



November 28, 2012

Ms. Kate Whitney
Utility Division
Montana Public Service Commission
1701 Prospect Avenue
PO Box 2022601
Helena, Montana 59620-2601

**Re: Docket No. D2012.5.48 Annual Natural Gas Tracker Filing
NorthWestern Energy's Responses to MCC Set 1 (001-009) Data Requests**

Dear Ms. Whitney:

Enclosed for filing is a copy of NorthWestern Energy's responses to MCC Set 1 (001-009) Data Requests. These responses have been mailed to the service list in this docket and efiled with the Montana Public Service Commission ("PSC").

Should you have questions please contact Joe Schwartzberger at (406) 497-3362.

Sincerely,

Connie Moran
Administrative Assistant

Enclosures

CERTIFICATE OF SERVICE

I hereby certify that a true and correct copy of NorthWestern Energy's responses to MCC Set 1 (001-009) Data Requests in Docket No. D2012.5.48 Annual Natural Gas Tracker Filing will be e-filed with the PSC. It will also be served upon the following persons by postage prepaid via first class mail, as follows:

Robert Nelson
Montana Consumer Counsel
Po Box 201703
Helena Mt 59620-1703

George Donkin
JW Wilson and Associates
1601 N Kent Street Suite 1104
Arlington VA 22209

Connie Moran
NorthWestern Energy
40 East Broadway
Butte MT 59701

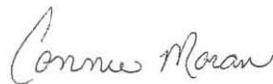
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Sarah Norcott
NorthWestern Energy
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Helena MT 59601

DATED this 28th day of November 2012.



NorthWestern Energy
Docket D2012.5.48
Natural Gas Tracker Filing
Montana Consumer Counsel (MCC)

MCC Set 1 (001-009)

Data Requests served November 2, 2012

MCC-001 RE: Transmittal Letter
Witness: G.D. Phelps

At page 3 of NWE's May 29, 2012 Transmittal Letter to its Application in this docket, NWE requests approval to continue to reflect accounting treatment, through the GTAC mechanism, for certain expansions that generate Interruptible Transportation revenues or Interruptible and Firm Transportation revenues, in accordance with Order No. 5667a, FOF No. 3.

- a. Has NWE included costs associated with such expansions in its proposed GTAC mechanism in this docket? If so, please state the amount of such costs.
- b. Please state the dollar amounts and the applicable docket numbers, if any, of such costs that have been included in the GTAC mechanism in prior NWE annual gas tracker filings, subsequent to Order No. 5667a.

RESPONSE:

- a. No.
- b. A copy of Order No. 5667a is provided as Attachment 1 for reference. At the time this order was issued, the use of Montana Power Company's (MPC) natural gas transmission system by interruptible off-system shippers was growing significantly, as were the interruptible gas loads of transportation customers. To keep up with the growth, MPC was required to invest in plant. Because revenues produced through interruptible deliveries and off-system sales serve as revenue credits for core, firm utility and firm transportation customers when they exceed the amount set in a previous rate case, MPC did not have a means to recover those investments until the next general case. Under those circumstances, the Company did not have any incentive to facilitate growth for interruptible and off-system customers in the future.

MPC's GTAC testimony in Docket Nos. 93.11.54, 94.11.50, D95.12.166, D96.2.22 and D97.11.212 indicates that MPC included capital expenditures; however, the actual costs are not detailed in the testimony, exhibits, or workpapers supporting those dockets.

NWE found data request responses in Docket No. 93.11.54 and Docket No. 94.11.50 (included as Attachment 2) that provide an indication of the types of expenditures and their magnitude. NWE's record of D95.12.166 shows that the Montana Public

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MCC-001 cont'd

Service Commission (Commission) approved interim GTAC rates in Interim Order No. 5877a. NWE did not find discovery associated with D95.12.166. Certain issues in that docket were deferred to MPC's then pending general rate application (D96.2.22).

D96.2.22 was a landmark case that began as an annual tracker filing, grew into a general natural gas rate case, and then was expanded to include the sale of MPC's natural gas production properties. D96.2.22 was eventually combined with the 1997 annual tracker filing, Docket No. D97.11.212. The record associated with combined dockets D96.2.22/D97.11.212 is a vast collection of hardcopy documents. It is possible that discovery in these combined dockets may include information similar to what was found for Docket Nos. 93.11.54 and 94.11.50, but NWE did not uncover them in its review.

