.’”<sup>14</sup>

Inexplicably – in a sudden departure from the prefiled testimony and its own *Prehearing Memorandum* – NorthWestern’s *Post-Hearing Initial Brief* cited the *Direct Testimony on Additional Issues of George L. Donkin* to claim that “both the MCC and NorthWestern agree to a reset of the baseline in the September 2018 general rate case, in each subsequent rate case, and at any time the Commission or a party deems it necessary to request a review.”<sup>15</sup>

Mr. Donkin’s testimony said no such thing. Instead, he clearly stated that “NorthWestern’s PCCAM base costs should only be updated in general rate

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<sup>12</sup> Hr’g Tr., Dkt. D2017.5.39, 40:9-12, 101-102 (May 31 – June 1, 2018).

<sup>13</sup> *Id.* at 16:15-17 (emphasis added); 164:1-12 (“The base will be reset in each general rate case.... the next time we come in for a rate case you’ll get a relook at that base”); 400:6-11 (agreeing that the base costs that we’re setting in this proceeding are intended, both parties suggest, to be reestablished in a general rate case to be filed in September”).

<sup>14</sup> NorthWestern Post-Hearing Initial Brief, Dkt. D2017.5.39, p. 2 (July 23, 2018) (emphasis added).

<sup>15</sup> *Id.* at 7-8 (emphasis added).

proceedings, where total revenue requirements are matched with total costs.”<sup>16</sup> When asked whether PCCAM base rates should be updated in the 2018 rate case or the following rate case (because the 2018 rate case was imminent), Mr. Donkin responded, “If the Commission approves a PCCAM for NorthWestern in this case, it should be updated in the Company’s 2018 general rate case, and in every general rate case thereafter.”<sup>17</sup> He said nothing about updating base rates any time a party deems it necessary.

Fortunately, the Commission did not adopt NorthWestern’s eleventh-hour modification to its proposal, or the “extraordinary events or unforeseen regulations” exception suggested by Mr. Schwartzenberger in a data response. Staff recognized that “NorthWestern proposes that baseline costs be updated in general rate cases,” and that more frequent updates “would be complex, costly, and would invite litigation.”<sup>18</sup> Staff correctly observed that “MCC agrees that baseline costs should only be updated in general rate proceedings, where total revenue requirements are matched with total costs,” and that more frequent updates “may reduce the utility’s incentive to control supply costs.”<sup>19</sup> Ultimately, “Staff agree[d] with the parties that base costs should be updated in general rate cases, beginning with the case to be filed this year.”<sup>20</sup>

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<sup>16</sup> Donkin Add’l Issues Test. at 26 (emphasis added).

<sup>17</sup> *Id.* (emphasis added).

<sup>18</sup> Staff Memo. on Final Decision, Dkt. D2017.5.39, p. 23 (Sept. 13, 2018) (emphasis added).

<sup>19</sup> *Id.* (emphasis added).

<sup>20</sup> *Id.* at 24 (emphasis added).



In *Final Order 7563c*, the Commission quoted Mr. Schwartzberger’s own admitted testimony in which he plainly proposed that base PCCAM rates “will be reestablished as part of, and remain in effect and unchanged between, NorthWestern’s electric general rate filings.”<sup>21</sup> Without mentioning any other ways to reestablish base rates, the Commission found that “MCC agrees with this approach to setting the base costs.”<sup>22</sup> The Commission then clearly adopted NorthWestern’s proposal to keep base rates “unchanged” between general rate filings:

NorthWestern and MCC make persuasive arguments for updating baseline supply costs in the context of full rate cases, rather than annually in the context of applications under the tracking mechanism. The Commission approves this approach.<sup>23</sup>

NorthWestern moved for reconsideration regarding three issues, none of which related to PCCAM base rates remaining fixed between rate cases. On December 20, 2018, following reconsideration of these unrelated issues, NorthWestern made a *Compliance Filing* with original tariff sheets for Schedule No. EPCC-1, which correctly stated:

Base Power Costs and Credits rates are developed from the Base Power Costs and Credits described in Part A above at the time such costs, credits, and rates are reviewed and approved by the Commission. These rates are fixed until adjusted as part of the Utility’s next electric utility general rate filing.<sup>24</sup>

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<sup>21</sup> Final Order 7563c ¶ 68 (emphasis added).

<sup>22</sup> *Id.*

<sup>23</sup> Final Order 7563c ¶ 89 (emphasis added).

<sup>24</sup> Tariff Letter No. 347-E, Dkt. D2017.5.39, Original Sheet No. 67.2 (Dec. 22, 2018) (emphasis added) (Original Tariff attached as Exhibit A).

