

1 Montana Public Service Commission  
2 Docket No. 2022.07.078  
3 Electric and Natural Gas General Rate Review  
4  
5  
6

7 PRE-FILED DIRECT TESTIMONY

8 OF BRIAN B. BIRD

9 ON BEHALF OF NORTHWESTERN ENERGY  
10

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21 Witness Information

22 **Q. Please identify yourself, your employer, and your job title.**

23 **A.** My name is Brian B. Bird. I am NorthWestern Energy's ("NorthWestern"  
24 or "Company") President and Chief Operating Officer.  
25

26 **Q. Please provide a description of your relevant employment**  
27 **experience and other professional qualifications.**

1 **A.** I have 35 years of experience within the fields of corporate finance,  
2 treasury, tax, audit, and accounting and was promoted to my current  
3 position in February 2021. In this role, I oversee NorthWestern’s  
4 operations, including electric and natural gas supply, transmission, and  
5 distribution as well as customer care and technology. Prior to that, I  
6 served 18 years as NorthWestern’s Chief Financial Officer.

7  
8 I have Bachelor’s degrees in both Finance and Accounting and a Master’s  
9 degree in Finance and hold a Certified Public Accountant certificate.

10

11 **Purpose and Summary of Testimony**

12 **Q. What is the purpose of your testimony?**

13 **A.** The purpose of my testimony is to provide the overarching policy  
14 testimony that guides the proposals and requests included in  
15 NorthWestern’s 2022 Regulatory Rate Review. I introduce  
16 NorthWestern’s witnesses who provide a more detailed explanation of  
17 NorthWestern’s major initiatives and investments in the utility  
18 infrastructure needed to provide critical energy services, our proposals in  
19 this case, and the reasons the Montana Public Service Commission  
20 (“Commission”) should grant our requests.

21

22

1 **Q. Please summarize your testimony.**

2 **A.** NorthWestern's goal in this rate review is to seek more timely recovery of  
3 the costs required to provide safe and reliable service to our customers.  
4 Timely cost recovery is necessary to ensure that NorthWestern is able to  
5 continue meeting our customers' needs for safe and reliable service at  
6 reasonable rates and allows NorthWestern a better opportunity to earn its  
7 authorized return.

8  
9 Since the last rate reviews, NorthWestern has invested over a billion  
10 dollars in our combined Montana electric and gas critical infrastructure  
11 business and currently is not recovering the costs of these investments.  
12 Approximately 40% of the requested rate relief represents recovery of  
13 flow-through costs driven by market power purchases and property taxes.  
14 NorthWestern must pay these flow-through costs but does not have  
15 control over them. With the requested rate relief, our total customer bills  
16 will increase in line with inflation, including the substantial increase in flow-  
17 through costs.

18  
19 In pursuit of this goal, NorthWestern includes proposals typically expected  
20 in a rate review – a presentation of updated cost of service to support our  
21 request for authorized revenue requirement for a 2021 test year with  
22 adjustments for known and measurable adjustments for 2022 and updated  
23 rate of return. To further advance this goal, NorthWestern puts forth

1 proposals to redesign our Power Costs and Credits Adjustment  
2 Mechanism (“PCCAM”) and Fixed Cost Recovery Mechanism (“FCRM”) to  
3 better align customer bills with costs incurred to serve customers under  
4 current market conditions, discussed further in the Pre-filed Direct  
5 Testimony of Cynthia S. Fang. NorthWestern proposes cost recovery  
6 mechanisms that would allow for more timely cost recovery associated  
7 with programs critical to providing safe and reliable service to customers –  
8 specifically, NorthWestern’s proposed Enhanced Wildfire Mitigation Plan,  
9 Business Technology costs, including cyber security costs, and the  
10 proposal introducing a Reliability Rider to support the development of  
11 critical reliability resources – which are discussed further by Ms. Fang as  
12 well as several other NorthWestern witnesses, which I detail below.

13

14 **NorthWestern Energy’s Role and Services**

15 **Q. Please provide an overview of NorthWestern and the services it**  
16 **provides.**

17 **A.** For more than 100 years, NorthWestern has delivered safe, reliable, and  
18 innovative energy solutions. We build, maintain, and operate electric and  
19 natural gas systems in Montana, South Dakota, Nebraska, and  
20 Yellowstone National Park, as reflected in Figure 1 below.

21

22 NorthWestern’s 1,483 employees serve a total of 753,600 gas and electric  
23 customers across Montana, South Dakota, and Nebraska, which

1 encompasses electric service to 318 communities and natural gas service  
2 to 183 communities. Within Montana, NorthWestern's 1,187 employees  
3 serve 391,400 electric customers and 206,600 gas customers and cover  
4 107,600 square miles, representing 73% of Montana. This rate review is  
5 limited to the cost of service related to our Montana customers.

**Figure 1: Our Service Territory**



6 In addition to the ownership and operation of critical natural gas and  
7 electric transmission and distribution systems and natural gas production,  
8 NorthWestern owns and operates a diverse generation fleet of hydro,

1 wind, natural gas, and coal-fired resources that is 59% carbon free for  
2 2021.<sup>1</sup>

3 As a public utility, NorthWestern is subject to direct government regulation  
4 of prices and services in Montana by the Commission. Ensuring Montana  
5 customers receive safe and reliable energy services is the shared  
6 responsibility of both NorthWestern and the Commission. As such,  
7 NorthWestern requests the Commission consider and approve its  
8 proposals for more timely cost recovery in this 2022 Rate Review.

