

NorthWestern Energy
Docket D2008.5.45 and D2009.5.62
Electric Supply Deferred Cost Account Balance
and
Projected Electric Supply Cost

Montana Public Service Commission (PSC)
Set 1 (001-032)

Data Requests Service Date July 27, 2009

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.

RESPONSE:

The only document used to compile the Table on page FVB-14 was Exhibit__(FVB-2).08-09 which has been updated to actual data in Exhibit__(FVB-2_Rev_1).08-09 which is included in response to PSC-001(b).

NorthWestern Energy
Docket D2008.5.45 and D2009.5.62
Electric Supply Deferred Cost Account Balance
and
Projected Electric Supply Cost

Montana Public Service Commission (PSC)
Set 1 (001-032)

Data Requests Service Date July 27, 2009

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.

RESPONSE:

The only document used to compile the Table on page FVB-8 from Docket D2008.5.45 was Exhibit__(FVB-1) which has been updated to actual data in Exhibit__(FVB-1).07-08 which is included in response to PSC-001(b).

**NorthWestern Energy
Docket D2008.5.45 and D2009.5.62
Electric Supply Deferred Cost Account Balance
and
Projected Electric Supply Cost**

**Montana Public Service Commission (PSC)
Set 1 (001-032)**

Data Requests Service Date July 27, 2009

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.

RESPONSE:

The only document used to compile the Table on page FVB-18 was Exhibit__(FVB-3).09-10 which is included in response to PSC-001(b).

**NorthWestern Energy
Docket D2008.5.45 and D2009.5.62
Electric Supply Deferred Cost Account Balance
and
Projected Electric Supply Cost**

**Montana Public Service Commission (PSC)
Set 1 (001-032)**

Data Requests Service Date July 27, 2009

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.

RESPONSE:

The only document used to compile the Table on page FVB-11 from Docket D2008.5.45 was Exhibit__(FVB-2) which has been updated to actual data in Exhibit__(FVB-2_Rev_1).08-09 which is included in response to PSC-001(b).

NorthWestern Energy
Docket D2008.5.45 and D2009.5.62
Electric Supply Deferred Cost Account Balance
and
Projected Electric Supply Cost

Montana Public Service Commission (PSC)
Set 1 (001-032)

Data Requests Service Date July 27, 2009

PSC-009

Regarding: Total Sales
Witness: Cheryl Hansen

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.

RESPONSE:

Please refer to the file "Load_Backup.09-10" included on the CD provided in response to PSC-020(b). Please also refer to Page 3 of Exhibit (CAH-1).09-10 and the direct testimony of Cheryl Hansen , pages CAH-4 through CAH-6.

NorthWestern Energy
Docket D2008.5.45 and D2009.5.62
Electric Supply Deferred Cost Account Balance
and
Projected Electric Supply Cost

Montana Public Service Commission (PSC)
Set 1 (001-032)

Data Requests Service Date July 27, 2009

PSC-010

Regarding: Total Sales
Witness: Cheryl Hansen

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.

RESPONSE:

Please refer to the file "Electrkr.0809 Loads (Filing Backup)" included on the CD provided in response to PSC-020(a). Please also refer to page 3 of Exhibit_(CAH-1) and the direct testimony of Cheryl Hansen, pages CAH-3 through CAH-6.

North Western Energy
Docket D2008.5.45 and D2009.5.62
Electric Supply Deferred Cost Account Balance
and
Projected Electric Supply Cost

Montana Public Service Commission (PSC)
Set 1 (001-032)

Data Requests Service Date July 27, 2009

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.

RESPONSE:

- a. The only document used for the Deferred Account forecast balance on page FVB-7 was Exhibit __ (FVB-2).08-09 which has been updated to \$16,656,253 based on actual data in Exhibit __ (FVB-2_Rev_1).08-09 which is included in response to PSC-001(b).
- b. The only document used for the beginning Deferred Account balance on page FVB-7 was Exhibit __ (FVB-1).07-08 which is included in response to PSC-001(b).

NorthWestern Energy
Docket D2008.5.45 and D2009.5.62
Electric Supply Deferred Cost Account Balance
and
Projected Electric Supply Cost

Montana Public Service Commission (PSC)
Set 1 (001-032)

Data Requests Service Date July 27,, 2009

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.