In Docket Nos. D98.10.217 and D99.11.247, MPC's GTAC testimony indicated that capital expenditures were not included in the GTAC calculation because all of the previous investments had been included in rate base in the combined dockets D96.2.22/D97.11.212. The Company requested that the accounting treatment authorized in Order No. 5667a continue because the disincentive to invest in plant to support interruptible and off-system sales remained.

Beginning in Docket No. D2001.1.1, each application filed with NWE's annual natural gas tracker, including this filing, includes the following language:

"...there are no offsets for capital investments being reflected in the calculation of the GTAC Net Balance because all of the investments previously reflected in the calculation have been included in rate base as a result of general rate case proceedings. However, if this accounting treatment is not extended, the disincentive still exists for the Gas Utility to invest in new plant if there is no mechanism by which costs related to the investments can be recovered until the next general rate case. Therefore, Applicant requests that this accounting treatment be extended and continue in effect for as long as the GTAC mechanism continues in effect."

This language was last approved in combined Final Order Nos. 7004c and 7089a, Docket Nos. D2009.5.63 and D2010.5.49. Paragraph 21 of the Final Order states that the Commission accepted the Stipulation between NWE and Montana Consumer

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Counsel (MCC) and also approved NWE's two tracker applications as filed and updated.

REG. AFFAIRS ^{LS.}

Service Date: May 17, 1993

MAY 18 1993

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

* * * * *

IN THE MATTER of MONTANA POWER)
COMPANY'S Application Pertaining)
to (a) Second Transition Year) UTILITY DIVISION
Rates; (b) Unreflected Gas Cost)
Tracking, and Recovery of) DOCKET NO. 92.11.64
Interruptible Market Retention)
Revenue Differential; and (c)) FINAL ORDER NO. 5667a
Clarification of the Gas)
Transportation Adjustment Clause.)

FINDINGS OF FACT

1. On July 31, 1992, Montana Power Company (MPC) filed before the Montana Public Service Commission (PSC) an application for authority to change rates for the second transition year of MPC's gas transportation plan approved in PSC Docket No. 90.1.1, Order No. 5474c (October 3, 1991). The application was formerly designated Docket No. 90.1.1 (continuation), but has since been consolidated into the above-entitled docket. MPC stated that the effect of the proposed rates was a 4.04 percent increase to core residential and core general service commodity rates and a 16.92 percent increase to the Sales Subscription Service (SSS) transmission level commodity rates. On August 18, 1992, the PSC granted interim approval of MPC's request (August 24, 1992, Notice of Commission Action, Docket No. 90.1.1) effective September 1, 1992.

2. On November 6, 1992, MPC filed before the PSC an application pertaining to the Unreflected Gas Cost Account

MPC Docket No. 92.11.64, Final Order No. 5667a

Page 2

Balance for the period ending August 31, 1992, projected gas cost tracking for the period ending August 31, 1993, and recovery of the Interruptible Market Retention (IMR) rate revenue differential as of August 31, 1992. MPC stated that the net effect of the filing increased the core residential and core general service commodity rates by 0.67 percent, the utility class commodity rate by 0.15 percent, the firm transportation commodity rate (under ST-FTG-1) by 4.96 percent, the interruptible transportation commodity rate (under ST-ITG-1) by 2.43 percent, and the commodity rate at transmission level for SSS by 0.55 percent. Upon request of the PSC, MPC also provided testimony on reliability of gas service. On November 25, 1993, the PSC granted interim approval of MPC's requests in Interim Order No. 5667, Docket No. 92.11.64.

3. On February 8, 1993, MPC filed a request pertaining to the Gas Transportation Adjustment Clause (GTAC). This request was formerly designated Docket No. 93.2.7, but has since been consolidated into the above-entitled docket. MPC stated that the existing GTAC mechanism creates a disincentive to invest in new plant for interruptible transportation because all interruptible transportation revenues are credited to reduce the rates of core and firm transportation customers and do not contribute to recovery of any of the costs related to the investment.

