

PUBLIC SERVICE COMMISSION STATE OF MONTANA



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July 27, 2009

Mr. Joe Schwartzberger
NorthWestern Energy
40 East Broadway Street
Butte, MT 59701

RE: Data requests in Docket Nos. D2008.5.45 and D2009.5.62

Dear Mr. Schwartzberger,

Enclosed please find data requests numbered PSC-001 through PSC-032 in the above-referenced Dockets. Please begin the response to each new numbered data request on a new page. Please provide an original and ten (10) copies of your responses, punched for three-ring binders. If you have any questions in regard to PSC-001 through PSC-020, please contact me at (406) 444-6193. If you have any questions in regard to PSC-021 through PSC-032, please contact Will Rosquist at (406) 444-6359.

Sincerely,

Scott Fabel
Rate Analyst
Montana Public Service Commission

Enclosure

Service Date: July 27, 2009

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

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IN THE MATTER OF NorthWestern Energy's) UTILITY DIVISION
Application for Electric Supply Deferred Cost)
Account Balance and Projected Electric Supply) DOCKET NO. D2008.5.45
Cost)

IN THE MATTER OF NorthWestern Energy's) UTILITY DIVISION
Application for Electric Supply Deferred Cost)
Account Balance and Projected Electric Supply) DOCKET NO. D2009.5.62
Cost)

**COMMISSION STAFF DATA REQUESTS PSC-001 THROUGH PSC-032
TO NORTHWESTERN ENERGY**

PSC-001

Regarding: Annual Projected Supply Cost
Witness: Frank V. Bennett

- a. Please update actual for estimated months of May and June in Exhibits (FVB-1) for 2009 in Docket D2009.5.62.
- b. Please provide working electronic copies of Exhibit (FVB-1) through Exhibit_(FVB-3) in Docket D2009.5.62 with all supporting files and links intact.
- c. Please provide working electronic copies of Exhibit (FVB-1) through Exhibit (FVB-3) in Docket D2008.5.45 with all supporting files and links intact.

PSC-002

Regarding: Administrative expenses
Witness: Frank V. Bennett

Please provide a detailed break down of all costs included in Administrative expense of \$2, 477,302 for 2008/2009 tracking period in Docket D2009.5.62.

PSC-003

Regarding: Administrative expenses
Witness: Frank V. Bennett

Please provide a detailed break down of all costs included in Administrative Support expense of \$3,116,978 for 2007/2008 tracking period in Docket D2008.5.45.

PSC-004

Regarding: Net Short-term Purchases
Witness: Frank V. Bennett

- a. Please provide a detailed description of all of the short-term transaction for the 2006/2007 tracker period, including date, supplier, cost and quantity in Mr. Bennett's testimony, page FVB-11, line 1-10, filed in Docket D2009.5.62.
- b. Please provide a detailed description of all of the short-term transaction for the 2007/2008 tracker period, including date, supplier, cost and quantity in Mr. Bennett's testimony, page FVB-6, lines 14-19, in Docket D2008.5.45.

PSC-005

Regarding: 2009 Tracking period
Witness: Frank V. Bennett

Please provide all documents and work papers used to calculate the table that summarized the 12 months ended June 2009, as indicated in Mr. Bennett's testimony, page FVB-14, filed in Docket D2009.5.62.

PSC-006

Regarding: 2008 Tracking period
Witness: Frank V. Bennett

Please provide all documents and work papers used to calculate the table that summarized the 12 months ended June 2008, as indicated in Mr. Bennett's testimony, page FVB-8, filed in Docket D2008.5.45.

PSC-007

Regarding: 2010 forecast
Witness: Frank V. Bennett

Please provide all documents and work papers used to calculate the table that summarized the 12 months ended June 2010 forecast, as indicated in Mr. Bennett's testimony, page FVB-18, filed in Docket D2009.5.62.

