

Service Date: May 6, 2005

DEPARTMENT OF PUBLIC SERVICE REGULATION  
BEFORE THE PUBLIC SERVICE COMMISSION  
OF THE STATE OF MONTANA

IN THE MATTER OF the ) UTILITY DIVISION  
NorthWestern Energy's Electric )  
Default Supply Tracker Filing ) DOCKET NO. D2004.6.90  
) ORDER NO. 6574d

**REVISED PROCEDURAL ORDER**

**NOTE: PLEASE READ CAREFULLY. PROVISIONS OF THIS ORDER MAY MODIFY PREVIOUS PSC PROCEDURAL AND SCHEDULING POLICY. THIS IS NOT A PROPOSED ORDER. RECONSIDERATION IS AVAILABLE FOR GOOD CAUSE.**

Introduction

1. The Public Service Commission (PSC), itself or through delegation to PSC staff, hereby establishes the procedure and schedule to be followed in the above docket. Any request for reconsideration of this Order must be submitted to the PSC within 10 days of the service date above. A request for reconsideration will be scheduled for the PSC's next available business meeting following the request and the parties will be informed of the action taken. This Order is effective immediately and remains effective unless and until modified by action of the PSC.

2. Procedural Order No. 6574b was issued on September 20, 2004. On December 16, 2004, the PSC issued a Notice of Commission Action informing the parties that it had, at the request of NWE, suspended the procedural order in this docket.

3. This docket will be jointly administered with docket D2003.6.77. All intervenors in D2003.6.77 are deemed to have intervened in this docket. All intervenors in this docket are deemed to have intervened in D2003.6.77. The procedural schedules in the dockets, going forward, shall be identical. A joint hearing will be held. Separate orders shall be issued in each docket.

Additional Issues

4. On June 7, 2004, NorthWestern Energy (NWE) submitted its Electric Default Supply Tracker filing. The filing included prefiled direct testimony from Mr. William Thomas. Mr. Thomas's

testimony addresses, among other things, how NWE proposes to blend certain Universal System Benefits (USB) programs into default supply programs.

5. Mr. Thomas testified that in 2005 NWE will scale back the E+ Business Partners and E+ Commercial Lighting USB programs to serve only choice customers. NWE believes these programs are designed primarily to acquire demand-side resources and are not primarily public purpose programs. NWE will introduce a new commercial lighting program and a new program for acquiring commercial site-specific demand-side resources within the default supply portfolio. The E+ Business Partners and E+ Commercial Lighting programs will remain active USB programs, but at a lower funding level. Mr. Thomas testified that NWE decided, with input from its USB Advisory Committee, to allocate the funds freed-up by these USB program changes to other conservation and market transformation USB programs.

6. The Commission finds merit in raising several additional issues for consideration in this docket. First, the Commission last considered public policy issues related to the allocation of NWE's USB funding obligations in February, 1999 (see Order 5986g, Docket D97.7.90). Since that time, the Commission has, from time to time, received inquiries and informal requests to review the allocation of USB funds. Most recently, AARP in its June 3, 2004 written comments in Docket N2004.1.15 and again in a letter dated August 2, 2004, requested that the Commission initiate a proceeding to consider, in a public forum, NWE's demand-side resource acquisition plans and budgets and their affects on USB programs. AARP also recommended that the Commission more closely supervise USB programs and expenses for all regulated electric and gas utilities.

7. The Commission believes it is reasonable to periodically investigate, in a public forum broader than NWE's USB Advisory Committee, issues related to NWE's collection and use of funds for public purposes. The Commission requests additional supplemental testimony on the reasonableness of the current allocation of NWE-collected USB funds among qualifying categories: local conservation, low-income weatherization, renewable resource projects and applications, research and development, market transformation and low-income energy assistance.

8. AARP also raised two other legitimate default supply policy issues in its June 3, 2004 written comments in Docket N2004.1.15. AARP recommended that the Commission consider alternatives to monthly default supply rate adjustments that provide greater rate stability and encourage NWE to control default supply costs. AARP also recommended that NWE capitalize investments in

demand-side resources when those resources have expected lives longer than one year. The Commission requests additional supplemental testimony on these two issues.