RESPONSE:

- a. Demand Side Management (DSM) energy savings methodology and description: The DSM funded electric conservation prescriptive rebate programs require customers to complete rebate application forms, which create specific participation records in each respective individual program database. NorthWestern maintains a database for each DSM program. As customers cycle through the DSM programs, each individual program database captures the specific energy savings measures for each participating customer and calculates the electric energy saved based on the measures installed and the deemed savings for the measures. The deemed measure savings are derived from the most current Electric DSM Assessment, the most current DSM Program Evaluation, and/or pertinent engineering calculations. Each individual program database assembles the specific participant savings measures and calculated energy savings for the 2008/2009 tracker time period. The energy savings for all DSM Programs in operation during the tracker period are then totaled and reported on an individual program basis in Table A on Exhibit__(WMT-1) of my prefled direct testimony.

The DSM programs that offer customized incentives (e.g., E+ Business Partners) require each participating customer, or their respective engineering firm, to complete a project-specific application describing the energy conservation project and provide computer simulation modeling and/or set of specific engineering calculations demonstrating the project's electric

NorthWestern Energy
Docket D2008.5.45 and D2009.5.62
Electric Supply Deferred Cost Account Balance
and
Projected Electric Supply Cost

Montana Public Service Commission (PSC)
Set 1 (001-032)

Data Requests Service Date July 27, 2009

PSC-012 (con't)

conservation potential. The application creates specific participation records in each individual program database. NorthWestern Energy DSM engineers evaluate the individual projects and customer energy savings calculations based on standards and pertinent engineering calculations promulgated primarily by the American Society of Heating, Refrigerating and Air-Conditioning Engineers (ASHRAE). Each individual program database assembles the specific participant project savings and calculated energy savings for the 2008/2009 tracker time period. The energy savings are totaled for the tracker period and reported on an individual program basis in Table A on Exhibit __ (WMT-1) of my prefiled direct testimony.

The DSM funded regional electric conservation programs report allocated electric savings that occurred in NorthWestern Energy's electric service area based on where the energy savings measures were purchased. Each individual program database and/or spreadsheet allocates energy savings for the NorthWestern Energy specific electric service area. The allocated energy savings are reduced based on current program evaluation savings factors and NorthWestern Energy's knowledge of its electric service area. Each individual program database and/or spreadsheet assembles the electric energy savings for the 2008/2009 tracker period. The energy savings are totaled for the tracker time period and reported on an individual program basis in Table A on Exhibit __ (WMT-1).

The aggregated DSM reported energy savings are then entered into the Lost Revenue model (refer to Exhibit __ (WMT-3) in both D2008.5.45 and D2009.5.62) on page 3 line 7).

- b. The DSM energy savings methodology is consistently applied for each tracker period. The response to PSC-012(a). above also applies for the 2007/2008 tracker period in Docket D2008.5.45:

NorthWestern Energy
Docket D2008.5.45 and D2009.5.62
Electric Supply Deferred Cost Account Balance
and
Projected Electric Supply Cost

Montana Public Service Commission (PSC)
Set 1 (001-032)

Data Requests Service Date July 27, 2009

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.

RESPONSE:

NWE retained NEXANT, Inc. (NEXANT) in 2007 to perform a comprehensive evaluation of NWE DSM programs (DSM Evaluation) that were in operation during the time period 2004-06. The scope of this study and the findings and conclusions were presented and fully considered during the proceedings of Docket D2007.5.46.

NWE will perform another DSM Evaluation when a reasonable period (three or four DSM program years) has elapsed since the close of the DSM Program periods covered by the 2007 NEXANT study. It would be impractical and cost-prohibitive to conduct these evaluations every year. This next comprehensive DSM evaluation will measure actual results of accumulated energy savings produced by DSM activities in Docket D2009.5.62 as well as adjacent program periods.

The next DSM Evaluation will use a blind competitive bidding process to select a qualified independent firm¹ and will follow the same approach and methodology used in the 2007 NEXANT study. The following principle elements will be incorporated into the scope of work:

- This evaluation will examine all DSM activities operated by NWE during the defined time period that begins where the 2007 NEXANT DSM Evaluation period ended (e.g., January 1, 2007 forward), and will include all programs

¹ NEXANT, Inc. will not be eligible to bid on this DSM Program Evaluation project. NEXANT is currently performing services for NorthWestern to update the DSM Assessment that will quantify the amount of remaining cost-effective electric DSM potential available in NorthWestern's Montana electric service territory.