PSC-008

Regarding: 2009 forecast
Witness: Frank V. Bennett

Please provide all documents and work papers used to calculate the table that summarized the 12 months ended June 2009 forecast, as indicated in Mr. Bennett's testimony, page FVB-11, filed in Docket D2008.5.45.

PSC-009

Regarding: Total Sales
Witness: Frank V. Bennett

Please provide all documents, calculations, and work papers that explain the total projected Total sales are expected to decrease 2.12 or 127,539 MWH less in the 2009/2010 then in the prior tracking period, as indicated in Mr. Bennett's testimony, page FVB-17, line 8-10, filed in Docket D2009.5.62.

PSC-010

Regarding: Total Sales
Witness: Frank V. Bennett

Please provide all documents, calculations, and work papers that explain the total projected Total sales are expected to be 0.06% or 3,400 MWH less in the 2008/2009 then in the prior tracking period, as indicated in Mr. Bennett's testimony, page FVB-10, line 15-18 filed, in Docket D2008.5.45.

PSC-011

Regarding: Deferred Account
Witness: Frank V. Bennett

- a. Please provide all documents and work papers used to calculate the Deferred Account forecast balance of \$20,390,683 over collection, as indicated in Mr. Bennett's testimony, page FVB-7, line 19, filed in Docket D2009.5.62.
- b. Please provide all documents and work papers used to calculate the beginning Deferred Account balance as of July 2008 of \$14,223,795 over collection, as indicated in Mr. Bennett's testimony, page FVB-7, line 15, filed in Docket D2009.5.62.

PSC-012

Regarding: Reported DSM Energy Savings and Calculated Lost Revenue
Witness: William M. Thomas

- a. Please provide methodology and detailed description used to develop reported DSM energy saving and calculated lost revenues associated with it for the 2008/2009 tracker period in Docket D2009.5.62.

- b. Please provide methodology and detailed description used to develop reported DSM energy saving and calculated lost revenues associated with it for the 2007/2008 tracker period in Docket D2008.5.45.

PSC-013

Regarding: Measurement of Actual results
Witness: William M. Thomas

Please provide detailed explanation of how NWE intends to measure actual results of accumulated energy savings produced by DSM activities in Docket D2009.5.62.

PSC-014

Regarding: Lost Revenue
Witness: William M. Thomas

Please provide all work papers and calculations used to develop proposed lost revenue of \$1,606,190 for 2008/2009 tracker in Docket D2009.5.62.

PSC-015

Regarding: Energy Efficient Lighting Program
Witness: William M. Thomas

Please provide all documents and work papers used to calculate the table, as indicated in Mr. Thomas' testimony, page WMT-10, filed in Docket D2009.5.62.

PSC-016

Regarding: Demand Side Management
Witness: William M. Thomas

- a. Please provide working electronic copies of Exhibit_ (WMT-2) and Exhibit_ (WMT-3) in Docket D2009.5.62 with all supporting files and links intact.
- b. Please provide working electronic copies of Exhibit_ (WMT-2) through Exhibit_ (WMT-4) in Docket D2008.5.45 with all supporting files and links intact.

PSC0017

Regarding: DSM Targets, Reported Savings, Budget and Spending
Witness: William M. Thomas

- a. Please fully explain and provide complete documentation of the 4.55 (aMW) reported DSM energy saving in 2007-2008.
- b. Please fully explain and provide complete documentation of the 5.58 (aMW) reported DSM energy saving in 2008-2009.

PSC-018

Regarding: DSM Targets, Reported Savings, Budget and Spending
Witness: William M. Thomas

Please explain whether and to what extent any of the 5.58 (aMW) of reported DSM energy savings and/or any of the 1.03 (aMW) reported USB energy savings in 2008-2009 are expected to carry forward into additional 2009-2010 and subsequent year target savings.