#### Schedule

9. All dates listed in the following schedule are receipt dates (filing and service) unless otherwise specified. Dates prior to the date of this order are for reference purposes only. Dates and procedures after the date set for hearing are subject to change at the close of hearing. Dates marked "\*" are for additional issue procedures, as needed, if needed. If an additional issues procedure is determined to be unnecessary, the schedule following the time for identification of additional issues may change. Discovery requests on the utility's application may be submitted at any time up to the discovery date fixed by this schedule. Discovery requests may be submitted by PSC staff at any time subsequent to receipt of the utility's application and prior to the final day for such discovery; discovery requests may be submitted by intervenors at any time subsequent to filing a petition to intervene and prior to the final day for such discovery. Any discovery request submitted at least 10 days prior to an applicable deadline must be answered no later than 10 days after receipt. All other discovery requests must be answered by the response date fixed by this schedule.

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|-----|--------------------|--|
| (a) | June 7, 2004:      | Utility's application received by PSC  |
| (b) | June 17, 2004:     | Utility's update to application received by PSC  |
| (c) | July 8, 2004:      | Notice of Opportunity to Comment on Specific Issue Related to Choice Customers Returning to Default Supply issued by PSC                     |
| (d) | July 19, 2004:     | Notice of Application and Intervention Deadline issued by PSC  |
| (e) | July 28, 2004:     | Interim Order issued by PSC  |
| (f) | August 3, 2004:    | Final day for intervention as a matter of right  |
| (g) | October 15, 2004:  | Final day for supplemental testimony on above-identified Additional Issues   |
| (h) | November 1, 2004:  | Final day for written discovery (includes data requests) to utility on utility's application, pre-filed testimony and supplemental testimony |
| (i) | November 15, 2004: | Final day for utility to respond to discovery on utility's application, pre-filed testimony and supplemental testimony                       |

- (j) May 25, 2005: Final day for initial pre-filed testimony from intervenors
- (k) June 8, 2005: Final day for written discovery on intervenor pre-filed testimony
- (l) June 22, 2005: Final day for intervenors to respond to written discovery on pre-filed testimony
- (m) July 7, 2005: Final day for utility rebuttal testimony and intervenor response testimony, if any, to intervenor pre-filed testimony
- (n) July 21, 2005: Final day for discovery on utility rebuttal testimony and intervenor response testimony, if any
- (o) July 28, 2005: Final day for utility to respond to discovery on utility rebuttal testimony and intervenor to respond to discovery on intervenor response testimony, if any
- (p) August 8, 2005: Final day for Pre-hearing Memoranda
- (q) August 15, 2005: Hearing commences and continues from day to day until concluded

10. In addition, satellite hearings and various pre-hearing conferences may be separately scheduled.

#### Ex Parte Communications

11. This proceeding is a contested case proceeding. In contested case proceedings most *ex parte* communications are prohibited. An *ex parte* communication is one between (i.e., to or from) a Commissioner and any person associated with a party in the contested case, when the communication involves the contested case or an issue in the contested case and all other parties to the contested case have not been given a reasonable opportunity to participate in the communication. PSC Commissioner receipt or conveyance of *ex parte* communications is prohibited by law. § 2-4-613, MCA. Party receipt or conveyance of *ex parte* communications is prohibited by law. Id. A few categories of *ex parte* communications, some pertaining to procedure and scheduling, may be allowed by law and are not prohibited (e.g., emergency motion for extension of time). Id. Any oral, written, electronic, or other form of communication of any kind, between (i.e., to or from) a PSC Commissioner and any person associated with any party to a contested case pending before the PSC may be or may include, inadvertently or otherwise, a prohibited *ex parte* communication. Parties and Commissioners being ever alert to this possibility, the prohibition applicable, and the corrective action necessary is extremely

important in regard to any face-to-face, phone, letter, e-mail, or other encounter involving a party and a Commissioner.

### Procedure

#### General

12. Unless otherwise stated in this Procedural Order the procedure governing this contested case is set forth in applicable provisions of: (a) Title 69, MCA, public utilities; (b) Title 2, Chapter 4, MCA, MAPA; (c) ARM Title 38, Chapter 2, procedural rules of the PSC; (d) tariffed procedures; and (e) previous Orders of the PSC bearing specifically on the procedure and issues in this docket, if any.