NorthWestern Energy
Docket D2008.5.45 and D2009.5.62
Electric Supply Deferred Cost Account Balance
and
Projected Electric Supply Cost

Montana Public Service Commission (PSC)
Set 1 (001-032)

Data Requests Service Date July 27,, 2009

PSC-013 (con't)

that produce electric and natural gas DSM savings, whether funded by USB or Energy Supply sources.

- The work will involve extensive analysis of program records, calculations performed by NWE, assumptions and databases used, site visits, historical energy consumption data, and telephone interviews with NWE DSM program staff, contractors and customer participants and non-participants.
- The DSM Program Evaluation scope of work consists of seven main tasks:

Task 1: DSM Evaluation Plan

Task 2: Project Management

Task 3: Program Process Evaluation

Task 4: DSM Program Impact Evaluation

Task 5: DSM Program Economic Analysis

Task 6: DSM Program Evaluation Final Report

Results of the DSM Evaluation will be used to refine electric savings estimates for each DSM program, revisit the cost-effectiveness tests used to determine approved measures for future program offerings, improve accuracy of annual DSM program budgeting, and increase the accuracy of the adjustment factors used in the Electric DSM Tracker to determine net electricity savings and associated Lost Revenues. The service provider will be expected to evaluate the processes NWE uses to implement, administer and promote its programs, and to make specific recommendations for improvement where appropriate and necessary.

NorthWestern Energy
Docket D2008.5.45 and D2009.5.62
Electric Supply Deferred Cost Account Balance
and
Projected Electric Supply Cost

Montana Public Service Commission (PSC)
Set 1 (001-032)

Data Requests Service Date July 27, 2009

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.

RESPONSE:

Refer to the attached CD that includes the spreadsheet workbook file entitled "D2009 5 62 EXHIBIT__(WMT-3).xls".

Dkt. No. D2008.5.45/D2009.5.62

PSC Set 1 – 014

**Attachment 1
On CD**

NorthWestern Energy
Docket D2008.5.45 and D2009.5.62
Electric Supply Deferred Cost Account Balance
and
Projected Electric Supply Cost

Montana Public Service Commission (PSC)
Set 1 (001-032)

Data Requests Service Date July 27,, 2009

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.

RESPONSE:

Refer to the attached CD that includes the following attached files:

- PSC-015 Table 2 backup data msg
- PSC-015 Table 2 backup records.xls

Dkt. No. D2008.5.45/D2009.5.62

PSC Set 1 – 015

**Attachment 1
On CD**

NorthWestern Energy
Docket D2008.5.45 and D2009.5.62
Electric Supply Deferred Cost Account Balance
and
Projected Electric Supply Cost

Montana Public Service Commission (PSC)
Set 1 (001-032)

Data Requests Service Date July 27,, 2009

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.

RESPONSE:

- a. Refer to the attached CD that includes the following attached files:
 - D2009 5 62 Exhibit__(WMT-2).xls
 - D2009 5 62 Exhibit__(WMT-3).xls
- b. Refer to the attached CD that includes the following attached files:
 - D2008 5 45 Exhibit__(WMT-2).xls
 - D2008 5 45 Exhibit__(WMT-3).xls
 - D2008 5 45 Exhibit__(WMT-4).xls

Dkt. No. D2008.5.45/D2009.5.62

PSC Set 1 – 016(a)

Attachment 1

On CD

Dkt. No. D2008.5.45/D2009.5.62

PSC Set 1 – 016(b)

Attachment 1

On CD

NorthWestern Energy
Docket D2008.5.45 and D2009.5.62
Electric Supply Deferred Cost Account Balance
and
Projected Electric Supply Cost

Montana Public Service Commission (PSC)
Set 1 (001-032)

Data Requests Service Date July 27, 2009

PSC-017

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.

RESPONSE:

- a. See response to PSC-012(b) for the description of how the energy savings are recorded and compiled by program into totals using an extensive DSM program recordkeeping process. Refer to attached CD that includes the file entitled "PSC-017 a backup.xls" for supporting documentation. The 4.55 aMW total appears in cell C33 on the first worksheet Tab, entitled Summary. Supporting detail sums from the subsequent Tabs and can be inspected using the spreadsheet auditing function to work backwards from this total by tracing cell precedents.
- b. See response to PSC-012(b) for the description of how the energy savings are recorded and compiled by program into totals using an extensive DSM program recordkeeping process. Refer to attached CD that includes the file "PSC-017-b backup.xls" for supporting documentation. The 5.58 aMW total appears in cell C33 on the first worksheet Tab, entitled Summary. Supporting detail sums from the subsequent Tabs and can be inspected using the spreadsheet auditing function to work backwards from this total by tracing cell precedents.

