



Revenue Interim Committee

68th Montana Legislature

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TO: Members of the Revenue Interim Committee

FROM: Megan Moore, Committee staff

DATE: January 11, 2024

RE: Information Request: NorthWestern Energy Property Tax Tracker

This memorandum is in response to a request for property tax tracker information for NorthWestern Energy from its recent rate case. The memo also includes updated property tax figures from the 2023 tax tracker filing.

Background: State Law Allows a Public Utility to Update Rates Based on Property Taxes

Section [69-3-308](#), MCA, allows a public utility to separately disclose in a customer's bill the amount of state and a local taxes and fees assessed against the public utility and paid by the customer.

The law also requires the Public Service Commission to allow a public utility to file a rate schedule containing provisions for the automatic adjustment and tracking of Montana state and local taxes and fees paid by the public utility, except for the state income tax and the invasive species fee for hydroelectric facilities.

2022 Rate Case Increased Base Property Tax Level

In October 2023, the Public Service Commission issued a [Final Order](#) in the 2022 NorthWestern Energy combined electric and natural gas rate case. The final order reset the base revenue necessary to recover property taxes from the amounts last updated in the 2019 rate case. The base revenue is the amount adjusted in annual tax tracker filings.

The new base property tax revenue requirement is \$126.8 million for electric revenue and \$38.2 million for natural gas revenue.¹ The new base amounts include a 2022 increase of \$14.5 million for electric and \$4.2 million for natural gas.²

¹ [Final Order 7860y](#), In re NorthWestern Energy's Application for Authority to Increase Retail Electric and Natural Gas Utility Service Rates and for Approval of Electric and Natural Gas Service Schedules and Rules and Allocated Cost of Service and Rate Design, Oct. 27, 2023, p. 43-44.

² *Ibid*, p. 24.

2023 Tax Tracker Filing Decrease Will Reduce Energy Bills

NorthWestern Energy filed its [2024 State and Local Taxes and Fees Tracker for Electric and Natural Gas](#) on December 14, 2023. The proposed taxes and fees rate component changes will result in a decreased revenue requirement of about \$33.9 million for 2024.

The 2023 tax tracker amounts will more than reverse the 2022 increases, reducing the property tax revenue requirement by \$19.2 million for electric delivery service and by \$8.2 million for natural gas delivery service. The tax tracker filing also requests a \$6.4 million decrease for taxes and fees related to Colstrip Unit 4 and natural gas production assets.³

Residential consumers who use the typical amount of electricity and natural gas can expect reductions in monthly bills of \$6.95 (6.15%) and \$4.40 (7.46%), respectively.⁴

NorthWestern Energy Market Value and Estimated Taxes Down in 2023

For tax year 2023, NorthWestern Energy's market value is \$2.66 billion, and the company will pay an estimated \$136.8 million in property taxes.⁵

The 2023 market value is about 10% less than NorthWestern's 2022 value and 1% less than its 2021 value. Taxes due for 2023 are an estimated 22% less than in 2022 and 13% less than 2021.

TAX YEAR	MARKET VALUE	ESTIMATED TAXES
2021	\$2,686,393,778	\$157,890,660
2022	\$2,944,781,757	\$176,304,041
2023	\$2,656,650,403	\$136,825,600

³ [NorthWestern's 2024 State and Local Taxes and Fees Tracker for Electric and Natural Gas](#), p. 1-2.

⁴ *Ibid*, p. 3-4.

⁵ Data provided via email by Jared Isom, Department of Revenue, Jan. 8, 2024.