#### Service and Filing

13. Copies of all pleadings, motions, discovery requests, discovery responses, pre-filed testimony, briefs, and other documents shall be filed with the PSC and served on all parties ("parties" includes the utility and all intervenors). In the case of a filing directed to the PSC, such as motions, testimony, and briefs, the original and 10 copies shall be filed. Service upon the parties shall be upon each party's attorney of record and such other individuals as may be reasonably designated by the attorney of record. The parties may limit service of discovery responses to service on the party making the discovery request, the PSC (original and 10 copies, unless waiver is obtained), and parties specifically requesting service of discovery responses.

14. Service and filing by means of facsimile transmission is prohibited. Deadlines for service and filing are deadlines for the service and filing of the original and copies as required.

#### Intervention

15. Parties seeking to intervene must file a Petition to Intervene with the PSC. So long as the time set for intervention as a matter of right is met, intervention shall be deemed granted subject to a later ruling on standing (if necessary). In the case of late intervention, the intervenor must: (a) identify the general position that the intervenor will take if the intervention is granted; (b) demonstrate a legally protectable interest directly affected by this docket; (c) demonstrate that the intervention, if granted, will not delay or prejudice the proceeding in this docket; and (d) good cause why the request for intervention was not timely filed. Late intervention will be effective only upon action of the PSC.

## Discovery

16. The term "discovery" includes all forms of discovery authorized by rules of the PSC. The term "written discovery" as used in this order includes data requests. The PSC urges all parties to conduct discovery through the use of data requests as the preferred method of discovery.

17. The PSC directs all parties to prepare data requests according to the following guidelines:

(a) Parties must assign their data requests a request number (e.g., MCC-001).

Request numbers must be consecutive regardless of the party to whom the request is directed (e.g., the PSC might direct PSC-001 through 008 to the utility, PSC-009 through 016 to an intervenor, and PSC-017 through 019 to the utility).

(b) All data requests must include at the beginning of each request a description of five words or less explaining the subject of the data request. Other identifying information, such as the witness to whom the request is submitted, exhibit number, page number, etc., may be included in addition to, but not in lieu of, the subject of the request. This requirement will help to identify all data requests and responses addressing a particular subject or group of subjects. Subject descriptions will obviously vary from one party to another. However, each party should attempt to keep descriptions consistent from one request to another.

(c) Multi-part requests may be used, each part denoted by a lower case letter (a, b, c, d, and e). Requests must be limited to five (a-e) parts. If additional parts are necessary additional requests must be made. A single part request should be denoted by the request number only.

(d) Examples of acceptable data requests are as follows:

PSC-500 RE: Purchased Gas Contracts  
Witness - Doe, Page JBD-4, Lines 13-15

Please provide the origination and expiration date for each contract

PSC-501 RE: Bypass  
Witness - Roe, Page RAR-14, Lines 11-14

- a. What risks of bypass would be avoided by the shareholders as a result of the company's proposed treatment?
- b. What risks of bypass would be avoided by the ratepayers as a result of the company's proposed treatment?

18. The party receiving the written discovery or data request has five days from receipt to object. The objection and notice thereof shall be filed with the PSC and served on all parties. The PSC may dispose of objections by prompt ruling or may schedule arguments. Failure to timely object will be deemed acceptance of the request.

19. Any requesting party dissatisfied with the response to any written discovery or data request and desiring PSC action to compel, must, within five days after receipt of such response, file before the PSC and serve all parties, the objection or motion and identify the relief requested. The PSC may dispose of such objection by prompt ruling or may schedule argument. The PSC will act to either sustain or overrule the objections. If an objection is sustained, a time period will be set within which a satisfactory response must be made.

20. Submission of written discovery after the period established will be allowed by leave of the PSC only. Requests will not be permitted unless the party making the request shows good cause as to why the request was not submitted within the time period allowed.

21. Unless excused by the PSC, failure by a party to answer data requests or other discovery from any party may result in: (a) action refusing to allow the failing party to support or oppose related claims; (b) action prohibiting introduction of related matters in evidence; (c) action striking pleadings, testimony, or parts thereof; (d) action staying further proceedings until the request is satisfied; or (e) action dismissing the case, defense, proceeding, or parts thereof.

