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Subject: [EXTERNAL] 2023 Cap Rate Study Comments
Date: Thursday, April 13, 2023 8:40:01 AM

Pursuant to 15-1-210, MCA, NorthWestern Energy is providing comments related to the 2023 Capitalization Rate Study for Electric Utilities.

NorthWestern Energy has the following comments:

1. Both the NOI and GCF “Direct Capitalization Rates,” which are used in the Direct Capitalization appraisal models, value the company, not the property. Our concerns with company valuation versus property valuation were discussed with Montana DOR personnel in December 2022.
2. The determination of the debt rate used in the NOI and GFC “Dividend Discount Models” calculations makes the false assumption that a willing buyer (in the willing seller/willing buyer definition of fair market value) has access to lower interest rates than what was available on January 1, 2023.

Please reach out with any questions or concerns.

Regards,

Aaron

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