4. MPC's GTAC filing proposed to offset against such revenues the total cost of service (expenses, taxes and return) for the related investments. Further, MPC proposed to similarly

MPC Docket No. 92.11.64, Final Order No. 5667a

Page 3

offset revenue generated by investments which produce both interruptible and firm transportation (FT) volumes. All applicable projects initiated within each tracking year will be aggregated and included for treatment in the calculation of the GTAC net Balance which will be proposed for amortization in the subsequent 12 months.

5. In subsequent general rate case filings, the capital investments in the projects being handled through the GTAC procedure and the revenues associated with these projects would be included in the test period rate base and revenues. Upon receiving a final order in such general rate case, the applicable offsets to the GTAC Balance would cease.

6. A Notice of Opportunity for Public Hearing was issued on March 11, 1993. Protests were received from William A. McKernan and Sisters of Charity of Leavenworth Health Services Corporation. Sisters of Charity originally requested a hearing, but later withdrew that request. The protests are noted and considered.

CONCLUSIONS OF LAW

1. The Montana Power Company is a corporation providing gas services within the State of Montana, and, as such, is a "Public Utility" within the meaning of Section 69-3-101, MCA.

2. The Montana Public Service Commission properly exercises jurisdiction over the Montana Power Company's natural gas utility operations under Title 69, Chapter 3, MCA.

MPC Docket No. 92.11.64, Final Order No. 5667a

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3. The Montana Public Service Commission has provided adequate public notice of all proceedings, and an opportunity to be heard to all interested parties in this docket. Sections 69-3-303, 69-3-104, MCA, and Title 2, Chapter 4, MCA.

ORDER

THEREFORE, THE MONTANA PUBLIC SERVICE COMMISSION ORDERS
THAT:

1. Rates approved on an interim basis for service on and after September 1, 1992, pursuant to the second transition year of MPC's gas transportation plan, are hereby made final.

2. Rates approved on an interim basis in PSC Interim Order No. 5667, for service on and after November 24, 1992, pursuant to MPC's annual Gas Tracking Filing, are hereby made final.

3. MPC's proposal on the GTAC procedure as set forth in Findings of Fact Nos. 4 and 5 are hereby approved. This approval shall be effective until August 31, 1994. If MPC desires that the approval should extend beyond the above-stated date, it must make a filing to that effect.

DONE IN OPEN SESSION at Helena, Montana, this 14th day of May, 1993, by a 3 to 0 vote.

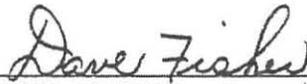
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BY ORDER OF THE MONTANA PUBLIC SERVICE COMMISSION



BOB ANDERSON, Chairman



DAVE FISHER, Commissioner



NANCY McCAFFREE, Commissioner

ATTEST:



Kathlene M. Anderson
Commission Secretary

(SEAL)

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

THE MONTANA POWER COMPANY

DOCKET NO. 93.11.54

DATA REQUEST - PALADIN ASSOCIATES - Received March 11, 1994

PA No. 1-021

WITNESS: C. A. Orr

REQUEST:

Re: GTAC Balance
Pages ORR-6 and 7, Lines 32-36 and 1-4

- (a) Please provide a detailed breakdown of the Actual Interruptible Transportation (IT), Actual Firm Transportation (FT), Actual SEC. 311, Actual U & UAF, Actual Month End Imbalances, Actual Storage Injections/Withdrawals and Actual Month End Storage Balances, volumes and revenues by month, for each individual customer, during the twenty (20) months ended August 31, 1993 (January 1, 1992 through August 31, 1993). Please provide the information in the format identical to MPC's data response to MCC No. 4-370, Pages 2 and 3, Docket No. 93.6.24.
- (b) Please provide the monthly "net Butte compressor expenses" during the twelve months ending August 31, 1993.
- (c) Please provide the total investment necessary to institute transportation service to Conoco.
- (d) Please provide a copy of the Conoco contract(s) supporting the investments necessary to institute transportation service to Conoco.

RESPONSE:

- (a) The only revenues included in the calculation of the GTAC Balance are Interruptible Transportation Revenues for on-system and off-system customers and Firm and Interruptible Transportation Revenues for Conoco and Cenex. None of the other items included in this request enter into the GTAC Balance calculation.
- (b) See attached.
- (c) The total investment to date necessary to institute transportation service to Conoco is \$251,701.