Dkt. No. D2008.5.45/D2009.5.62

PSC Set 1 – 017(a)

**Attachment 1
On CD**

Dkt. No. D2008.5.45/D2009.5.62

PSC Set 1 – 017(b)

Attachment 1
On CD

NorthWestern Energy
Docket D2008.5.45 and D2009.5.62
Electric Supply Deferred Cost Account Balance
and
Projected Electric Supply Cost

Montana Public Service Commission (PSC)
Set 1 (001-032)

Data Requests Service Date July 27,, 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.

RESPONSE:

The savings referred to in this question do not carry forward into future year target energy savings. Each future DSM program year has a target energy savings of 5.0 aMW. This amount is incremental to past energy savings produced by NorthWestern's USB and DSM programs.

NorthWestern Energy
Docket D2008.5.45 and D2009.5.62
Electric Supply Deferred Cost Account Balance
and
Projected Electric Supply Cost

Montana Public Service Commission (PSC)
Set 1 (001-032)

Data Requests Service Date July 27,, 2009

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.

RESPONSE:

- a. See attached CD with the files "Appendix B_Typical Bill.D2008.5.45" and "Appendix B_Typical Bill_Revised.D2008.5.45".
- b. See attached CD with the file "Appendix B_Typical Bill.D2009.5.62".

Dkt. No. D2008.5.45/D2009.5.62

PSC Set 1 – 019(a)

Attachment 1

On CD

Dkt. No. D2008.5.45/D2009.5.62

PSC Set 1 – 019(b)

Attachment 1

On CD

NorthWestern Energy
Docket D2008.5.45 and D2009.5.62
Electric Supply Deferred Cost Account Balance
and
Projected Electric Supply Cost

Montana Public Service Commission (PSC)
Set 1 (001-032)

Data Requests Service Date July 27,, 2009

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.

RESPONSE:

- a. See attached CD with the following files:

Exhibit_(CAH-2)
Exhibit_(CAH-3)
Exhibit_(CAH-4)
Exhibit_(CAH-4_Revised)
Exhibit_(CAH-5)
Exhibit_(CAH-5_Revised)
Electrkr.0809Loads (Filing Backup)
DS Trkr 07-08

- b. See attached CD with the following files:

Exhibit_(CAH-2).09-10
Exhibit_(CAH-3).09-10
Exhibit_(CAH-4).09-10
Exhibit_(CAH-5).09-10
Load_Backup.09-10
Sup Trkr 08-09

Dkt. No. D2008.5.45/D2009.5.62

PSC Set 1 – 020(a)

Attachment 1

On CD

Dkt. No. D2008.5.45/D2009.5.62

PSC Set 1 – 020(b)

Attachment 1

On CD

NorthWestern Energy
Docket D2008.5.45 and D2009.5.62
Electric Supply Deferred Cost Account Balance
and
Projected Electric Supply Cost

Montana Public Service Commission (PSC)
Set 1 (001-032)

Data Requests Service Date July 27, 2009

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.

RESPONSE:

- a. At times, mainly during the shoulder months when hydro generation is high and native load is low, the transmission system is at full capacity. When the transmission system is at full capacity, some suppliers cannot access the Montana market, especially on a firm basis. During these occurrences if NWE is short energy, the price paid may be reflective of market dynamics in regions other than Montana or the Mid Columbia.

NorthWestern Energy
Docket D2008.5.45 and D2009.5.62
Electric Supply Deferred Cost Account Balance
and
Projected Electric Supply Cost

Montana Public Service Commission (PSC)
Set 1 (001-032)

Data Requests Service Date July 27, 2009

PSC-021 (con't)

- b. The cost of transmission to move energy to Montana is dependent on where the energy is located, transmission availability, transmission rates, each specific entity's transmission agreements and usage, etc. and it cannot be quantified into a single number. During the 2008 and 2009 electric RFP's NWE contemplated and procured energy located at the Mid Columbia trading hub. The energy procured at the Mid Columbia trading hub has not yet flown so no additional transmission costs have been incurred.
- c. Yes, it refers to all three.
- d. See attached.
- e. See attached. Attachment 021(e) Part 2 includes NWE's Prefiled Direct Testimony and Exhibits in Docket D2005.2.14. Because of its voluminous nature, one paper copy is being provided to each the PSC and MCC. Also refer to the responses to PSC-022(d) and PSC-023(a). There is additional voluminous stochastic modeling data available for review at NWE's General Office in Butte, MT.

