



Jason B. Williams  
Senior Regulatory Counsel  
Phone: (406) 497-3449  
Jason.williams@northwestern.com

NorthWestern Corporation  
d/b/a NorthWestern Energy  
40 E. Broadway  
Butte, MT 59701  
www.northwesternenergy.com

December 1, 2009

Ms. Kate Whitney  
Administrator  
Montana Public Service Commission  
1701 Prospect Ave.  
PO Box 202601  
Helena MT 59620-2601

RE: D2009.5.62 – NorthWestern Energy’s Electric Supply Tracker Filing - Electric Supply Deferred Cost Account Balance as of June 30, 2009, and the Projected Electric Cost for the 12-Month Period July 1, 2009 through June 30, 2010

D2008.5.45 – NorthWestern Energy’s Electric Supply Tracker Filing - Electric Supply Deferred Cost Account Balance as of June 30, 2008, and the Projected Electric Cost for the 12-Month Period July 1, 2008 through June 30, 2009

Dear Ms. Whitney:

Enclosed please find an original and ten copies of a Stipulation and Settlement Agreement (“Stipulation”) executed by NorthWestern Energy (“NorthWestern” or “NWE”) and the Montana Consumer Counsel (“MCC”) in the above-captioned Docket. The Stipulation resolves all outstanding issues in this proceeding between NWE and MCC, the only other active party in this Docket. NorthWestern and MCC are willing to meet either formally or informally with the Commission or Commission staff to present and discuss the details of this Stipulation.

Please call me at 406-497-3449 if you have any questions.

Sincerely,

Jason B. Williams  
Senior Regulatory Counsel

Enclosures

cc: Service List

A. Service List D2008.5.45  
D2009.5.62  
Electric Tracker

Charles Magraw  
Law Office  
501 8th Ave  
Helena MT 59601

Robert A. Nelson  
Montana Consumer Counsel  
616 Helena Ave 3rd Flr  
P O Box 201703  
Helena MT 59620-2601

Dr. Thomas M. Power  
920 Evans Ave  
Missoula MT 59801

Kate Whitney  
Montana PSC  
1701 Prospect Ave  
P O Box 202601  
Helena MT 59620-2601

John W. Wilson  
JW Wilson & Associates  
1601 N Kent Ste 1104  
Arlington VA 22209

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

\*\*\*\*\*

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

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

---

**STIPULATION AND SETTLEMENT AGREEMENT OF NORTHWESTERN  
ENERGY AND THE MONTANA CONSUMER COUNSEL**

---

NorthWestern Corporation d/b/a NorthWestern Energy ("NorthWestern" or "NWE"), Applicant in the above-captioned Dockets, and the Montana Consumer Counsel ("MCC") hereby propose to the Montana Public Service Commission ("Commission") this Stipulation and Settlement Agreement ("Stipulation") as a proposed resolution of all issues presented within these Dockets. NorthWestern and MCC, referred to herein individually as "Party" and collectively as the "Parties", desire to settle their disputes in this contested case proceeding as set forth herein.

**I. Background**

NorthWestern filed with the Commission its annual Application for Approval of Electric Supply Deferred Cost Account Balance and Projected Electric Supply Cost for the 2007/2008 tracker year (i.e. July 1, 2007 through June 30, 2008) in Docket No. D2008.5.45 on May 30, 2008 ("2008 Tracker Application"). On May 29, 2009, NorthWestern filed with the Commission its annual Application for Approval of Electric Supply Deferred Cost Account Balance and Projected Electric Supply Cost for the 2008/2009 tracker year (i.e. July 1, 2008 through June 30, 2009) in Docket No. D2009.5.62 ("2009 Tracker Application").

On November 4, 2009, NorthWestern filed a Motion to Suspend the Procedural Schedule established by Order No. 6921b to give additional time to NorthWestern and MCC to pursue settlement discussions. Through a Notice of Staff Action dated November 6, 2009, NWE's motion was granted.

NorthWestern has spoken with the attorney for the Renewable Northwest Project, Human Resource Council - District XI, and the Natural Resource Defense Council, the only other parties to this Docket, and they do not object to this Stipulation.

There are three discrete issues disputed between the Parties in this consolidated Docket: 1) whether NorthWestern should be allowed to recover certain labor costs associated with certain real-time scheduler employees in its tracker filing; 2) whether NorthWestern should be allowed to utilize financial swaps for electricity supply; and 3) whether NorthWestern should be allowed to recover asserted lost revenues associated with demand side management ("DSM") for NWE's Colstrip Unit 4 generation asset. Each of these three issues is addressed below.