This language matched the tariff that NorthWestern had initially proposed and had declined to modify at hearing.<sup>25</sup>

**III. The Tariff language added after reconsideration was unauthorized, inconsistent with *Final Order 7563c*, and should have no force or effect.**

On January 31, 2019, about one month after its first *Compliance Filing*, NorthWestern made a second *Compliance Filing*, which amended the “Base Power Costs and Credit Rates” section of the Tariff as follows: “These rates are fixed until adjusted as part of the Utility’s next electric utility general rate filing or otherwise upon Commission approval.”<sup>26</sup> In the middle of the second paragraph of its cover letter to this second *Compliance Filing* NorthWestern explained:

Additionally, on sheet No. 67.2 NorthWestern proposes to revise paragraph B under the Costs and Rates section to revise paragraph B under the Costs and Rates section to clarify that the Commission may approve a change to Base Power Costs and Credits Rates between electric utility general rate filings. This clarifying statement is consistent with the Commission’s decision in this docket, but NorthWestern inadvertently failed to include the language in the previous filing.

The only authority cited for this change was the Commission’s *Order on Reconsideration 7563d*, which was silent on this issue.

After having proposed to update base rates only in rate cases throughout the proceeding, received an explicit Commission decision to do so (based on an explicit staff recommendation), and declined to seek reconsideration of this decision,

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<sup>25</sup> Test. Schwartzenberger at Ex. JS-1, p. 2.

<sup>26</sup> NorthWestern Tariff Letter No. 348-E, Dkt. D2017.5.39, Sheet No. 67.2 (Jan. 31, 2019).

NorthWestern was not free to unilaterally alter what had been approved. Calling this new language a “clarifying statement” and “consistent with the Commission’s decision” did not make it so – it was not – and parties had no reason to anticipate such a change given the scope of reconsideration. It is not clear how “inadverten[ce]” could possibly excuse oversight of an issue that had been addressed in multiple rounds of prefiled testimony, in discovery, in its *Prehearing Memorandum*, at hearing, in post-hearing briefing, and *Final Order 7563c*.

Because the second *Compliance Filing* did not comply with *Final Order 7563c*, any unauthorized changes made therein should be considered to have no force or effect whatsoever. Neither Mr. Schwartzenberger’s response to a data request nor the additional language unilaterally inserted into the Tariff can undo the Commission’s clear decision in *Final Order 7563c*, based on staff’s clear recommendation, to update baseline supply costs “in the context of full rate cases.”<sup>27</sup> Thirteenth-hour, substantive changes such as the one made here should be discouraged, not rewarded (regardless of inadvertence), lest compliance filings become a new way to modify or relitigate settled matters without participation from all parties.

Giving effect to this language would violate MCC’s right to due process. In contested cases under MAPA, “all parties must be afforded an opportunity for hearing after reasonable notice,” and “[o]pportunity shall be afforded all parties to

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<sup>27</sup> Final Order 7563c ¶ 89.

respond and present evidence and argument on all issues involved.” §§ 2-4-601(1), 2-4-612(1), MCA. The Montana Supreme Court has recognized, “The fundamental requirement of due process is the opportunity to be heard ‘at a meaningful time in a meaningful manner.’” *Geil v. Missoula Irrigation Dist.*, 2002 MT 269, ¶61, 312 Mont. 320, 59 P.3d 398).

Based on NorthWestern’s representations throughout the proceeding, including its description of this issue as “uncontested” in its *Prehearing Memorandum*, neither the MCC nor the Commission had any reason to expect the change made to the Tariff in NorthWestern’s second *Compliance Filing*. Because proper notice of this new proposal was not provided, MCC did not have a meaningful opportunity to be heard. Enforcing this unauthorized language now would constitute a violation of due process.

**IV. The unauthorized Tariff language, even if effective, does not authorize the Application in this case.**

Even if the Commission deemed the Tariff language, “or otherwise upon Commission approval,” to be an enforceable part of the current Tariff – which it is not given the underlying record and the plain language of *Final Order 7563c* – nothing compels the circular interpretation that would be required to entertain the Application in this case. Interpreting the “Commission approval” referred to in the Tariff needed to trigger a base rate adjustment to be the very same “Commission approval” that orders such an adjustment would not only be circular, but also an

exception that entirely swallows the rule. As discussed above, such an interpretation would also dismantle 90-10 sharing as it is currently understood for both NorthWestern and MDU.

Here, there has been no “Commission approval” to adjust base rates. This language could be interpreted to contemplate, for example, an order granting preapproval of a resource addition under § 69-8-421, MCA. If it is to be given any effect, this language should require applicants to have existing Commission order in hand that explicitly authorizes some change to the PCCAM base outside of a rate case. Without such prior approval, *ad hoc* base adjustments filings are not authorized.