9

10 **Q. What are NorthWestern’s vision, mission statement, and values?**

11 **A.** Our brand defines the collective promise we make to customers,  
12 shareholders, and employees, a promise we must live up to and deliver  
13 consistently. Our vision is “Enriching lives through a safe, sustainable  
14 future.”

15

16 We recognize the critical role that energy services provide in the quality of  
17 life for our customers. We are continually making investments in  
18 maintaining and modernizing our infrastructure to improve safety and  
19 reliability and operate a portfolio of electric generation resources that is  
20 59% carbon free.<sup>2</sup> Overall, Montana ranks well compared to other states

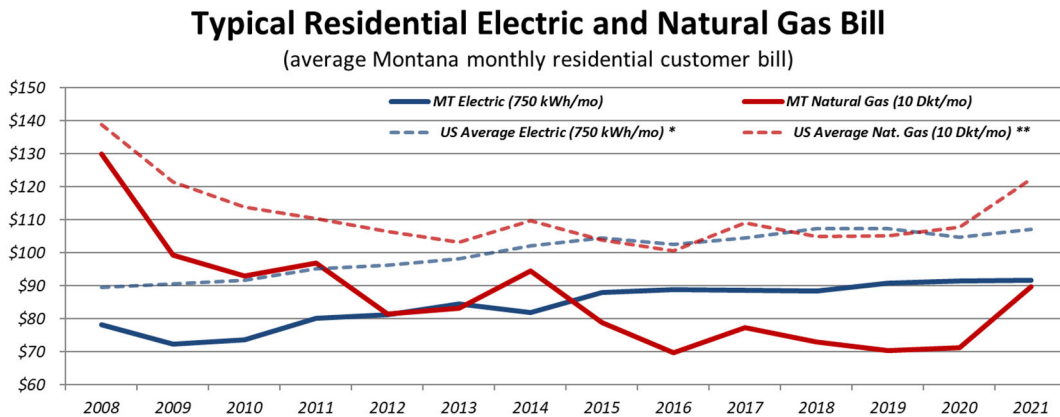
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<sup>1</sup> See NorthWestern 10K at page 9. [Inline XBRL Viewer \(sec.gov\)](#). NorthWestern is carbon free 56% across its territory and 59% carbon free in Montana.

<sup>2</sup> *Id.*

1 concerning affordability and reliability of electric rates and services.<sup>3</sup> We  
 2 provide affordable electric and natural gas services giving the average  
 3 Montana customer monthly bills well below the national average for over a  
 4 decade as presented in Figure 2 below.

**Figure 2: Typical Residential Bill**



\* Electric - EEI Typical Bills and Average Rates Reports - Winter & Summer 2008-2021

\*\* Natural Gas - EIA U.S. Price of Natural Gas Delivered to Residential Customers 2008-2021

5 Our mission statement is “Working together to deliver safe, reliable and  
 6 innovative energy solutions that create value for customers, communities,  
 7 employees and investors.”

8

9 Our values are SERVICE –

10 **Safety** - We strive to do our jobs safely every day, without fail and

11 without exception. We ensure the safety of our customers, the

<sup>3</sup> See *Electric Utility Performance: A State-by-State Data Review*, The Citizens Utility Board (CUB) Report ([https://www.citizensutilityboard.org/wp-content/uploads/2021/07/Electric-Utility-Performance-A-State-By-State-Data-Review\\_final.pdf](https://www.citizensutilityboard.org/wp-content/uploads/2021/07/Electric-Utility-Performance-A-State-By-State-Data-Review_final.pdf)).

1 environment, and the public through proper maintenance of our  
2 equipment and strict adherence to our belief in maintaining a safe  
3 working environment.

4  
5 **Excellence** - We aim to achieve the highest levels of satisfaction,  
6 reliability, and performance in everything we do. We're always  
7 striving for improvement and questioning the status quo.

8  
9 **Respect** - We value diversity, equity, and inclusion. Every  
10 employee is treated with dignity and fairness. We value diversity of  
11 thought, background, culture, perspective, and experience.

12  
13 **Value** - We are committed to providing shareholders with returns  
14 that are among the best in our industry. Value to our customers  
15 comes through the products and services we deliver at prices that  
16 illustrate our focus on quality, efficiency, and productivity.

17  
18 **Integrity** - We adhere to ethical business practices and are honest  
19 and transparent in our actions.

20  
21 **Community** - Our success is tied to the success of each and every  
22 one of our communities. We aim to be a good corporate citizen



1 through the contribution of our time, talent, and resources to help  
2 our communities fulfill their vision of success and,

3  
4 **Environment** - We are committed to providing all customers with  
5 utility services that meet their current and future needs, while  
6 protecting and enhancing the quality of the environment. We will  
7 utilize our limited natural resources wisely and act responsibly to  
8 limit impacts on our air, water, and land resources.