PSC-019

Regarding: Typical Bill Application
Witness: Cheryl Hansen

- a. Please provide working electronic copies of Appendix B to NWE's Electric Default Supply Tracker Filing, Typical Bill Computation, with all supporting files and links intact in Docket D2008.5.45.
- b. Please provide working electronic copies of Appendix B to NWE's Electric Default Supply Tracker Filing, Typical Bill Computation, with all supporting files and links intact in Docket D2009.5.62.

PSC-020

Regarding: Default Supply
Witness: Cheryl Hansen

- a. Please provide working electronic copies of Exhibit_ (CAH-2) through Exhibit_ (CAH-5) in Docket D2008.5.45 with all supporting files and links intact.
- b. Please provide working electronic copies of Exhibit_ (CAH-2) through Exhibit_ (CAH-5) in Docket D2009.5.62 with all supporting files and links intact.

PSC-021

Regarding: Docket D2008.5.45, transmission limits, 2004 all-source RFP
Witness: Corcoran

- a. Regarding your testimony in D2008.5.45, p. 4, please describe in more detail the transmission limits out-of-state suppliers face when trying to access Montana markets. What causes the limitations, when do the limitations occur, and what are the implications of these limitations for NWE's supply resource procurement activities?
- b. You state that out-of-state supplies carry with them the additional costs of transmission. Please quantify the additional costs. If possible, please identify specific out-of-state supplies NWE has evaluated and additional transmission costs associated with those supply alternatives.
- c. On p. 4, line 6, you state: "This results in obvious benefits for Montana's incumbent merchant generator – PPL Montana, LLC." Does the word "this" refer to all three

- wholesale market features you discuss starting on line 1, or only to the third wholesale market feature – the assurances required by lenders for new projects?
- d. Please provide a copy of NWE's July 2004 all-source RFP.
 - e. Please provide copies of both the independent consultant's and NWE's internal evaluations of the baseload bids received in response to NWE's July 2004 all-source RFP.

PSC-022

Regarding: 2004 all-source RFP

Witness: Corcoran

- a. Please provide the annual quantity of energy and/or capacity associated with the PPL contract that expired in June 2007.
- b. If NWE provided PPL any formal notification that NWE had decided not to acquire any of PPL's baseload offers in the 2004 RFP, please provide a copy of the notice.
- c. Please provide copies of any presentations NWE made to its advisory committee concerning the Company's evaluation of the baseload offers in the 2004 RFP.
- d. Please provide copies of any minutes from advisory committee meetings that summarize the committee's discussions regarding NWE's evaluation of the baseload offers in the 2004 RFP and/or strategic issues related to acquiring power from PPL given FERC's review of PPL's market-based pricing authority.
- e. Please provide copies of minutes of NWE's Energy Supply Board meetings that involve discussions related to whether or not to acquire any of PPL's baseload offers in the 2004 RFP.

PSC-023

Regarding: 2004 RFP

Witness: Corcoran

- a. Please provide copies of any presentations, memos, reports, papers, charts, graphs, or other documents reviewed by NWE's Energy Supply Board related to the baseload offers NWE received in its 2004 RFP and the FERC review of PPL's market-based rate authority.
- b. Please provide NWE's (or its consultant's) assessment of the expected market price for electricity at the time the 2004 RFP bids were being evaluated for the time period(s) covered by the baseload bids received in response to the RFP.

PSC-024

Regarding: Operating reserve requirements, RFPs

Witness: Fine

- a. Regarding the resource acquisitions you describe on p. 4 of your testimony, please compare and contrast the operating reserve requirements imposed on NWE Energy Supply by the Colstrip 4 resource and the three multi-year market products. Specifically, what is the quantity of any operating reserves NWE must procure for

- each resource and what authority (i.e., law, rule, contract/agreement) governs whether Energy Supply must procure operating reserves?
- b. Please provide a list of recipients for the October 2008 and May 2009 RFPs.
 - c. Please provide copies of the October 2008 and May 2009 RFPs.
 - d. Please provide copies of the contracts that underlie the multi-year market products procured in the October 2008 and May 2009 RFPs.
 - e. Please provide the 18-month contract for firm energy and describe the procurement process that led to the contract.

