

Notice 2015-16

MAY 14 2015

May 14, 2015

CC:PA:LPD:PR (Notice 2015-16)
Internal Revenue Service
Room 5203
PO Box 7604
Ben Franklin Station
Washington DC 20044

Re: Notice 2015-16

Dear Ms. Levin:

NorthWestern Corporation, doing business as NorthWestern Energy (NorthWestern), is pleased to respond to the Internal Revenue Service's comment request on Notice 2015-16 regarding the excise tax on high cost employer-sponsored health coverage.

Under the proposed regulatory guidance, employer contributions to health savings accounts, including salary reduction contributions to health savings accounts, will be included in applicable coverage, and thereby, the applicable premium for comparing to Section 49801(b)(3)(C) annual applicable dollar limits. In contrast, employee after-tax contributions to a health savings account are not applicable coverage.

We strongly urge you to exclude from applicable coverage under Section 49801 all employer contributions and employee contributions (whether through salary reduction or after-tax contributions) to a health savings account. Contributions to a health savings account, whether made by an employer or employee, do not represent a cost of providing healthcare. Rather, they represent a means to pay for the rapidly rising healthcare costs that we, collectively as a nation, are trying to control. We believe including contributions to a health savings account in the applicable coverage calculation would be counterproductive to controlling healthcare costs, as it reduces the incentive for participants to save (and manage their savings) for future healthcare costs.

From our experience, employees are much more likely to save when an employer provides the convenience of payroll deduction. While the final effect may be the same from a tax standpoint if an employee contributes to a health savings account through salary reduction or on an after tax basis, NorthWestern believes the savings effect is substantially greater by allowing employees the convenience of salary reduction for health savings account contributions.

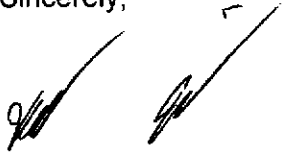
NorthWestern provides electricity and natural gas in the Upper Midwest and Northwest, serving approximately 692,600 customers in Montana, South Dakota and Nebraska. NorthWestern voluntarily provides health care coverage to approximately 1,600 benefits-eligible employees and their families. Like many employers, NorthWestern has adopted a consumer-driven health plan (CDHP) to continue to provide affordable health coverage to employees. Participants indicate they are willing to accept a higher deductible and out of pocket design in exchange for lower premiums and the opportunity to use a health savings account to help cover the costs of care. Participants appreciate the fact that if they don't need health savings account contributions to cover current expenses, they are available to cover future expenses, even into retirement.

Since implementing a CDHP, NorthWestern has experienced premium increases below the medical inflation rate. Plan premiums are based on plan costs, which reflect the cost of health care in more rural states such as Montana, where costs tend to be higher, partly due to the cost of delivering services to a relatively small population over such a large geographic area and partly due to limited competitive influences. NorthWestern believes the CDHP has changed participant behavior by encouraging them to be wise consumers of health care because they bear the initial costs through a higher deductible. The availability of a health savings account, company contributions toward those accounts, and coverage of preventive benefits has minimized the potential that participants will avoid seeking care because of cost.

NorthWestern believes the tax favored health savings account is a key component of continuing to provide affordable health care to our employees. As a regulated utility, we are sensitive to the balance of providing competitive benefits to attract and retain qualified employees while not burdening customers with excessive costs. Strategically, NorthWestern views the excise tax as an unacceptable cost to impose on customers as well as employees who share in the cost of the plan. To maintain affordable coverage, we cover only essential health benefits and look to cost sharing strategies, such as increasing deductibles and out of pocket expenses for members. We believe it is critical for employees to have a health savings account opportunity to manage costs associated with higher cost sharing without sacrificing care.

Thank you for considering our comments and recommendations. Please contact me at (605) 978-2806 if you would like to discuss our comments in more detail.

Sincerely,

A handwritten signature in black ink, appearing to read 'Kendall Kliever', with a long, sweeping horizontal stroke extending to the right.

Kendall Kliever

Vice President and Controller

Kendall.Kliever@Northwestern.com

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