9

10 **Q. Please describe NorthWestern's company goals.**

11 **A.** NorthWestern's goal is to provide safe and reliable service to our  
12 customers. The pursuit of this goal requires focus in the following areas:

- 13 1. Deliver safe, high-quality, environmentally responsible energy  
14 services at reasonable prices. This requires continued  
15 maintenance and investments in electric and natural gas capacity,  
16 reliability, and system modernization;
- 17 2. Customer Experience and Community Engagement – Continue to  
18 be a customer-focused, community-minded, and globally aware  
19 organization;
- 20 3. Culture, Skills, and Capabilities – Foster a skilled and empowered  
21 workforce embracing ever changing roles embodied by our  
22 SERVICE values;
- 23 4. Regulatory Health – Partner with the Commission and stakeholders  
24 to achieve consistent and reasonable regulatory outcomes, and

1           5. Financial Health – Maintain and enhance the financial strength of  
2           the organization through effective management to ensure safe and  
3           reliable service to meet customer needs.

4  
5           The testimonies presented by NorthWestern discuss the actions we are  
6           taking to achieve these goals and how this rate review supports those  
7           actions.

8

9   **Q. Can you please identify the critical services that NorthWestern**  
10 **provides to its Montana customers?**

11 **A.** The energy services we provide, electricity and natural gas, are an  
12 essential part of modern life and important to the U.S. economy. Our  
13 residential customers use electricity for basic essentials necessary in life  
14 such as lighting, heating, cooling, and refrigeration, and most recently to  
15 enable work and school from home when necessary, and natural gas  
16 service for heating and cooking. These energy services are just as critical  
17 for the basic day-to-day operations of our Montana business customers.

18

19 According to the Department of Homeland Security, there are “16 critical  
20 infrastructure sectors whose assets, systems, and networks, whether  
21 physical or virtual, are considered so vital to the United States that their  
22 incapacitation would have a debilitating effect on security, national

1 economic security, national public health or safety, or any combination  
2 thereof.”<sup>4</sup>

3

4 The energy sector is uniquely critical because it provides an “enabling  
5 function” across all 16 critical infrastructure sectors. In other words,  
6 without NorthWestern’s electric and natural gas infrastructure, our quality  
7 of life would suffer and our security (economic or otherwise) would be  
8 severely impacted. Energy is the building block for everyday life.

9

10 **Q. What challenges does NorthWestern currently face in delivering safe  
11 and reliable service to customers?**

12 **A.** NorthWestern must continue to address the risk of wildfires in its Montana  
13 service territory. NorthWestern proposes in this rate review the  
14 establishment of an Enhanced Wildfire Mitigation Plan. The proposed  
15 Enhanced Wildfire Mitigation Plan seeks to expand upon our existing  
16 Vegetation Management and Hazard Tree programs to address wildfire  
17 risks more broadly. The Pre-filed Direct Testimonies of Curtis T. Pohl,  
18 Gregory F. Bailly, and Nathaniel P. Linder discuss it.

19

20 As with other industries, NorthWestern is exposed to increasing risks of  
21 cyber attacks that could impact our ability to provide critical energy service  
22 to our customers. NorthWestern seeks the Commission’s approval for

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<sup>4</sup> See Cybersecurity & Infrastructure Security Agency Brief [Critical Infrastructure Sectors](#)  
[LCISA](#) (visited April 9, 2022).

1 specific funding to ensure we keep pace with our cyber security needs to  
2 minimize risks to service interruptions due to cyber attacks. This proposal  
3 is discussed further in the Pre-filed Direct Testimony of Jeanne M. Vold.

4  
5 Ensuring that our customers continue to receive reliable energy services  
6 to meet their critical needs requires continual investment in our  
7 infrastructure – distribution, transmission, and generation – to ensure it is  
8 sufficient to meet our customers’ energy and capacity needs. Our direct  
9 case speaks to the need for investment and operating expenses that are  
10 necessary to help mitigate potential reliability risks. Mr. Pohl speaks to  
11 distribution initiatives while the Pre-filed Direct Testimonies of Michael R.  
12 Cashell and John D. Hines discuss the Company’s major initiatives in  
13 transmission and generation, respectively.

14  
15 To continue to effectively provide safe and reliable energy services to our  
16 customers, NorthWestern must be a financially healthy utility. One of the  
17 most essential requirements for a utility’s financial health is timely cost  
18 recovery. Nearly 40% of the request in this rate review is the recovery of  
19 pass through energy supply costs and property taxes that should have  
20 come to NorthWestern well before the conclusion of this review. Other  
21 utilities have recovery mechanisms that allow them more timely recovery  
22 of investments they make and do not result in the regulatory lag  
23 associated with rate reviews. More timely cost recovery allows better

1 cash flows and earnings to improve rating agency metrics and financial  
2 results, which lead to more attractive debt and equity costs that are  
3 ultimately passed on to customers. To continue investment in  
4 infrastructure to provide safe, reliable, and affordable service,  
5 NorthWestern needs affordable access to capital from both debt and  
6 equity. As discussed further in the Pre-filed Direct Testimony of Crystal D.  
7 Lail, NorthWestern has significantly under-earned in Montana over the last  
8 four years for its electric utility while also under-earning for its natural gas  
9 utility for the last two years. A financially healthy utility ultimately delivers  
10 lower costs to customers.