PSC-025

Regarding: CREP, Judith Gap costs, information from D2009.1.4

Witness: Fine

- a. Is the CREP solicitation you discuss on p. 6 closed, or is there still a possibility that NWE may procure one or more resources submitted in response to the solicitation?
- b. Please provide a summary of all bids, including prices, quantities, and proposed contract durations, submitted in response to the CREP solicitation.
- c. Please provide a copy of the August 10, 2007, Memorandum from you to Public Service Commissioners Molnar, Mood, Raney, Toole and Jergeson regarding Commissioner Molnar's request that NWE quantify the costs attributable to the actual generation from Judith Gap being greater than or less than the amount scheduled.
- d. Please provide copies of the following data requests and NWE's responses (updated as NWE feels appropriate) from Docket No. D2009.1.4: PSC-008c, PSC-008d (with 2010 contract information), PSC-013, PSC-015d, PSC-023b.
- e. At this time, can NWE demonstrate conclusively that the 3-Tier forecast system, when combined with discretionary actions by real-time schedulers, results in lower wind integration costs than would be the case without 3-Tier? If not, why is it reasonable to include in rates the costs of the 3-Tier system?

PSC-026

Regarding: Market prices, Judith Gap production

Witness: Fine

- a. Please provide the hourly, Dow Jones Mid-C index market prices for the 08-09 tracker period in a Microsoft Excel spreadsheet.
- b. Please provide the hourly Judith Gap output for the 08-09 tracker period in a Microsoft Excel spreadsheet, and in the same format used for hourly Mid-C market prices provided in response to part a.
- c. Please provide the hourly day-ahead Judith Gap prescheduled output for the 08-09 tracker period in a Microsoft Excel spreadsheet, and in the same format used for hourly Mid-C market prices provided in response to part a.
- d. Please provide the actual monthly Operations and Maintenance Energy Rate associated with the Judith Gap power purchase agreement for the 08-09 tracker period.

- e. Please provide the hourly difference between the day-ahead prescheduled Judith Gap output and the real-time scheduled Judith Gap output for the 08-09 tracker period, and in the same format used for Mid-C market prices provide in response to part a.

PSC-027

Regarding: Wind integration costs

Witness: Fine

- a. Please explain the status of any NWE analyses regarding the economic costs and benefits of controlling output at the Judith Gap wind project as a way to reduce associated regulating reserve capacity requirements. Please provide any estimates, preliminary or otherwise, of costs and regulating reserve savings. (Note: this data request is identical to data request PSC-114, Docket No. D2008.12.146 and the same response will suffice.)
- b. Please describe the process that led to NWE's decision to acquire 31 MW of regulating reserve capacity to integrate wind resources in the retail supply portfolio. Please discuss the roles played by both NWE's transmission function and NWE's supply function.
- c. Please provide a copy of any RFP issued by NWE's supply function for regulating reserve capacity to integrate wind resources in the retail supply portfolio.
- d. Please provide any information NWE's energy supply function receives from the transmission function regarding hourly or monthly use of the 31 MW of regulating reserve capacity procured by the supply function to integrate wind resources in the retail supply portfolio.
- e. Please identify any new QF wind projects with which NWE is negotiating contracts and for which an executed contract is imminent. For these QFs identify the size and projected commercial operation date of each project and explain how wind integration costs will be addressed in the contracts.

PSC-028

Regarding: DSM activity

Witness: Thomas

- a. What DSM program activities were most responsible for helping the Company exceed its DSM acquisition targets in the 07-08 and 08-09 tracker years?
- b. Please explain whether the Missoula Green Blocks program partly explains why the Company exceeded its DSM acquisition target in the 08-09 tracking period.
- c. Please list the currently staffed positions within the DSM function and explain whether there are any unfilled positions.
- d. Please explain whether NWE has any plans to expand internal DSM staff or contractors.
- e. Please provide the estimated average cost of saved energy (\$/MWh) for the Energy Supply DSM resources acquired in both the 07-08 and 08-09 tracker periods.

