

Service Date: October 19, 2009

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

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IN THE MATER OF NORTHWESTERN) UTILITY DIVISION
ENERGY, Annual Application for Approval)
of Unreflected Gas Cost Account Balance,)
Projected Gas Cost and Gas Cost Transportation) DOCKET NO. D2009.5.63
Adjustment)

**COMMISSION STAFF DATA REQUESTS PSC-001 THROUGH PSC-005
TO NORTHWESTERN ENERGY**

PSC-001

Regarding: Hedging Strategy
Witness: Kevin Markovich

In your prefiled testimony you list five main areas of NWE's hedging strategy:

- 1) Utilize storage for reliability and remove expected price volatility;
- 2) When applicable use storage to capture the difference between winter and summer priced natural gas and flow that value back as a reduction to rates;
- 3) Enter into transactions that convert index priced purchases to fixed or know values;
- 4) Set "hard target" prices to supplement other hedging techniques
- 5) Enter into fixed price purchases one, two, and three years forward to dampen volatility and protect against price spikes due to changes in market fundamentals.

Do you feel that these five areas are sufficient to supply your customers with reasonable and stable prices that reflect market conditions over time and dampen natural gas volatility?

PSC-002

Regarding: Natural Gas Prices
Witness: John Smith

In prefiled testimony you state that natural gas in North America has fallen dramatically in the last ten months. (JMS 9, Line 1) Do you feel that NWE's Natural Gas

Procurement Plan is sufficient to capture this reduction in prices for your customers or are additional hedges needed? Please explain beyond a yes or no answer.

PSC-003

Regarding: Hard Target
Witness: John Smith

You state in your prefiled testimony that for the first time in April of 2009, NWE was able to trigger a hard target. (JMS-9, Line 22) Were any other hard targets met in 2009 and what does this mean to a typical residential customer's winter bill?

PSC-004

Regarding: Long Term Fixed Price Implemented
Witness: John Smith

In your prefiled testimony you state that you now have the three-year hedge of long term fixed prices implemented. During the period of high natural gas prices you state that the 12-month value of hedges was at a positive \$10.9 million. Currently, at low natural gas prices, the 12-month look forward with the three-year hedge results in a value of a negative \$13.2 million. (JMS-9, lines 8-18) Given the swing in value between high and low periods of natural gas prices do you feel the NWE's Natural Gas Procurement Plan is working as you envisioned? Does the three-year fixed price hedge provide price stability to Montana consumers? If natural gas prices rise in the future, will the impact of the three-year layering in of fixed price contracts protect Montana consumers from those rising prices? Is the absolute price risk greater on the upside versus the downside in natural gas?

PSC-005

Regarding: Procurement Plan Changes
Witness: Kevin Markovich

In your prefiled testimony you state the NWE filed its initial Abbreviated Natural Gas Procurement Plan on March 15, 2006, and NWE filed its first Natural Gas Biennial Procurement Plan on December 14, 2006. (KJM-4, Lines 23 to 30) You go on to state that NWE monitors its procurement activities to ensure that results are consistent with the overall goals that have been established. You further state that should new opportunities arise or products be discovered that allow NWE to meet procurement goals in a more efficient and effective manner they will be discussed and analyzed with stakeholders such as the Commission and the Montana Consumer Counsel staff, and if they appear viable they will be incorporated in the next biennial Procurement Plan. (KJM-6, Lines 9 to 16) Has NWE discovered any improvements or efficiencies that it has incorporated or plans to incorporate into its Procurement Plan? Please explain.