MPC RESPONSE TO PA DATA REQUEST NO. 1-021

(d) See MPC Objection in letter dated March 18, 1994.

MPC RESPONSE TO PA DATA REQUEST NO. 1-021

bte.cmp.ex.ofst 8.93

The Montana Power Company
Natural Gas Utility

Derivation of Butte Compressor Expense Off-Set
to 12-Month Ended August 1993 GTAC Balance

| Line No. | (A) Actual Months 9/92-8/93 Trkg. Year | (B) Actual Butte Compressor Expenses | (C) Test Period 90.1.1 | (D) 90.1.1 Test Period Butte Compressor Expenses | (E) Actual vs Est. Butte Compressor Expenses (A) - (C) |
|----------|--|---|---------------------------------|--|--|
| 1 | Sep-92 | \$16,976.47 | September | \$47.52 | \$16,928.95 |
| 2 | Oct-92 | \$12,037.29 | October | \$76.85 | \$11,960.44 |
| 3 | Nov-92 | \$22,309.82 | November | \$77.39 | \$22,232.43 |
| 4 | Dec-92 | \$18,775.11 | December | \$2,495.89 | \$16,279.22 |
| 5 | Jan-93 | \$12,475.24 | January | \$339.90 | \$12,135.34 |
| 6 | Feb-93 | \$12,491.62 | February | \$4,773.05 | \$7,718.57 |
| 7 | Mar-93 | \$11,442.24 | March | \$55.10 | \$11,387.14 |
| 8 | Apr-93 | \$11,516.61 | April | \$1,840.09 | \$9,676.52 |
| 9 | May-93 | \$81.30 | May | \$9,266.48 | (\$9,185.18) |
| 10 | Jun-93 | \$65.29 | June | \$7,900.50 | (\$7,835.21) |
| 11 | Jul-93 | \$10,775.00 | July | \$2,267.51 | \$8,507.49 |
| 12 | Aug-93 | <u>\$10,747.60</u> | August | <u>\$110.41</u> | <u>\$10,637.19</u> |
| 13 | | | | | |
| 14 | Total | \$139,693.59 | | \$29,250.69 | \$110,442.90 |
| 15 | | | | | |

THE MONTANA POWER COMPANY

NATURAL GAS UTILITY

DOCKET NO. 94.11.50

GAS TRACKING

DATA REQUEST - MONTANA CONSUMER COUNSEL - Received March 2, 1995

MCC No. 1-008

WITNESS: C. A. Orr

REQUEST:

Re: Interruptible Transportation Offset, page 6, lines 34-35
and Exhibit CAO-1, page 2 of 7

Please identify and provide all calculations and workpapers
for \$3,050,536 of costs associated with capital investments
necessary to institute IT transportation service.

RESPONSE:

The \$3,050,536 on Exhibit ____ (CAO-1), page 2 of 7 is not just
costs associated with capital investments necessary to
institute IT transportation service. As stated on page 6 of
the testimony, lines 34 through 36, this \$3,050,536 offset is
the sum of "the estimated IT Revenues from Docket No. 93.6.24,
and costs associated with capital investments necessary to
institute IT transportation service, as approved in Order
No. 5667a."

The attached memo shows the individual components that total
to the \$3,050,536 offset. Of this total, \$2,034,503 are the
estimated IT revenues reflected in the test period revenues in
Docket No. 93.6.24; \$19,859 are the Butte Electric Compressor
costs from September 1, 1993 to October 18, 1993, the date the
interim rates in Docket No. 93.6.24 became effective; and
\$996,174 are the capital investment offsets for the
Livingston, Cenex and Conoco capital investment projects.

MPC RESPONSE TO MCC DATA REQUEST NO. 1-008

MEMORANDUM

TO : John Miller
 John Brown

FROM : Ceil A. Orr

DATE : September 12, 1994

CC : Jack Haffey Dan Regan Steve Winter
 Pat Corcoran Karen Schellin Terry Wisner
 Joe Janhunen Dave Morris Richard Guza

RE : August, 1994 Monthly Section 311/Excess Interruptible Transportation Revenue

The Company continues to book 1/12th of the test period Section 311/Excess Interruptible Transportation (IT) Revenues reflected in the test period in Docket No. 93.6.24. Pursuant to Final Order No. 5709d, estimated annual on-system IT revenues are \$390,826 and off-system IT revenues are \$1,854,315, for total estimated annual test period IT revenues of \$2,245,141.