11

12 **Q. What additional services does NorthWestern provide customers and**  
13 **our communities?**

14 **A.** NorthWestern is by far Montana’s largest infrastructure provider. In 2022,  
15 we expect to invest approximately \$500 million in electric and natural gas  
16 projects that improve service to customers and expand capacity to  
17 facilitate growth in the state. NorthWestern commissions an annual  
18 economic impact analysis by Circle Analytics,<sup>5</sup> a Montana-based  
19 consultant. The analysis quantifies the financial impact NorthWestern  
20 makes on the states and communities it serves. The study found  
21 NorthWestern has a significant impact on the financial well-being of the  
22 state. Through our investments and services, we provide 13,931 good-

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<sup>5</sup> [About Us – Circle Analytics](#).

1 paying jobs for others and have an annual \$2.3 billion impact on gross  
2 economic output in the state.

3  
4 Every day our electric and natural gas personnel in the field interact with  
5 our customers to restore service or add new services to our communities.  
6 Our customer service employees help customers with any questions or  
7 complaints they may have regarding that service. These customer service  
8 personnel are located at our call centers and at our service centers at our  
9 larger locations scattered throughout Montana.

10

11 NorthWestern is an active partner in each of the communities we serve.  
12 With nearly 1,200 Montana employees, we are one of the largest  
13 employers in the state, and many of our employees are very active in their  
14 communities. More information regarding our customer service and  
15 employees can be found in Pre-filed Direct Testimony of Bobbi L.  
16 Schroepfel.

17

18 **Q. Is there a relationship between NorthWestern's financial health and**  
19 **the utility's ability to reliably serve customers?**

20 **A.** Yes. A financially healthy utility drives lower costs for customers and  
21 encourages economic development. Utilities compete for capital, and  
22 financially healthy utilities attract more capital and thus are able to attract it  
23 at a lower cost for their customers. It is simple supply and demand

1 economics. We have proof of this over the history of this Company. After  
2 we emerged from bankruptcy in late 2004, our credit ratings started to rise  
3 just as we were increasing the amount of investment as a company. With  
4 those higher credit ratings, the amount of credit spread (think premium on  
5 our interest cost) came down, which was a reduction in costs for our  
6 customers. Unfortunately, as of late, our credit ratings have come down  
7 and our credit spreads necessary to pay investors have gone up higher  
8 than what our peer utilities have to pay. Thus, the financial health of the  
9 Company has a direct impact on customers. Ms. Lail speaks more to the  
10 importance of financial health to the Company in her testimony.

11

12 **Q. Why is NorthWestern seeking a rate increase at this time?**

13 **A.** Since our last rate reviews, we have invested approximately \$835 million  
14 in capital additions in the electric system and \$267 million in capital  
15 additions to the natural gas system that are serving customers. There are  
16 also \$336.1 million in known and measurable additions in 2022. As a  
17 result of our investments, our system is more resilient and reliable. The  
18 cumulative impact of these capital investments is the most significant  
19 driver of our need for a general rate review at this time, coupled with cost  
20 pressures in key areas including business technology and labor. In order  
21 to limit the impact to our customers of over a billion dollars of investment,  
22 we have kept our operations and maintenance expenses low. Ms. Lail  
23 provides analysis of NorthWestern's operating costs with benchmarking to

1 peer utilities showing that NorthWestern has the best cost ratio from  
2 multiple approaches.

3

4 **Q. Did NorthWestern consider the impact of the COVID-19 pandemic  
5 and current inflation on customers in its decision to file this case?**

6 **A.** Yes. We recognize that our rate relief request will impact our customers  
7 during a period when other prices are also increasing. However, after  
8 approximately four years of significant investment in our electric  
9 operations and six years since our last natural gas rate review, we cannot  
10 further postpone filing a new general rate review. During this period of  
11 increased investment, NorthWestern has not been earning its authorized  
12 Return on Equity (“ROE”). As Ms. Lail explains, this under-earning is  
13 likely the result of factors such as regulatory lag, lack of cost recovery  
14 mechanisms, and ineffective cost-recovery mechanisms.

15

16 **Q. How does the requested rate relief compare with inflation over the  
17 time period since NorthWestern last filed rate reviews?**