**V. Considering this new type of single-issue filing will create regulatory uncertainty and require substantial resources.**

Allowing utilities to request base rate adjustments outside of general rate cases – *in addition to* annual cost-tracking adjustments – will multiply the number of Commission proceedings and associated workloads. There is no good reason to allow multiple PCCAM filings in a given year, especially considering that NorthWestern is always free to file a rate case. Anytime the Company believes that electric rates are insufficient to cover costs and provide a reasonable return on investment (despite being allowed to track 90 percent of incremental supply costs), a general rate case provides a fair and adequate remedy.

While some utilities may have the legal and regulatory resources available – resources generally funded by consumers through rates – to initiate and litigate more frequent and numerous rate adjustments, the Commission should consider whether it has the resources to adjudicate additional, unnecessary rate adjustments. Allowing the utility to request changes to base supply rates whenever it sees fit will invite other utilities, such as MDU, to do the same. The additional time and resources that would be required to process these new ‘tracker within tracker’ filings should be considered in the context of this Motion. Rather than further complicating the PCCAM by opening the door to multiple, overlapping filings every year, the Commission should dismiss this Application.

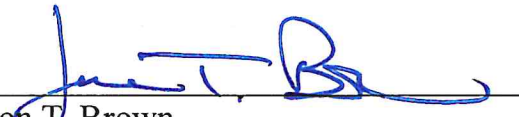
### **CONCLUSION**

Because statute and the PCCAM approved by the Commission do not permit the relief requested in NorthWestern’s Application, it should be dismissed. The current PCCAM was established based on NorthWestern’s own proposal after a full contested case process. The insertion of unauthorized language into the Tariff following reconsideration did not negate well over a year of record-building and the explicit decision in *Final Order 7563c*. Base rates must remain unchanged between rate cases in order to define the baseline from which 90-10 sharing is implemented.

Rather than expending additional time and resources on this unnecessary and unauthorized Application, the Commission should turn its attention to the next annual PCCAM filing due on September 1, 2021. In that filing, NorthWestern will

be entitled to recover 90 percent of its incremental supply costs. The remaining 10 percent will serve a critical purpose by creating some incentive to control costs until the next rate case. NorthWestern's proposal here would dramatically reduce that incentive. If yet another ratemaking proceeding is necessary because current rates plus annual PCCAM adjustments are insufficient, then NorthWestern's proper remedy is to file a general rate case.

Respectfully submitted August 2, 2021.



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## ELECTRIC TARIFF



	<u>Original</u>	Revised	Sheet No.	<u>67.1</u>
Canceling		Revised	Sheet No.	<u>67.1</u>

Schedule No. EPCC-1

ANNUAL POWER COSTS AND CREDITS ADJUSTMENT MECHANISM

**APPLICABILITY:** Applicable to Power Costs and Credits, and their related Revenues, for all electricity supply customers of the utility.

**PURPOSE:** This Mechanism sets forth the criteria and accounting provisions that permit the Utility to adjust for differences between:

1. Its recovered Base Power Costs and Credits (Base Power Costs and Credits rates multiplied by actual loads resulting in Base Power Costs and Credits Rate Revenues) and actual Power Costs and Credits for the applicable tracking period, as set forth below. The Power Costs and Credits Deferred Account (Account 191) shall reflect the difference between rate revenues and actual costs and credits for the applicable period subject to application of the dead band and sharing provisions as described below.
2. Its recovered Transitional Costs (Transitional Costs rates multiplied by actual loads resulting in Transitional Costs Rate Revenues) and actual Transitional Costs as set forth below. The Power Costs and Credits Deferred Account (Account 191) shall reflect the difference between rate revenues and actual costs for the applicable period as described below. This difference is not subject to application of the dead band and sharing provisions.

The Utility also recovers the Montana Public Service Commission (“MPSC” or “Commission”) and Montana Consumer Counsel (“MCC”) taxes associated with the Base Power Costs and Credits and Transitional Costs revenues in conjunction with this Mechanism.