The monthly expense off-set for the Livingston Compressor project has been adjusted for the difference between the estimate and the actual expense off-set for the first 7 months of 1994, as explained in the August 9, 1994 memo.

The monthly entry for August, 1994 for IT revenues to be tracked in the GTAC is as follows:

| <u>Interruptible Transp. Revenues</u> | <u>Current Month</u> | <u>9/1/93 To-Date</u> |
|---------------------------------------|--------------------------|---------------------------|
| Actual DBU IT \$ | \$ 0.00 | \$ 17,815.87 |
| Actual S&TBU IT \$ | 379,618.27 | 3,252,954.09 |
| CMPL IT \$ | 6,649.42 | 49,164.95 |
| Gathering & Processing On-System | 17,341.00 | 92,547.30 |
| Gathering - CMG | 32,690.97 | 134,538.12 |
| Cenex Firm Transp. \$ | 12,242.37* | 95,690.44 |
| Conoco Firm Transp. \$ | <u>11,990.53*</u> | <u>162,819.03</u> |
| Total IT Revenue | \$ 460,532.56 | \$ 3,805,529.80 |
| <u>Less:</u> | | |
| (1/12th) Est. Off-System IT Rev. | \$ 154,526.25 | \$ 1,689,095.74 |
| (1/12th) Est. On-System IT Rev. | 32,568.83 | 345,406.77 |
| Net Butte Elec. Comp. Exp. | - | 19,859.26 |
| Livingston Project Offset | 113,909.84 | 607,409.84 |
| Cenex Expense Offset | 38,529.92 | 346,769.28 |
| Conoco Expense Offset | <u>3,587.58</u> | <u>41,994.93</u> |
| Total Offsets | \$ <u>343,122.42</u> | \$ <u>3,050,535.82</u> |
| Excess Section 311 Trans. Rev. | \$ <u>117,410.12</u> | \$ <u>754,993.98</u> |

For the month of August, 1994, actual Section 311/Excess Interruptible Transportation revenues are greater than the estimated revenues by \$117,410.12 and this amount should be recorded in accordance with the GTAC mechanism.

If you have any questions, please call me on extension 72228.

* Cenex IT Rev. \$42,684.43; Conoco IT Rev. \$8,994.89 included in S&TBU IT \$'s above.

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Montana Consumer Counsel (MCC)**

MCC Set 1 (001-009)

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MCC-002 RE: Exhibits and Work Papers
Witness: John Smith

Please provide on computer CD, in Microsoft Excel format, with all formulas and links intact, the spreadsheet data used to produce Exhibit JMS-1, Exhibit JMS-1 (Work Papers), Exhibit JMS-2, and Exhibit JMS-2 (Work Papers).

RESPONSE:

See the response to Data Request PSC-001.

**NorthWestern Energy
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Montana Consumer Counsel (MCC)**

MCC Set 1 (001-009)

Data Requests served November 2, 2012

MCC-003 RE: Exhibits and Work Papers
Witness: William M. Thomas

Please provide on computer CD, in Microsoft Excel format, with all formulas and links intact, the spreadsheet data used to produce Exhibit WMT-1, Exhibit WMT-2, and Exhibit WMT-3.

RESPONSE:

See NWE's updated response to Data Request PSC-001, submitted November 20, 2012.

**NorthWestern Energy
Docket D2012.5.48
Natural Gas Tracker Filing
Montana Consumer Counsel (MCC)**

MCC Set 1 (001-009)

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MCC-004 RE: Table 1 at WMT-4
Witness: William M. Thomas

With respect to Table 1 at page WMT-4, under the heading “Reported Savings (Dkt), is it correct that the quantities shown for each “Program Period” will be repeated as additional incremental Dkt savings in subsequent annual periods? If not, please describe and state the quantities of additional incremental Dkt savings, if any, for subsequent annual periods that result from the “Expenses” shown there for each “Program Period.”