NorthWestern Energy
Docket D2008.5.45 and D2009.5.62
Electric Supply Deferred Cost Account Balance
and
Projected Electric Supply Cost

Montana Public Service Commission (PSC)
Set 1 (001-032)

Data Requests Service Date July 27, 2009

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.

RESPONSE:

- a. See attached.
- b. See attached.
- c. Refer to part (d) below.
- d. See attached.
- e. Refer to PSC-023(a).

Dkt. No. D2008.5.45/D2009.5.62

PSC Set 1 – 022(a)

Attachment 1

NWE Calculated PPL Delivered Volumes

PPL 300 MW Base Load

July 1, 2002 through June 30, 2007

	2002	2003	2004	2005	2006	2007	Total Volume
MWh	1,314,000	2,628,000	2,628,000	2,628,000	2,628,000	1,314,000	13,140,000

PPL 150 MW Heavy Load, Unit Contingent

July 1, 2002 through June 30, 2007

	2002	2003	2004	2005	2006	2007	Total Volume
MWh	368,400	736,800	736,800	736,800	736,800	368,400	3,684,000

Unit Contingent contract subject to outages not included in calculation.

Dkt. No. D2008.5.45/D2009.5.62

PSC Set 1 – 022(b)

Attachment 1

December 23, 2004

Paul Champagne
President - PPL Energy Plus LLC
2 North 9th Street
Allentown, PA 18101

RE: PPL RFP Energy Supply Proposal

Dear Paul:

As I am sure you are aware, NorthWestern Energy (NorthWestern) and PPL personnel have met on two separate occasions over the last three weeks to discuss the proposed "slice of the system" bid from PPL. NorthWestern's portfolio modeling has confirmed a benefit of procuring a portion of the future base load requirements for the default supply at this time. However, NorthWestern communicated to PPL that for such a procurement, NorthWestern has specific pricing requirements driven by other available supply alternatives.

In our meetings, PPL expressed a willingness to consider a proposal that fits NorthWestern's identified supply needs. NorthWestern presented PPL with three energy supply requirements that provide substantial price benefit to PPL. First, NorthWestern requested a unit contingent supply, rather than firm, from the PPL portfolio of resources. Second, NorthWestern proposed a predetermined hourly supply profile for the duration of the term, which means that PPL's supply will not be subjected to variable load changes. This provides a known supply requirement for PPL and does not require reserving generation to meet varying load. Finally, but related to the last point, NorthWestern utilized an average monthly load shape, which removes significant peak supply requirements during peak load periods. These peak periods typically occur when wholesale market prices are the highest. Thus, PPL does not maintain a market opportunity cost of following the default supply load.

The price that NorthWestern proposed to PPL reflected the supply requirements stated above, as well as a sharing of transmission costs/benefits, which PPL would otherwise incur in seeking an alternative market for its power. NorthWestern believes the price, quantity and term previously provided to PPL are more than equitable when considering the advantageous supply requirements stated above. While the proposal submitted by PPL fulfilled the quantity and term requirements, it failed to meet NorthWestern's necessary price targets. Therefore, NorthWestern has rejected PPL's December 21, 2004 proposal.

Champagne Letter
December 23, 2004
Page 2 of 2

D2008.5.45/D2009.5.62
PSC Set 1 (001-032)
PSC 022(b)
Attachment 1
Page 2 of 4

By this letter, NorthWestern extends to PPL its last and final offer of the proposal originally supplied on December 15, 2004. The following restates these terms for your consideration:

Term: July 2007 through June 2012

Point of Delivery: PPL Generation switchyard on the NorthWestern System

Firmness: Unit Contingent (4 Separate Generation Sources)

Load Shape: As defined herein, subject to annual Default Supply load fluctuations

Price:

2007	\$36.00 / MWH
2008	\$36.00 / MWH
2009	\$36.50 / MWH
2010	\$36.50 / MWH
2011	\$37.00 / MWH
2012	\$37.00 / MWH

Governing Contract: WSPP Schedule B, or similar EEI Master Agreement

NorthWestern is moving quickly to finalize its resource procurement decisions, and, therefore, requires a written response to this last and final offer no later than the end of business on Wednesday, December 29, 2004, Mountain Standard time.