#### Testimony and Evidence

22. The PSC contemplates a complete identification of issues prior to the time of hearing. Introduction of new issues or data in new areas at the time of hearing will be carefully scrutinized and will be subject to disallowance unless reasonably related to issues earlier identified in the application, pre-filed testimony, or proceedings.

23. At hearing, pre-filed direct, answer, and rebuttal testimony (including on additional issues) will be adopted into the record by motion of the proponent without the need of recitation by the witness. The testimony will be an exhibit and not otherwise entered into the transcript.

24. All proposed exhibits and pre-filed written testimony shall be marked for the purposes of identification prior to the start of the hearing. Parties shall arrange in advance with the court reporter and presiding officer for the preferred manner of identifying exhibits.

25. When cross-examination is based on a document, not previously filed with the PSC,

copies of the document must be made available to each commissioner, parties, and staff, unless good cause is shown why copies are not available. Parties introducing data requests or other discovery must have copies of each request and response available at the hearing for the court reporter, each commissioner, the PSC staff, and all parties. This last requirement may be waived if the documents to be introduced are bulky, or for other good cause, and if previous arrangements have been made with the PSC and all parties.

26. Parties may be permitted to present live rebuttal testimony only if it is in direct response to an issue raised for the first time in cross-examination or the testimony of a public witness. Such testimony will be allowed only by leave of the PSC or presiding officer.

27. Citizens and citizen groups will, in the discretion of the PSC, be allowed to make statements without having submitted prepared written testimony. In addition, if they have prepared written testimony they may read it if they desire, or they may have it adopted directly into the record.

28. The Montana Rules of Evidence in effect at the time of the hearing in this docket will govern at the hearing.

29. Any party to this proceeding having responded, itself or through agents, to written discovery from any other party or the PSC, shall have all persons authoring each response present and available as a witness at the hearing for the purposes of introduction of the discovery and cross-examination thereon. Reasonable alternatives to this requirement, such as waiver of objection to introduction absent the author and waiver of right to cross-examine, agreed to by the parties may be accepted if approved by the PSC. Written discovery (not including transcripts of depositions on oral examination) and data requests will not be introduced at hearing unless done in accordance with applicable rules of evidence and through an appropriate witness subject to cross-examination or upon stipulation approved by the PSC.

#### Pre-hearing Motions and Conferences

30. Motions by any party, including motions to strike pre-filed testimony and motions concerning any procedural matter connected with this docket, shall be raised at the earliest possible time. Pre-hearing motions shall be submitted on briefs unless otherwise requested by a party and approved by the PSC. If oral argument is granted, the party requesting oral argument shall, after scheduling with the PSC, notice the same for hearing before the PSC.

31. The PSC may, at any time prior to the hearing, set a pre-hearing conference for

discussion of, among other things, the feasibility of settlement of any issues in the proceeding, the simplification of issues, the possibility of obtaining admissions of fact and documents, the distribution and marking of written testimony and exhibits prior to the hearing, and such other matters as may aid in the disposition of the proceeding or settlement thereof.

32. Nothing in this Order shall be construed to limit the legally established right of the PSC or its staff to inspect the books and accounts of the utility at any time.

#### Pre-hearing Memorandum

33. The form and content of a Pre-hearing Memorandum to be submitted by each party shall conform to instructions to be issued at a subsequent date.

#### Open Meetings

34. All PSC meetings regarding this docket are open meetings except as otherwise required or permitted by law. Parties will not routinely be notified of PSC business meetings or work sessions that may pertain to discussion or action on matters within this docket. Notification of PSC work sessions concerning this docket will be provided to all persons requesting notification through the PSC's weekly agenda mailing list.

Done and dated this 6<sup>th</sup> day of May, 2005, by delegation to PSC staff as an Order of the PSC.

BY THE MONTANA PUBLIC SERVICE COMMISSION

GREG JERGESON, Chairman  
BRAD MOLNAR, Vice-Chairman  
DOUG MOOD, Commissioner  
ROBERT H. RANEY, Commissioner  
THOMAS J. SCHNEIDER, Commissioner

NOTE: Any interested party may request the Commission to reconsider this decision. A motion to reconsider must be filed within ten (10) days. See 38.2.4806, ARM.