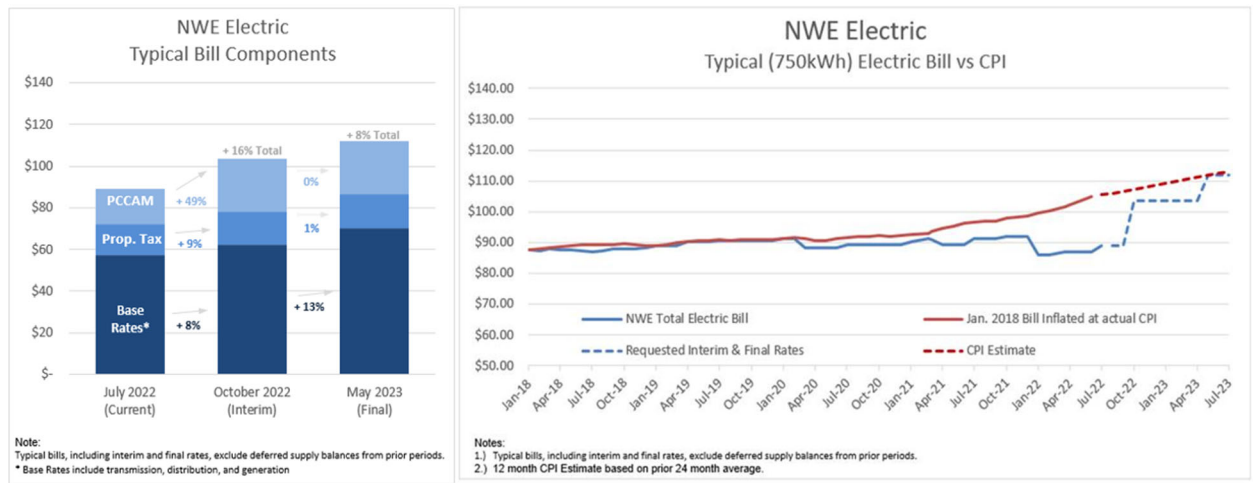
18 **A.** Figure 3 below compares the impacts of NorthWestern’s requested rate  
19 relief on the typical residential customer’s bill for electric services with  
20 inflation since January 2018. Based on our current expectations, typical  
21 residential customer bills should continue to be below the impacts of  
22 inflation.

23



1 In addition to the costs of utility services recovered through base rates,  
 2 NorthWestern’s customer bills include the recovery of flow-through costs  
 3 related to market energy costs and property taxes. These flow-through  
 4 costs make up over one-third of a typical residential customer’s bill for  
 5 electric service. Updates to these flow-through costs represents over 40%  
 6 of the bill impacts for the typical residential electric customer from  
 7 NorthWestern’s request for rate relief.

**Figure 3: NorthWestern’s Electric Bill vs. CPI**

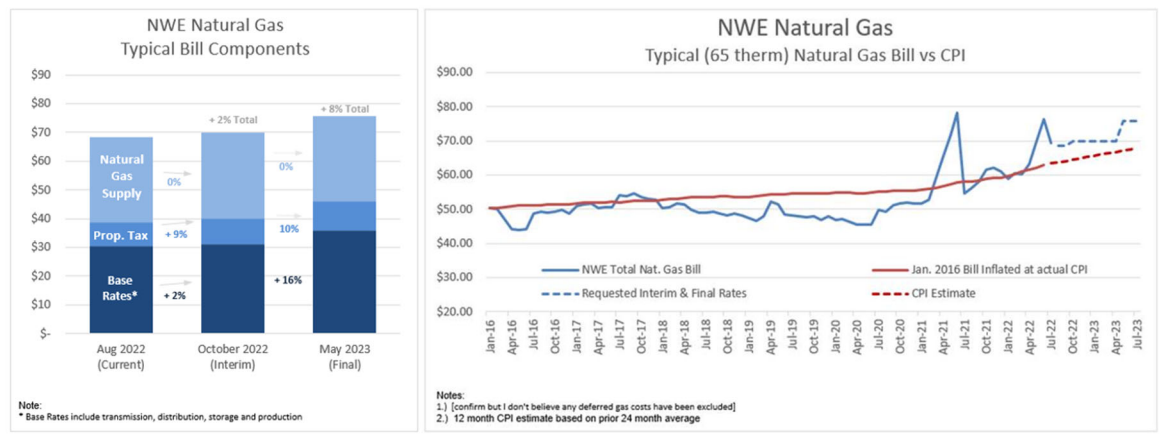


8 Figure 4 below compares the impacts of NorthWestern’s requested rate  
 9 relief on the typical residential customer’s bill for natural gas services with  
 10 inflation since January 2016. The impact of NorthWestern’s request for  
 11 rate relief is expected to be greater than the impacts of inflation on typical  
 12 residential customer’s natural gas bill.

13

1 As with NorthWestern’s customers’ electric bills, natural gas bills include  
 2 the recovery of flow-through costs related to market energy costs and  
 3 property taxes in addition to the costs of utility services recovered through  
 4 base rates. For a typical residential natural gas customer, these flow-  
 5 through costs make up over 50% of their bill for natural gas service.

**Figure 4: NorthWestern’s Natural Gas Bill vs. CPI**



6 **Overview of NorthWestern Operations**

7 **Q. How do the requests for cost recovery in this rate review support**  
 8 **safe and reliable service for Montana consumers?**

9 **A.** The scope of this rate review addresses historic 2021 costs NorthWestern  
 10 incurred in providing service to our customers, with the ability to adjust for  
 11 “known and measurable” projected 2022 costs. By the time this rate  
 12 review is resolved and NorthWestern is able to implement the rates  
 13 approved by the Commission, even the 2022 costs will be historic costs  
 14 that we will have already incurred to serve our customers. The rates  
 15 approved by the Commission will fail to capture the increasing costs of

1 serving our customers that NorthWestern expects to incur in 2023. Unlike  
2 other businesses, as a regulated utility, NorthWestern will not be able to  
3 adjust our prices, the rates paid by customers, to account for the change  
4 in costs, except in very limited instances, until the approval of our next rate  
5 review. NorthWestern asks the Commission to approve more timely  
6 recovery of costs in three critical areas: (1) Enhanced Wildfire Mitigation  
7 Plan, (2) Business Technology/cyber security, and (3) reliability resources.  
8 Ms. Lail and Ms. Fang discuss the details of NorthWestern’s proposal in  
9 these three areas in their testimonies.