**COSTS AND RATES:** The costs and rates established under this Mechanism shall be incorporated and filed as part of a revision to all applicable rate schedules as follows:

- A. **Base Power Costs and Credits:** Base Power Costs and Credits are identified as follows, with each including the applicable Federal Energy Regulatory Commission (“FERC”) account numbers:
  1. Power Costs:
    - a) Fuel – FERC Accounts 547 and 501
    - b) Purchases including QF – FERC Account 555
    - c) Other Power Supply Expenses – FERC Account 557
    - d) Transmission – FERC Account 565
  2. Credits:
    - a) Sales – FERC Account 447
    - b) Production Tax Credits – FERC Account 409.1
    - c) Yellowstone National Park Contract Sales – FERC Account 442.1
    - d) Revenue Credits – FERC Account 555
    - e) 20% Dave Gates Generating Stations FERC (Allocation) – FERC Account 547

(continued)



## ELECTRIC TARIFF



	<u>Original</u>	Revised	Sheet No.	<u>67.2</u>
Canceling		Revised	Sheet No.	<u>67.2</u>

Schedule No. EPCC-1

ANNUAL POWER COSTS AND CREDITS ADJUSTMENT MECHANISM

- B. Base Power Costs and Credit Rates: Base Power Costs and Credits rates are developed from the Base Power Costs and Credits described in Part A above at the time such costs, credits, and rates are reviewed and approved by the Commission. These rates are fixed until adjusted as part of the Utility's next electric utility general rate filing.
- C. Transitional Costs: Transitional Costs are incurred from July 1, 2017 until the effective date of final rates ordered in Docket No. D2018.2.12 and identified as follows, with each including the applicable FERC account numbers:
1. Demand Side Management (DSM) costs – FERC Account 930.2
  2. Administrative and General – FERC Accounts 920-930.2
- D. Transitional Costs Rates are developed and based on Transitional Costs described in Part C above at the time such costs and rates are reviewed and approved by the Commission. These rates are adjusted annually in conjunction with the Utility's annual filings under this Mechanism.
- E. Power Costs and Credits Mechanism Annual Adjustment: The Mechanism's annual adjustment shall be derived by:
1. Computing the difference between Base Power Costs and Credits Rates Revenues and actual Power Costs and Credits for the period. If the absolute value of the difference is greater than \$4,100,000, then 90% of the amount greater than \$4,100,000 is recorded as a deferral and rebated to customers (when costs are less than revenues) or surcharged to customers (when costs are greater than revenues).
  2. Computing the difference between Transitional Costs Rate Revenues and actual Transition Costs for the period. One hundred percent of the difference is recorded as a deferral and rebated to customers (when costs are less than revenues) or surcharged to customers (when costs are greater than revenues). Deferrals will end for these costs upon the effective date of final rates ordered in Docket No. D2018.2.12.
  3. The annual adjustment shall also include a true-up of the remaining deferred account balance(s) for prior period(s).
  4. While MPSC and MCC taxes (FERC Account 408.1) associated with the Base Power Costs and Credits and Transitional Costs revenues are not included in Base Power Costs and Credits or Transitional Costs, these taxes are separately tracked and recovered in conjunction with this Mechanism. One hundred percent of the actual MPSC and MCC tax expenses for the previous period will be recorded as a deferral and surcharged to customers.

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## ELECTRIC TARIFF



	<u>Original</u>	Revised	Sheet No.	<u>67.3</u>
Canceling		Revised	Sheet No.	<u>67.3</u>

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Schedule No. EPCC-1

ANNUAL POWER COSTS AND CREDITS ADJUSTMENT MECHANISM

ACCOUNTING: The deferred accounting for this Mechanism shall be as follows:

- A. Current Period Power Costs and Credits Deferred Account Balance: The deferred account balance shall reflect adjustments described in Part E under the Costs and Rates section above for the Accounting Period.
- B. Accounting Period: The Accounting Period shall be for the 12-month period beginning July 1 of each year through June 30 of the following year.
- C. Deferred Account Rates: The Deferred Account Rates shall be derived to reflect amortization of the associated current deferred account balance, including any prior period(s) deferred account balances, over the succeeding 12 months.

POWER COSTS AND CREDITS RATE FILINGS: By September 1 of each year, the Utility shall file its Power Costs and Credits Adjustment for interim rates effective on October 1. The filing shall reflect and support the previous period's actual Power Costs and Credits, and Transitional Costs, and revenues related to both categories; actual MCC and MPSC taxes; the accounting transactions supporting the deferred account balance(s); and the necessary calculations and rates in support of the upcoming period's adjustments.

SERVICE AND RATES SUBJECT TO COMMISSION JURISDICTION: All rates and service conditions under this Rate Schedule are governed by the rules and regulations of the Public Service Commission of Montana and are subject to revision as the Commission may duly authorize in the exercise of its jurisdiction.

## CERTIFICATE OF SERVICE

I certify that a copy of the foregoing Motion to Dismiss of the Montana Consumer Counsel has been served upon the following persons by email this 2nd day of August 2021.

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