



June 4, 2013

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

Re: Docket No. D2012.5.49 Electric Tracker
NorthWestern Energy's Updated Response to PSC Set 2 Data Requests

- Fourth update to PSC-008c

Dear Ms. Whitney:

Enclosed for filing is a copy of NorthWestern Energy's updated response to PSC Set 2 (006-013) data requests. This is the fourth update to PSC-008c. This updated response has been mailed to the service list in this Docket. It also has been e-filed with the PSC.

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

Sincerely,

A handwritten signature in cursive script that reads "Nedra Chase".

Nedra Chase
Administrative Assistant

Enclosures

CERTIFICATE OF SERVICE

I hereby certify that a copy of NorthWestern Energy's 4th updated response to PSC-008c in PSC Set 2 Data Requests (006-013) in Docket D2012.5.49 (Electric Tracker) has been served by mailing a copy thereof by first class mail, postage prepaid to the service list in this Docket. The updated responses have also been e-filed with the PSC.

Date: June 4, 2013



Nedra Chase
Administrative Assistant
Regulatory Affairs

A. Docket D2012.5.49
Service List

John Alke
Hughes Kellner Sullivan Alke
40 W Lawrence Suite A
P O Box 1166
Helena MT 59624-1166

Al Brogan
NorthWestern Energy
208 N. Montana Suite 205
Helena MT 59601

Nedra Chase
NorthWestern Energy
40 E. Broadway
Butte MT 59701

Heather Grahame
NorthWestern Energy
208 N. Montana Suite 205
Havre MT 59601

Alan Joscelyn
Gough Shanahan Johnson
33 S Last Chance Gulch
Helena MT 59624-1715

Charles Magraw
501 8th Ave.
Helena MT 59601

Robert A. Nelson
Montana Consumer Counsel
111 N. Last Chance Gulch
Suite 1B
Helena MT 59620-1703

Sarah Norcott
NorthWestern Energy
208 N. Montana Suite 205
Helena MT 59601

Thomas M. Power
920 Evans Ave.
Missoula MT 59801

Joe Schwartzberger
40 E. Broadway
Butte MT 59701-9394

Monica J. Tranel
Tranel Law Firm
30 W. 14th St. Suite 204
Helena MT 59601

Kate Whitney
Public Service Commission
1701 Prospect Ave
P O Box 202601
Helena MT 59620-2601

John W. Wilson
JW Wilson & Associates
1601 North Kent St.
Suite 1104
Arlington VA 22209

NorthWestern Energy
Docket D2012.5.49
Electric Tracker

Montana Public Service Commission (PSC)
Set 2 (006-013)

Data Requests received July 13, 2012

PSC-008

Regarding: DGGS Warranties and Insurance
Witness: Cashell

- a. Please provide the Pratt & Whitney warranty, including any amendments, supplements, or extensions, that applies to DGGS.
- b. Please provide any other insurance or warranty product purchased by, offered to, or sought out by NWE that provides or could have provided coverage to DGGS.
- c. Please provide any documentation NWE possesses, correspondence between NWE employees, or correspondence between NWE employees and others related to warranty and insurance coverage of DGGS.

RESPONSE:

- a. The following warranty information was publicly filed in Docket No. D2008.8.95:

10.0 WARRANTIES

10.1 ;::The warranty period for the Goods and/or Services covered under the Purchase Order will be twelve (12) months from Substantial Completion but in no event later than twenty-two (22) months from Delivery or storage of the Goods ("Warranty Period"). Seller warrants that the Goods supplied hereunder are suitable for the purpose as defined in the Purchase Order and are free from all latent or patent defects in material and workmanship, and conform to the Purchase Order Requirements, provided that Purchaser installs, maintains, and operates the Goods in accordance with Seller's instructions. If during the Warranty Period the Goods are found to be defective or otherwise fail to conform to the Purchase Order Requirements, Seller agrees to repair, replace, or make good the item(s) supplied hereunder, as Seller reasonably determines is appropriate under the circumstances, at no additional cost to Purchaser. All removal and installation labor that requires fewer than eight {8} man-hours to complete will be borne by Purchaser. For all other warranty items removal and installation costs, and all shipping costs of the Goods (provided written shipping instructions are followed), shall be borne by Seller. Seller does not warrant the Equipment or any repaired or replacement parts against normal wear and tear, type of fuel, detrimental air inlet conditions or erosion, corrosion or material deposits from fluids contrary to Seller's operation and maintenance manuals or severe environment. The warranties and remedies set forth herein shall not apply to failures or defects to the extent caused by: (i) the storage installation, operation, and maintenance of the Goods by or on behalf of Purchaser contrary

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PSC-008 cont'd

to the operation instruction manuals (including revisions thereto) provided by Seller and/or its subcontractors, as applicable and/or (ii) modification of the Goods that is not approved by Seller or that is contrary to Seller's written instructions. Purchaser shall keep proper records of operation and maintenance during the Warranty Period. These records shall be kept in the form of logsheets and copies shall be submitted to Seller upon request.

10.2 Any Goods repaired or replaced pursuant to this Article 1 0.0, prior to the start of Warranty Period, shall be fully warranted during the Warranty Period, or, if repaired or replaced during the Warranty Period, shall be warranted for an additional period of twelve (12) months from the completion of such repair or replacement, provided, however in no event shall warranty coverage extend beyond eighteen {18} months from the initiation of the Warranty Period.

10.3 Seller warrants that during the Warranty Period all Services will be performed in a workmanlike manner and that recommendations for corrective action made in connection with technical investigations or inspections or the like will be based on its best judgment in light of the facts then known and shall be rendered in a competent and diligent manner, consistent with the Purchase Order Requirements, accepted industry practice, and any applicable professional codes or standards. Any Services performed which do not conform to such practice, codes, standards, or Purchase Order Requirements shall, upon notice from Purchaser, be corrected by Seller in a prompt manner at Seller's sole cost and expense.