PSC-029

Regarding: Exhibit_(FVB-1) 07-08, 08-09, 09-10

Witness: Bennett

- a. Please explain how the Basin Creek operating reserve credit values in the tracker spreadsheets, p 4 of 5, are determined.
- b. Please explain how the Basin Creek wind firming credit values in the tracker spreadsheets, p 4 of 5, are determined.
- c. For the annual tracker periods 07-08 and 08-09, please provide the actual average cost of natural gas used to fuel Basin Creek.
- d. For the annual tracker period 09-10, please provide the estimated average cost of natural gas used to fuel Basin Creek.
- e. For each of the annual tracker periods 07-08, 08-09, and 09-10, please identify the portfolio contracts/resources which cause NWE to incur the operating reserve costs shown on p 4 of 5 of the tracker spreadsheets.

PSC-030

Regarding: CU4 replacement purchases, financial swaps

Witness: Markovich/Bennett

- a. On pp 5-6 of his testimony Mr. Markovich describes market purchases to replace the baseload energy from CU4. Please provide the details of these market purchases: who are the counter parties, what are the contract durations, what are the contract quantities, what are the contract prices, when were they procured?
- b. Please quantify the net impact on the forecast of total supply portfolio costs for the 2009-2010 tracker period of the extended outage at CU4.
- c. Regarding the hypothetical fixed for float swap described on p. 12 of Mr. Markovich's testimony, please explain whether NWE must pay ABC bank for the ability to lock in the 2011 forward price of electricity at \$60. If so, what is the basis for the payment and how does NWE determine whether the payment is a cost-effective way to lock in the price?
- d. What incentive does a bank have to enter into a financial fixed for float swap? Is the bank essentially betting that the future price will be lower than the fixed price in the contract so that NWE will have to pay it the difference?
- e. In other dockets NWE has indicated that 80% - 90% of its hourly spot market purchases are related to balancing variable energy output from Judith Gap. See, for example, NWE's response to data request PSC-033, Docket No. D2008.12.146. Please confirm that these hourly spot market purchases are embedded in the net non-base transactions described in Frank Bennett's testimony on p. 11 (Docket D2009.5.62), which were 1,878,300 mwh in the 08-09 tracking period.

PSC-031

Regarding: Financial swaps

Witness: Markovich

- a. Referring to part e of the previous data request, is it possible to determine what portion of the 1,878,300 mwh net non-base transactions are related to hourly balancing of loads and resources and what portion is related to longer term hedging activity? If so, please provide that information.
- b. Please provide NWE's current overall mark-to-market position on its existing natural gas financial swaps.
- c. Please explain whether NWE's current overall mark-to-market position on its existing natural gas financial swaps poses, or may pose, any credit problems for NWE and, if so, explain those problems.
- d. Please explain how NWE's natural gas financial swaps affect the monthly tracker. For example, assume NWE has a contract for physical natural gas supply at an index price in 2009 and has financially swapped the index price for a fixed price. How does NWE reflect the price of the physical natural gas in the monthly trackers, at the swapped fixed price or the actual index price?
- e. Using the same example from part d of this data request, if the monthly tracker reflects the swapped fixed price, but the actual index price is higher than the swapped fixed price, are NWE's actual outlays greater than its rate revenue for the swapped volumes until financial settlement on the swapped price occurs? If so, how are carrying costs treated?

PSC-032

Regarding: QF-1 tariff-related costs in 08-09 tracker

Witness: Bennett

Please explain the QF-1 cost for August 2008 (i.e., \$105.644 per MWh), is this a function of QFs selecting the Option 2 rates in the QF-1 tariff schedule?