RESPONSE:

It is correct that the quantities shown for each Program Period will be repeated Dkt savings in subsequent annual periods. It might be confusing to characterize them as “additional incremental Dkt savings.” In any period, incremental new natural gas savings acquired through program activity are assumed to persist into future periods and contribute (add) to a growing cumulative savings total. The cumulative savings amount is not shown in Table 1. Table 1 below has been modified to include a cumulative Dkt savings column to illustrate and clarify the difference between incremental and cumulative Reported Savings.

Modified Table 1 (modified to show cumulative savings)

| Program Period | Installed Annual Natural Gas DSM Capability (Incremental) | | | | | | Cumulative Reported Savings (Dkt) | Natural Gas Supply Tracker | |
|----------------|---|---------|---------|------------------------|---------|---------|-----------------------------------|----------------------------|-------------|
| | Target (Dkt) | | | Reported Savings (Dkt) | | | | Budget | Expenses |
| | USB | DSM | Total | USB | DSM | Total | | | |
| 2005-06 | N/A | 96,277 | 96,277 | 42,177 | 128,761 | 170,938 | 170,938 | \$1,125,000 | \$1,015,679 |
| 2006-07 | N/A | 114,526 | 114,526 | 42,393 | 70,058 | 112,450 | 283,388 | \$800,000 | \$608,000 |
| 2007-08 | N/A | 114,526 | 114,526 | 58,482 | 74,198 | 131,078 | 414,466 | \$698,030 | \$679,677 |
| 2008-09 | 60,000 | 115,000 | 175,000 | 60,904 | 76,102 | 160,262 | 574,728 | \$738,440 | \$1,808,655 |
| 2009-10 | 60,000 | 150,000 | 210,000 | 70,706 | 107,491 | 178,197 | 752,925 | \$2,300,000 | \$2,202,948 |
| 2010-11 | 60,000 | 150,000 | 210,000 | 79,371 | 186,310 | 265,682 | 1,018,607 | \$2,435,365 | \$2,857,253 |
| 2011-12 | 60,000 | 150,000 | 210,000 | 60,447 | 100,695 | 161,141 | 1,179,748 | \$2,606,266 | \$2,502,930 |
| 2012-13 | 60,000 | 150,000 | 210,000 | | | | | \$3,834,360 | |

**NorthWestern Energy
Docket D2012.5.48
Natural Gas Tracker Filing
Montana Consumer Counsel (MCC)**

MCC Set 1 (001-009)

Data Requests served November 2, 2012

MCC-005 RE: Lost Revenues
Witness: William M. Thomas

With respect to Table 1 at page WMT-4, for each “Program Period” shown there, please provide a listing of the following:

- a. NWE’s original estimate of lost annual revenues associated with the “Target (Dkt)” shown there.
- b. The actual lost annual revenues associated with the “Reported Savings (Dkt)” shown there.

RESPONSE:

- a. Please refer to the table below.
- b. Please refer to the table below.

Listing of Target and Actual Natural Gas DSM Lost Revenues

| Program Period | Target Lost Revenues | Actual Lost Revenues* |
|-----------------------|-----------------------------|------------------------------|
| 2005-06 | \$ 126,304 | \$ 126,304 |
| 2006-07 | 364,950 | 364,950 |
| 2007-08 | 706,850 | 548,381 |
| 2008-09 | 433,281 | 410,272 |
| 2009-10 | 786,877 | 791,614 |
| 2010-11 | 1,287,843 | 553,828 |
| 2011-12 | 969,667 | 940,212 |
| 2012-13 | 1,452,810 | |

*These figures will be trued up using the results of the SBW DSM Evaluation. During tracker periods 2007-08 and 2010-11 new T&D rates became effective. This caused Reported Savings to be reset to a zero starting point, accounting for larger variances between Target and Actual Lost Revenues.

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Montana Consumer Counsel (MCC)**

MCC Set 1 (001-009)

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MCC-006 RE: Gas Cost Savings
Witness: William M. Thomas

With respect to Table 1 at page WMT-4, for each “Program Period” shown there, please provide a listing of the following:

- a. NWE’s estimate of the annual gas *cost* savings to be realized from the “Target (Dkt)” savings shown there.
- b. NWE’s calculation of the actual annual gas *cost* savings realized from the “Reported Savings (Dkt)” shown there.