10

11 **Q. Please describe the persistent impacts the COVID-19 pandemic has**  
12 **had on NorthWestern’s operations and on the cost of service.**

13 **A.** The pandemic has had a profound effect on our employees and our  
14 customers. First and foremost was the concern for the safety of our  
15 employees as they worked to ensure our customers continued to receive  
16 safe and reliable service.

17

18 The energy services provided by NorthWestern became even more critical  
19 as our customers began to work and attend school from home as a result  
20 of the pandemic. NorthWestern proactively reached out to customers to  
21 provide assistance during these economically challenging times. Ms.  
22 Schroepfel discusses these efforts in further detail.

23

1 Our employees rose to the challenge of the pandemic. As with other  
2 businesses across the country, NorthWestern was greatly affected by the  
3 impacts to the supply chain and labor force, yet we continued to provide  
4 our customers with safe and reliable energy services. We are proud of the  
5 exemplary effort and results achieved by our employees during an  
6 incredibly difficult time. These impacts are discussed further by Mr. Pohl  
7 for Distribution and Mr. Cashell for Transmission.

8

9 **Q. How does NorthWestern plan to meet the future needs of its**  
10 **customers?**

11 **A.** NorthWestern continues to make investments with clear benefits for  
12 Montana customers, including modernizing, securing, and hardening our  
13 systems. We also continue to invest in energy supply resources like the  
14 construction of a new natural gas-fired Yellowstone County Generating  
15 Station to provide needed capacity when the wind is not blowing and the  
16 sun is not shining. We continue to expand our electric and natural gas  
17 transmission facilities to ensure current capacity constraints can be  
18 mitigated over time. We continue to implement technologies that will  
19 identify problems in our delivery system before they occur and thus better  
20 enable us to focus our efforts and dollars. We plan to expand our wildfire  
21 mitigation efforts from our forested areas to system-wide areas,  
22 particularly with our changing weather patterns and length of the wildfire  
23 season. We continue to deploy advanced metering infrastructure (“AMI”)

1 to our customers to not only improve information available to us to  
2 enhance our service, but also information ultimately available to  
3 customers to make better usage decisions. We plan to finish rolling out  
4 LED lights to use better and more efficient technology. We continue to  
5 invest in technology to maintain and improve our customer service  
6 experience and make it easier for customers to communicate with us  
7 using the channel they prefer. Finally, we invest in technology that will  
8 make sure all of these investments are working together and providing the  
9 information we need to perform at a high level.

10

11

### **Rate Review Overview**

12

**Q. Please provide a summary of what NorthWestern proposes in this rate review.**

13

14

**A.** First and foremost, we are proposing to achieve base cost recovery with a test year revenue requirement, appropriate known and measurable adjustments, and a fair ROE. We also seek more timely interim rates to provide more timely relief for the increased cost of service reflected in this rate review at no risk to Montana customers.

18

19

20

Next, we propose a redesign of the PCCAM to allow for more timely and fair recovery of our supply costs. The update to the PCCAM Base Costs, a flow-through that recovers market-based energy costs, represents 40% of NorthWestern's electric rate relief request. NorthWestern's proposal to

21

22

23

1 redesign its current PCCAM includes a proposal for annual Base Cost  
2 updates that would better manage customer bill impacts related to flow-  
3 through costs over which NorthWestern has little control. We also  
4 propose to reform the FCRM to better address its stated policy purpose.  
5 The current FCRM design is flawed and should be eliminated if not  
6 reformed.

7  
8 We propose additional extended cost recovery mechanisms to more  
9 timely recover important costs. This includes costs associated with  
10 wildfire mitigation and Business Technology (including cyber threats). We  
11 also propose a reliability rider for more timely cost recovery of investments  
12 that are needed to reliably serve our customers, including the Yellowstone  
13 County Generating Station. This proposed rider is necessary to build this  
14 capacity resource without significantly impacting the financial health of  
15 NorthWestern.

16  
17 Finally, we propose to redesign lighting rates to better align with the cost  
18 of lighting services with the implementation of NorthWestern's LED  
19 Lighting Project ("LED Project").

20  
21 NorthWestern's case represents a very important rate review that relies  
22 heavily on a reasonable outcome so that we can improve our financial  
23 health, which will allow us to better serve our customers going forward.

1 NorthWestern presents witnesses that discuss each of these proposals in  
2 greater detail and I introduce those witnesses below.

3  
4

5 **Introduction of Witnesses**

6 **Q. Please identify the additional witnesses testifying on behalf of**  
7 **NorthWestern in this proceeding.**

8 **A.** The following are the NorthWestern experts who provide the further details  
9 supporting proposals in this rate review, listed by key functional areas.

