

BEFORE THE NEBRASKA PUBLIC SERVICE COMMISSION

In the Matter of gas supply cost) Application No. NG-0071
adjustment schedules implemented by)
NorthWestern Corporation d/b/a) ORDER OPENING DOCKET AND
NorthWestern Energy, Sioux Falls,) INITIATING REVIEW
South Dakota, pursuant to Neb. Rev.) NOTICE OF ASSESSMENT
Stat. sec. 66-1854.)
) Entered: March 13, 2012

BY THE COMMISSION:

The Commission opens this docket on its own motion in order to receive and monitor filings regarding gas supply cost adjustment schedules filed by NorthWestern Corporation d/b/a NorthWestern Energy (NorthWestern), Sioux Falls, South Dakota, pursuant to Neb. Rev. Stat. § 66-1854.

O P I N I O N A N D F I N D I N G S

Jurisdictional utilities are specifically authorized to implement gas supply cost adjustment (GSCA) rate schedules in Neb. Rev. Stat. § 66-1854(1):

The commission shall allow jurisdictional utilities to implement and thereafter modify gas supply cost adjustment rate schedules that reflect increases or decreases in the cost of the utility's gas supply such as (a) federally regulated wholesale rates for energy delivered through interstate facilities, (b) direct costs for natural gas delivered, or (c) costs for fuel used in the manufacture of gas. Such costs may, in the discretion of the commission, include costs related to gas price volatility risk management activities, the costs of financial instruments purchased to hedge against gas price volatility, if prudent, and other relevant factors....

"The commission may modify a jurisdictional utility's gas supply cost adjustment rate schedule under procedures specified in the act for setting rates by order of the commission." § 66-1854(3).

Furthermore, "Once annually, the commission may initiate public hearings, upon complaint, to determine whether the gas supply cost adjustment schedule of a jurisdictional utility reflects the costs of the utility's gas supply and whether such costs were prudently incurred and to reconcile any amounts collected from ratepayers with the actual costs of gas supplies incurred by the utility." § 66-1854(4).

Although §66-1854 outlines formal alternatives for the filing of a complaint regarding a jurisdictional utility's GSCA, the

Commission is not restricted to the filing of a formal complaint in order to review GSCAs.

In addition to the specific provision regarding gas cost adjustments, the Commission is granted broad authority under the State Natural Gas Regulation Act, *Neb. Rev. Stat. §§ 66-1801 et seq.* (2003 Reissue) (the Act). Pursuant to *Neb. Rev. Stat. § 66-1804*,

(1) The commission shall have full power, authority, and jurisdiction to regulate natural gas public utilities and may do all things necessary and convenient for the exercise of such power, authority, and jurisdiction. Except as provided in the Nebraska Natural Gas Pipeline Safety Act of 1969, and notwithstanding any other provision of law, such power, authority, and jurisdiction shall extend to, but not be limited to, all matters encompassed within the State Natural Gas Regulation Act.

(2) The State Natural Gas Regulation Act and all grants of power, authority, and jurisdiction in the act made to the commission shall be liberally construed, and all incidental powers necessary to carry into effect the provisions of the act are expressly granted to and conferred upon the commission.

Furthermore, the Commission is specifically authorized to "examine and audit all accounts of jurisdictional utilities..." *Neb. Rev. Stat. § 66-1818*.

Pursuant to the Commission's general grant of authority and its power to audit, we find that the Commission shall conduct an informal review of NorthWestern's GSCA. Such informal review will be conducted by the Commission's consultant at NorthWestern's location.

Scope of Review

The scope of the informal review will include:

1. Review of all gas supply purchase contracts in effect from January 1, 2009 to present and costs thereof.
2. Review of all contracts and costs for transportation and storage related to gas procured under contracts in Item No. 1 above.
3. Review of all Gas Supply Cost Adjustment filings and calculations from January 1, 2009 to present, including, but not limited to, any allocation of overhead costs associated with

carrying out and managing gas purchase, gas transportation contracting and scheduling, and gas operations.

4. Determine how contract price and volumes are allocated among jurisdictions for contracts referenced in Item Nos. 1 and 2 above.
5. Trace gas costs to general ledger.
6. Trace revenues to general ledger.
7. Trace Gas Supply Cost Adjustment to customers' bills (sample of bills).
8. Review prudence of purchasing strategy, which may include examination of gas costs beyond the period described in Item Nos. 1 and 3.

No later than April 12, 2012, NorthWestern should provide to the Commission copies of contracts referenced in Item Nos. 1 and 2 above, which will be made available to the Commission consultants. The Commission will also make available to its consultants copies of the filings referenced in Item No. 3, which are routinely filed with the Commission.

Simultaneous with this Order, a Protective Order is being entered that will apply to any commercially sensitive documents exchanged in this docket.

Planning Conference

A planning conference to discuss the logistics of conducting an informal review will be held April 18, 2012, at 10:00 a.m. CDT at the Commission in the Niobrara Conference Room, 300 The Atrium, 1200 N Street, Lincoln, Nebraska. Persons wishing to participate by telephone may call 888-820-1398, access code 4207969#.

The discussion will include timing of the onsite visit, anticipated length of onsite visit, and access to books and records for Commission consultants. Subsequent teleconferences may be set up to facilitate the informal review.

Notice of Assessment

The Commission finds that it may be necessary to assess certain expenses associated with this docket to NorthWestern, pursuant to *Neb. Rev. Stat. § 66-1840*. The Commission hereby provides notice to the utility, as required by *Neb. Rev. Stat. § 66-1840*, that expenses may be assessed.

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O R D E R

IT IS THEREFORE ORDERED by the Nebraska Public Service Commission that this docket be opened in order to receive and monitor filings regarding gas supply cost adjustment schedules filed by NorthWestern Corporation d/b/a NorthWestern Energy (NorthWestern), Sioux Falls, South Dakota, pursuant to Neb. Rev. Stat. § 66-1854.

IT IS FURTHER ORDERED that no later than April 12, 2012, NorthWestern shall provide to the Commission copies of contracts referenced in Item Nos. 1 and 2 under Scope of Review in the body of this Order.

IT IS FURTHER ORDERED that a planning conference shall be held April 18, 2012, at 10:00 a.m. CDT at the Commission in the Niobrara Conference Room, 300 The Atrium, 1200 N Street, Lincoln, Nebraska.

IT IS FURTHER ORDERED by the Nebraska Public Service Commission that NorthWestern is hereby given notice of assessment as required by Neb. Rev. Stat. § 66-1840.

IT IS FINALLY ORDERED that a copy of this order shall be mailed to NorthWestern Energy.

MADE AND ENTERED at Lincoln, Nebraska, this 13th day of March, 2012.

NEBRASKA PUBLIC SERVICE COMMISSION

COMMISSIONERS CONCURRING:

Tim Schwan

Anne Boyle
Heath G. Vap

//s// Rod Johnson
//s// Frank Landis

Chairman

Rod Johnson

ATTEST:

Phil R. [Signature]

Executive Director