RESPONSE:

- a. Please refer to the table below, columns G and H.
- b. Please refer to the table below, columns O and P.

| A | B | C | D | E | F | G | H | I | J | K | L | M | N | O | P |
|--|-----------------------------------|---------|----------------------------------|---------------------|-----------------------|---|---|-------------------------------------|---------|----------------------------------|---------------------|-----------------------|---|---|---|
| Installed Annual Natural Gas DSM Capability | | | | | | | | | | | | | | | |
| Program Period | Target DSM Program Savings | | | | | | | Reported DSM Program Savings | | | | | | | |
| | Target (Dkt) | | | | Gas Cost Savings (\$) | | | Reported Savings (Dkt) | | | | Gas Cost Savings (\$) | | | |
| | USB | DSM | Total (Incremental annual) | Total Cumulative | Cost/Dkt | Annual (\$) <small>(col. D * col. F)</small> | Cumulative (\$) <small>(col. E * col. F)</small> | USB | DSM | Total (Incremental annual) | Total Cumulative | Cost/Dkt | Annual (\$) <small>(col. L * col. N)</small> | Cumulative (\$) <small>(col. M * col. N)</small> | |
| | | | | | | | | | | | | | | | |
| 2005-06 | N/A | 96,277 | 96,277 | 96,277 | \$ 7.8335 | \$ 754,186 | \$ 754,186 | 42,177 | 128,761 | 170,938 | 170,938 | \$ 8.4007 | \$ 1,435,999 | \$ 1,435,999 | |
| 2006-07 | N/A | 114,526 | 114,526 | 210,803 | \$ 7.5564 | \$ 865,404 | \$ 1,592,912 | 42,393 | 70,058 | 112,450 | 283,388 | \$ 6.4902 | \$ 729,823 | \$ 1,839,245 | |
| 2007-08 | N/A | 114,526 | 114,526 | 325,329 | \$ 7.9879 | \$ 914,822 | \$ 2,598,696 | 58,482 | 74,198 | 131,078 | 414,466 | \$ 7.6557 | \$ 1,003,494 | \$ 3,173,027 | |
| 2008-09 | 60,000 | 115,000 | 175,000 | 500,329 | \$ 10.6309 | \$ 1,860,408 | \$ 5,318,948 | 60,904 | 76,102 | 160,262 | 574,728 | \$ 7.1824 | \$ 1,151,066 | \$ 4,127,926 | |
| 2009-10 | 60,000 | 150,000 | 210,000 | 710,329 | \$ 5.7562 | \$ 1,208,802 | \$ 4,088,796 | 70,706 | 107,491 | 178,197 | 752,925 | \$ 5.0321 | \$ 896,705 | \$ 3,788,794 | |
| 2010-11 | 60,000 | 150,000 | 210,000 | 920,329 | \$ 5.6916 | \$ 1,195,236 | \$ 5,238,145 | 79,371 | 186,310 | 265,682 | 1,018,607 | \$ 5.1287 | \$ 1,362,603 | \$ 5,224,130 | |
| 2011-12 | 60,000 | 150,000 | 210,000 | 1,130,329 | \$ 5.1354 | \$ 1,078,434 | \$ 5,804,692 | 60,447 | 100,695 | 161,141 | 1,179,748 | \$ 4.5224 | \$ 728,744 | \$ 5,335,292 | |
| 2012-13 | 60,000 | 150,000 | 210,000 | 1,340,329 | \$ 3.9401 | \$ 827,421 | \$ 5,281,030 | | | | | | | | |

**NorthWestern Energy
Docket D2012.5.48
Natural Gas Tracker Filing
Montana Consumer Counsel (MCC)**

MCC Set 1 (001-009)

Data Requests served November 2, 2012

MCC-007 RE: NWE Labor Expenses
Witness: William M. Thomas

At WMT-6, lines 25-26, you state “The total cost for the 2011-2012 tracker period is \$2,502,930. This amount does not include NorthWestern labor.” Please provide the estimated additional cost of NWE labor that is applicable to NWE’s 2011-2012 Natural Gas DSM Program.

RESPONSE:

The estimated additional cost of NWE labor (loaded) that is applicable to NWE’s 2011-2012 Natural Gas DSM Program totals \$118,062.31.