## **II. STIPULATION AND AGREEMENT**

1. NorthWestern included labor costs in its filing related to in-house real-time scheduling employees. MCC believes that internal labor costs have not been and should not be included in trackers, but should instead be considered in general rate case filings. In this case, real-time scheduling costs performed by consultants were included in the tracker before that function was taken in-house by NorthWestern. Under these circumstances, the parties agree that NorthWestern shall collect revised labor costs of Twenty-Seven Thousand Dollars (\$27,000) per month in NWE's monthly tracker filings for its internal real-time scheduling employees from January 1, 2009 until the date upon which rates are effective as the result of the Commission issuing a final order in NorthWestern's next general rate case. Upon issuance of such a Commission order, NWE will remove its real-time scheduler labor costs from the electric supply tracker. The portion of this adjustment related to January 2009 through June 2009 will be included in the actual 2008/2009 tracker activities and, therefore, in the deferred balance associated with the 2008/2009 tracker period, and reflected in the 2009/2010 tracker year electric supply deferred charge. \$27,000 per month will be presented as actual expense for internal real-time scheduler labor in NorthWestern's future annual tracker filings, until Commission approval of NorthWestern's next general rate case filing. Internal real-time scheduler loaded labor costs will be included in the amount of \$27,000 per month for the forecast period presented in electric trackers (annual and monthly) filed subsequent to Commission approval of this Stipulation through the time at which final rates in NorthWestern's next general rate case will go into effect.

2. NorthWestern agrees to withdraw from this consolidated Docket the issue of whether it should be allowed to utilize financial swaps for electricity supply. NorthWestern agrees to provide additional information and discuss the issue of financial swaps with MCC. In the event NorthWestern elects to make a filing seeking Commission approval to utilize financial swaps, MCC agrees to provide testimony describing its position related to NorthWestern's use of financial swaps for electricity supply.

3. NorthWestern calculated lost revenues related to Colstrip Unit 4 for the 2008/2009 (i.e. July 1, 2008 through June 30, 2009) tracker period of One Hundred Sixty-Six Thousand Forty-One and 00/100 Dollars (\$166,041). MCC disputes NWE's lost revenue claims. The parties agree that NorthWestern shall collect one half of NWE's calculated lost revenues, or Eighty-Three Thousand Twenty One and 00/100 Dollars (\$83,021). This adjustment will be made to the lost revenues included in the actual 2008/2009 tracker activities and, therefore, in the deferred balance associated with the 2008/2009 tracker period, and reflected in the 2009/2010 tracker year electric supply deferred charge.

4. Except as provided for in paragraphs II.1 – II.3 above, the Parties agree that all other aspects of NorthWestern's 2008 Tracker Application and 2009 Tracker Application are reasonable and should be approved by the Commission as-filed by NorthWestern.

5. The Parties agree that this Stipulation shall become effective upon issuance of a final order by the Commission in this consolidated Docket.

6. The Parties' entry into this Stipulation shall not be deemed to constitute acknowledgement by either Party of the validity of any particular regulatory theory or ratemaking principle. Furthermore, neither Party shall be deemed to be bound by any position asserted by any other Party, and no finding of fact or conclusion of law, other than those agreed to herein, shall be deemed to be implicit in this Stipulation.

7. The entry of an order by the Commission approving this Stipulation shall not be deemed to work as any estoppel upon either Party or to otherwise establish or create any limitation on or precedent of the Commission.

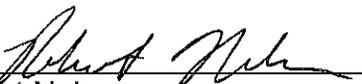
8. This Stipulation shall not become effective and binding upon the Parties and shall be of no force and effect unless and until accepted and approved by the Commission as to all of the terms and conditions contained herein. If the Commission fails to approve this Stipulation as agreed to herein by the Parties, either in whole or in part, or if the Commission adds or removes any terms or conditions not agreeable by the Parties, either Party shall, at its sole option, have the right to withdraw from this Stipulation with all of its rights reserved.

9. The Parties hereby acknowledge that this Stipulation is the result of a voluntary, negotiated settlement between the Parties pursuant to ARM § 38.2.3001, and agree that this Stipulation, inclusive of the compromises and settlements contained herein, is in the public interest.

10. This Stipulation may be executed in one or more counterparts and each counterpart shall have the same force and effect as an original document, fully executed by the Parties. Any signature page of this Stipulation may be detached from any counterpart of this Stipulation without impairing the legal effect of any signatures thereon, and may be attached to another counterpart of this Stipulation identical in form hereto but having attached to it one or more signatures page(s).

IN WITNESS WHEREOF, the Parties hereto have executed this Stipulation this 1<sup>st</sup> day of December, 2009.

**Montana Consumer Counsel**

By:   
Robert Nelson  
Montana Consumer Counsel

**NorthWestern Corporation**

By:   
Patrick R. Corcoran  
Vice President – Government &  
Regulatory Affairs