10

11 **Generation:** For electricity generation, NorthWestern generates or  
12 contracts for power using hydroelectric dam facilities, wind turbines, solar  
13 panels, natural gas generators, and coal-powered generators. If  
14 NorthWestern does not generate enough energy to meet our customers'  
15 needs and is unable to procure sufficient long-term contracts, then  
16 electricity must be bought on the market. Natural gas is produced from  
17 formations underground. Most natural gas used by NorthWestern comes  
18 from Wyoming or Canada. It is produced and transported via pipeline to  
19 NorthWestern-owned facilities.

- 20 ○ John D. Hines provides the overview and policy direction for
- 21 NorthWestern's generation initiatives to continue to meet
- 22 customers' energy and capacity needs in an ever-changing market.

- 1 • Joseph M. Stimatz presents updates to NorthWestern’s PCCAM  
2 Base Costs, which reflect NorthWestern’s proposal for modeling  
3 refinements associated with its PCCAM redesign proposal,  
4 describes the significance of Resource Adequacy to ensure  
5 reliable energy service, and describes NorthWestern’s activities  
6 in regional markets.
- 7 • Danie L. Williams presents NorthWestern’s Demand Side  
8 Management (“DSM”) programs and associated costs.
- 9 • Bleau J. LaFave describes NorthWestern’s activities to continue  
10 to manage its generation portfolio to meet our customers’  
11 energy needs, NorthWestern’s proposal related to small natural  
12 gas acquisitions, and an update to the step-down ratemaking  
13 treatment for NorthWestern’s natural gas production assets.

14

15 **Transmission:** For electricity service, power is generated at the source,  
16 and moved through generation step up transformers after which it is  
17 delivered to the transmission system. The transmission system is  
18 designed to carry large quantities of electricity at high voltages. The  
19 power is transmitted through the transmission system to substations  
20 where it is delivered to other portions of the transmission system, large  
21 transmission level customers, or to substations in each community that  
22 then connect to the distribution system that delivers the power to homes  
23 and businesses. For natural gas service, transmission consists of a series



1 of large underground pipes that carry purchased, produced, or stored  
2 natural gas to large customers on the transmission system or to gate  
3 stations in each community that then connect to the distribution system  
4 that delivers the natural gas to homes and businesses.

5 ○ Michael R. Cashell provides the overview and policy direction for  
6 NorthWestern’s transmission initiatives to ensure safe and reliable  
7 services for our customers.

8 • Thomas D. Pankratz presents NorthWestern’s Electric  
9 Transmission Investments and their associated costs.

10 • Jason M. McClafferty presents NorthWestern’s Natural Gas  
11 Transmission Investments, with the exclusion of gas pipeline  
12 safety, as well as proposed changes to further modernize  
13 NorthWestern’s gas tariffs and address operational situations.

14 • Keith W. Meagor presents NorthWestern’s efforts related to  
15 Pipeline Compliance and the associated investments for  
16 transmission assets.

17 • Michael S. McGowan presents NorthWestern’s Line Loss  
18 Studies related to Electric Transmission and Distribution.

19

20 **Distribution:** For electricity service, distribution consists of the power  
21 poles and lines or underground lines from substations to your home. The  
22 voltage of the power is reduced repeatedly until it can go into your home.  
23 NorthWestern is responsible for the distribution up to each customer’s

1 meter. For natural gas service, distribution covers the smaller diameter  
2 pipes that carry natural gas from gate stations to your home. These  
3 distribution pipes carry the natural gas right up to the meter on your home  
4 or business.

- 5 ○ Curtis T. Pohl provides the overview and policy direction for  
6 NorthWestern’s distribution investments and proposals, which  
7 include NorthWestern’s Montana Meter Upgrade Project, LED  
8 Project, and proposed Enhanced Wildfire Mitigation Plan.
- 9 ● Gregory F. Bailly presents NorthWestern’s proposed Enhanced  
10 Wildfire Mitigation Plan and its associated costs, except for  
11 Vegetation Management.
- 12 ● Nathaniel P. Linder presents NorthWestern’s Vegetation  
13 Management program, and related costs, included in the  
14 proposed Enhanced Wildfire Mitigation Plan.
- 15 ● Jonathon R. Shafer presents NorthWestern’s Montana Meter  
16 Upgrade Project and associated costs.
- 17 ● Lloyd Blain Nicholls presents NorthWestern’s LED Project and  
18 associated costs.
- 19 ● John E. Carmody presents NorthWestern’s overall distribution  
20 investments, both electric and natural gas.

21  
22 **Business Technology:** Our Business Technology (“BT”) group provides  
23 a critical support service for utility operations to be able to provide safe

1 and reliable service and cyber security within BT group ensures we do just  
2 that while protecting essential data and operations. NorthWestern uses  
3 the term Business Technology or BT in lieu of “IT” due to the partnership  
4 and integration with business strategy and objectives.

5 ○ Jeanne M. Vold provides the overview and policy direction for  
6 NorthWestern’s BT and Cyber Security initiatives critical to  
7 NorthWestern’s ability to provide customers with safe and reliable  
8 energy service. She also provides a broad overview of the  
9 expense costs necessary to operate technology systems to deliver  
10 safe, secure, and reliable energy to our customers.