NorthWestern Energy
Docket D2012.5.48
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Montana Consumer Counsel (MCC)

MCC Set 1 (001-009)

Data Requests served November 2, 2012

MCC-008 RE: NWE Labor Expenses
Witness: William M. Thomas

At WMT-19, lines 10-11, you state “The estimated budget for the 2012-2013 E + Natural Gas DSM Program is \$3,834,360.”

- a. Does that amount include the cost of NWE labor? If so, please separately state the cost of NWE labor that is included in that amount.
- b. If that amount does not include the cost of NWE labor, please state the estimated cost of NWE labor that is in addition to that amount.

RESPONSE:

- a. No.
- b. The estimated cost of NWE labor (loaded) that is in addition to that amount is \$132,296.10.

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Montana Consumer Counsel (MCC)

MCC Set 1 (001-009)

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MCC-009 RE: 2012-2013 DSM Program Costs
Witness: William M. Thomas

With respect to WMT-20, line 22, through WMT-21, line 3:

- a. Please list and explain the reasons for the 53.2 percent increase in DSM program costs from the 2011-2012 period to the 2012-2013 period that is referred to in that testimony.
- b. Please list and describe actual or potential benefits that may justify the 53.2 percent increase in DSM program costs from the 2011-2012 period to the 2012-2013 period that is referred to in that testimony.

RESPONSE:

- a. The single largest amount of increase (31%) is due to an estimate of \$776,000 in the 2012-2013 budget to cover the expected cost of the Comprehensive DSM Program Evaluation that is allocable to natural gas DSM programs. This amount was added to Internal Accounting Order No. 17068 (“General Expenses Related to All Gas DSM Programs”) for evaluation costs expected to be payable in the 2012-2013 period.

For budgeting purposes, estimated costs for The E+ Natural Gas Business Partners Program and the E+ Commercial Existing Construction Program were escalated by 10% (based on actual 2011-2012 Tracker Year costs) for the 2012-2013 tracker period. NorthWestern now engages at least five performance contractors to pursue DSM projects within the guidelines of the Business Partners Program. These contractors have been active in successfully identifying interested participants and completing projects. NorthWestern expects these contractors to increase the volume of projects as they become more experienced and known in the Montana marketplace. Additionally, these programs were also increased to account for the additional labor costs expected from KEMA, Inc. employees assigned to E+ Commercial Outreach effort. This activity is specifically directed at cultivating more participation in the Business Partners Program.

The Residential Existing Gas Program budget was also escalated 10% over the prior period to fund continued community Weatherization Events. These Weatherization Events have experienced increasing costs as NorthWestern travels to more widely geographically dispersed communities of smaller populations than in the past to reach

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MCC-009 cont'd

those customers who had not previously benefited from receiving a weatherization kit.

The Commercial and Residential New Construction programs were escalated only slightly (2%) for the 2012-2013 period. This reflects NorthWestern's expectation of modest growth in new residential and commercial building construction and continuation of current flat economic conditions.

- b. Periodic, independent evaluation of utility DSM programs is a long-standing and standard practice in the U.S. utility industry, and the cost of such evaluation is a legitimate part of the overall cost of acquiring DSM. This work provides independent analysis and verification of reported natural gas savings produced by NorthWestern's DSM programs. The evaluation measures energy savings caused by the programs and reports the results of testing of DSM program benefits and costs in adherence with accepted DSM cost-effectiveness methodologies widely used by the utility industry for three decades. This information, together with other conclusions, findings and recommendations from the firm doing this work, gives NorthWestern valuable guidance in making mid-course DSM program corrections and planning for future DSM activities. NorthWestern notes that a comprehensive DSM Evaluation, and its consequent impacts on the DSM budget, occurs every fifth year or so in the course of DSM Program operation.

Additional budget directed to the commercial DSM programs will help build the number of DSM projects that cycle through the Business Partners Program. Cost-effective natural gas savings can be realized by including the performance contractors in both the customized and standard rebate programs. NorthWestern has learned from several years of DSM Program operation that customers are more likely to act and follow through on DSM projects when there is a knowledgeable contractor providing them information, assistance, guidance, and a nudge. NorthWestern DSM staff also reason that as more natural gas DSM is acquired, the remaining natural gas DSM will be more difficult and costly to obtain. This phenomenon may be exacerbated by flat or declining future natural gas costs.