Happy Holidays!

Sincerely,

Patrick R. Corcoran

CC: Joel Cook
Sheryl Lambertson
NorthWestern Energy Supply Board

45 Basin Creek Road
Butte, Montana 59701
Phone: 406-533-0770
Fax: 406-533-0208



December 29, 2004

Via Electronic Mail

Patrick R. Corcoran
NorthWestern Energy
40 East Broadway
Butte, Montana 59701

**Re: NorthWestern Energy's (NWE) Letter Dated December 23, 2004: PPL RFP
Energy Supply Proposal**

Dear Pat:

I am in receipt of your letter dated December 23, 2004, responding to PPL's RFP energy supply proposal dated December 21, 2004. I have followed closely the discussions between PPL and NWE over the past several weeks regarding PPL's energy supply proposals, including the "slice of the system" proposals. Based on the information exchanged in these discussions, PPL continues to believe that it set forth two very competitive proposals on December 21, 2004.

Unfortunately, by your letter of December 23, 2004, NWE rejected PPL's proposals when it failed to select either proposal for further contract negotiations. Rather, NWE provided PPL with a last and final offer that included a price for the "slice of the system" product that is unacceptable to PPL. We have no choice but to reject the pricing component of the offer set forth in NWE's December 23, 2004, letter.

Although I am disappointed with this turn of events, I would like to assure you that we remain committed to working with NWE to meet its default supply needs. We are willing to meet with you at your convenience to continue discussions on this issue, which is of great importance not only to NWE and PPL, but also to the electricity consumers in Montana.

Throughout the entire RFP process, PPL has proposed a wide array of products and has demonstrated a willingness to tailor those proposals to address NWE's particular needs. For instance,

- in PPL's initial response to NWE's RFP of July 2, 2004, we provided 10 separate product offerings with multiple variations on quantity, term and price. The products included firm and/or unit firm baseload (7X24), on peak (6X16, 5X16, 7X16), off peak (6X8+24), super peak (5X8), and Sunday peak (1X16); four different preschedule and hourly dispatchable products; a baseload coal dispatchable product; Mid-C exchanges; requirements (full requirements and "slice of the system"); and a discounted portfolio of products;

- LandsEnergy, NWE's consultant for the RFP process, selected the majority of these proposals as Tier 1 proposals, which clearly warranted further consideration. On November 2, 2004, six of the product proposals were short-listed by LandsEnergy for further consideration;
- on November 19, 2004, PPL was notified that three of the proposals, including the full requirements product, were in the final short-list; and
- upon request by NWE, PPL agreed to move the full requirements commencement date from January 1, 2005 until July 1, 2007, and to maintain the existing PPL supply contracts to NWE through June 2007. PPL continues to believe our full requirements product provides a very competitive portfolio of energy supply for NWE.

We remain confident that NWE can meet its future default supply obligations most competitively by procuring a large portion, if not most, of its supply from the PPL proposals. Further, we believe that our current energy supply arrangements with NWE, under which we provide a significant portion of NWE's default supply obligation at prices that provide exceptional value, bear out our willingness to work with NWE to supply energy for NWE's default supply customers at competitive prices. If you would like to discuss any of these matters further, please feel free to contact Joel Cook, Sheryl Lambertson or me.

Sincerely,



Paul T. Champagne
President
PPL EnergyPlus, LLC

cc: Gary Drook
Mike Hanson
Mark Thompson
Kevin Markovich
Dave Fine
John Cotter
Joel Cook
Bryan Bradshaw
Sheryl Lambertson
Eric Hurlocker, Esq.

PPL considers this cover letter and certain of the information contained in its proposal to be proprietary and confidential to PPL. Pursuant to the terms of the RFP, PPL has marked such material as "confidential." Accordingly, those identified portions of this response to the RFP shall not be disclosed, in whole or in part, by NWE or its consultants to the public without the express written permission of PPL.

North Western Energy
Docket D2008.5.45 and D2009.5.62
Electric Supply Deferred Cost Account Balance
and
Projected Electric Supply Cost

Montana Public Service Commission (PSC)
Set 1 (001-032)

Data Requests Service Date July 27,, 2009

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.

RESPONSE:

- a. See attached.
- b. Refer to the response to PSC-021(e).