11 • Sean M. Cleverly presents NorthWestern’s activities to meet  
12 ever-changing cyber security needs and the associated costs.

13  
14 **Customer Care:** Our engagement with our customers involves more than  
15 just the energy services we provide – it includes the support services we  
16 offer for our customers, the way we communicate, and our involvement in  
17 the community.

18 ○ Bobbi L. Schroepel describes the role NorthWestern plays in the  
19 Montana communities and how we serve the needs of our  
20 customers. She also describes the critical role our dedicated  
21 employees play in fulfilling the NorthWestern mission and vision in  
22 serving our customers.

1       **Finance:** Finance plays the critical role of ensuring sufficient funding and  
2       access to capital that are necessary to enable our operations departments  
3       to ensure safe and reliable service for our customers given our regulatory  
4       environment.

- 5           ○ Crystal D. Lail presents the Company’s capital structure and  
6           proposed rate of return. She describes what is needed to be a  
7           financially healthy utility and how the Company’s financial health is  
8           critical to our ability to serve our customers in an affordable manner  
9           and presents NorthWestern’s proposals to support both the  
10          financial health of NorthWestern and its ability serve its customers.

11          These proposals include: (1) fuller utilization of “known and  
12          measurable” adjustments, (2) more forward-looking cost recovery  
13          for two critical service areas – Enhanced Wildfire Mitigation and  
14          cyber security, and (3) more timely cost recovery for critical  
15          reliability investments with a proposal for a Reliability Rider.

- 16          ● Jeffrey B. Berzina presents NorthWestern’s proposed updated  
17          rate base for electric and natural gas based on a 2021 test year  
18          and known and measurable 2022 adjustments. He presents  
19          NorthWestern’s proposal to include DSM programs in rate base  
20          as permitted under Montana Code Annotated § 69-3-712 and  
21          treatment of natural gas production assets and NorthWestern’s  
22          potential acquisition of the Sleepy Hollow assets as regulatory  
23          assets.

- 1 • Consultant Adrien M. McKenzie presents NorthWestern’s  
2 updated ROE analysis.
- 3 • Consultant Ronald E. White presents NorthWestern’s updated  
4 Depreciation Study.
- 5 • Andrew D. Durkin presents NorthWestern’s updated proposed  
6 Revenue Requirement for both electric and natural gas based  
7 on a 2021 test year and known and measurable 2022  
8 adjustments. He also discusses certain components of  
9 NorthWestern’s PCCAM redesign proposal and the rates  
10 resulting from NorthWestern’s proposed PCCAM Base Costs.  
11 He also presents the revenue requirements associated with  
12 NorthWestern’s proposal for more forward-looking cost recovery  
13 for two critical service areas – wildfire mitigation and cyber  
14 security, and more timely cost recovery for critical reliability  
15 investments through a Reliability Rider.
- 16 • Aaron J. Bjorkman presents the updated tax information related  
17 to NorthWestern’s rate review.
- 18 • Consultant Paul M. Normand presents NorthWestern’s  
19 Lead/Lag Studies.

20

21 **Regulatory:** As a Montana regulated utility, NorthWestern’s Rate Review  
22 must comply with the laws and rules established by the State and the  
23 Commission, respectively. In instances where existing rules may be

1 limiting our ability to effectively serve our customers, NorthWestern has  
2 put forth proposals that seek to work with the Commission to find a  
3 solution to ensure we continue to meet our customers' needs.

4 ○ Cynthia S. Fang describes the limits under the current regulatory  
5 environment and presents NorthWestern's proposals for more  
6 timely cost recovery to reduce regulatory lag, specifically (1) fuller  
7 utilization of "known and measurable" adjustments, (2) more  
8 forward-looking cost recovery for two critical service areas – wildfire  
9 mitigation and cyber security, and (3) more timely cost recovery for  
10 critical reliability investments with a proposal for a Reliability Rider.  
11 In addition, she presents NorthWestern's proposal to redesign both  
12 the existing PCCAM to better capture the evolving market  
13 conditions and the FCRM pilot to better address all customers. Ms.  
14 Fang also provides testimony reflecting updates to Revenue  
15 Allocations and Rate Design, including proposals for simpler rate  
16 design related to streetlights and updated rate design to reduce bill  
17 volatility.

18 ● Consultant Paul M. Normand presents Cost of Service Studies  
19 for both electric and natural gas that provide the foundation for  
20 cost-based revenue allocations and rate design. Mr. Normand  
21 also presents the Electric Jurisdictional Cost Study.

- 1                   • Glenda J. Gibson discusses the Electric Jurisdictional Cost  
2                   Study. Ms. Gibson also presents NorthWestern’s proposals to  
3                   update and modernize our tariffs.  
4                   • Consultant Jennifer E. Nelson presents a benchmarking study  
5                   of NorthWestern as compared to other similarly situated utilities.

6

7 **Q. Does this complete your testimony?**

8 **A.** Yes, it does.

**VERIFICATION**

This Pre-filed Direct Testimony of Brian B. Bird is true and accurate to the best of my knowledge, information, and belief.

/s/ Brian B. Bird  
Brian B. Bird