10.4 THE WARRANTIES SET FORTH HEREIN ARE EXCLUSIVE AND IN LIEU OF ALL OTHER WARRANTIES, EXPRESS OR IMPLIED. ALL OTHER WARRANTIES INCLUDING WITHOUT LIMITATION ANY IMPLIED WARRANTIES OF MERCHANTABILITY OR FITNESS FOR A PARTICULAR PURPOSE {AS SUCH TERMS ARE DEFINED BY NEW YORK LAW OR THE UNIFORM COMMERCIAL CODE) ARE HEREBY DISCLAIMED BY SELLER.

PWPS has informed NorthWestern that it considers technical information, including any other warranty information, to be confidential and a trade secret. PWPS has further informed NorthWestern that it intends to file a petition to intervene and a motion for a protective order in this docket. NorthWestern is withholding information requested that may contain PWPS's confidential data until the Commission issues a decision on the PWPS motion for a protective order.

- b. NorthWestern carries property insurance on DGGS through FM Global, policy number FS152. This policy covers the assets of NorthWestern along with extra expenses subject to the policy terms and conditions, including the deductible.

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Although NWE has not identified any other warranty product, PWPS has informed NorthWestern that it considers technical information, including any other warranty information, to be confidential and a trade secret. PWPS has further informed NorthWestern that it intends to file a petition to intervene and a motion for a protective order in this docket. NorthWestern is withholding information requested that may contain PWPS's confidential data until the Commission issues a decision on the PWPS motion for a protective order.

- c. Some of the documentation and correspondence requested by this data request may be subject to the attorney/client privilege or the work product doctrine. NorthWestern objects to this data request to the extent that it requests any such documentation or correspondence. NorthWestern will provide a privilege log of any documents or correspondence, if any, that it withholds on the basis of attorney/client privilege or work product doctrine.

PWPS has informed NorthWestern that it considers technical information, including any warranty information, to be confidential and a trade secret. PWPS has further informed NorthWestern that it intends to file a petition to intervene and a motion for a protective order in this docket. NorthWestern is withholding information requested that may contain PWPS's confidential data until the Commission issues a decision on the PWPS motion for a protective order

Please see the attached letter from FM Global dated March 30, 2012. Two email searches are under way for additional documents responsive to this request. Results will be provided as soon as they are available. The search terms chosen for the first search were (Dave Gates Generating Station or DGGS or Mill Creek Generating Station or MCGS) **and** (FM Global) **and** (insurance coverage). The custodians chosen were Mike Cashell, Bill Rhoads, Jim Williams, John Hines, Bill Thompson, Casey Johnston, Mike McGowan, Donna Haeder, Mike Voeller, Mike Terry, Andrew McLain, Heather Grahame, and Al Brogan. The search terms chosen for the second search were (Dave Gates Generating Station or DGGS or Mill Creek Generating Station or MCGS) **and** (warranty) **and** (Pratt & Whitney or PWPS **not** insurance). The custodians chosen were Mike Cashell, Bill Rhoads, Jim Williams, John Hines, Bill Thompson, Casey Johnston, Mike McGowan, Donna Haeder, Mike Voeller, Mike Terry, Andrew McLain, Heather Grahame, and Al Brogan.

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PSC-008 cont'd

UPDATED RESPONSE (November 8, 2012):

- c. See Attachments 1 through 4 inside the folder named PSC-008c on the enclosed CD. They are PDF files of emails and attachments pertaining to insurance coverage of DGGGS.

SECOND UPDATED RESPONSE (February 1, 2013):

- c. The Privilege Log provided as an Attachment in the Third Updated Response to Data Request PSC-006 also includes the PSC-008c emails and attachments that a NorthWestern attorney has identified as privileged due to either attorney/client privilege or the work product doctrine.

Additional documents responsive to this request will be provided after the Commission issues a decision on PWPS's Second Supplemental Motion for Protective Order that was filed with the Commission on January 15, 2013.

THIRD UPDATED RESPONSE (March 1, 2013):

- c. See the public versions of Attachments 5 and 6 in the folder named PSC-008c on the enclosed CD. Attorneys representing PWPS made the redaction decisions for these documents in conformance with the Commission's Protective Order No. 7219f, service date February 15, 2013. Unredacted copies of the pages containing protected information will be provided on yellow paper under separate cover to the Commission and to parties on the service list who properly execute and submit the related non-disclosure agreement. See also Attachment 7 in that same folder on the CD. It required no protection.

To the best of NorthWestern's knowledge, this completes the response to PSC-008.

FOURTH UPDATED RESPONSE (June 4, 2013):

- c. Please see Attachment 8, an additional document related to the warranty and insurance coverage of DGGGS.

NorthWestern Energy

To: Heather Grahame
From: Donna Haeder
Subject: DGGGS Insurance Information
Date: October 17, 2012

In the early 2012 DGGGS event, had the Generators not been covered under Pratt Whitney's warranty, after reaching our \$1M retention, the repairs necessary would have been covered under our FM Global Property Policy. We did not reach coverage for the DGGGS event because covered expenses did not exhaust the retention.

Property damage due to mechanical failure are covered elements under our policy. Also covered under our property policy are the "extra expenses" associated with the down time at the plant related to the property damage, EXCEPT for the following exclusion:

"In addition to the exclusions elsewhere in the Policy, the following exclusions apply to TIME ELEMENT loss:E. Any increase in loss due to the purchase of electrical power or additional costs associated with generating electrical power from alternative sources."

For this particular event at DGGGS, we did not have covered costs that exhausted the \$1M retention because neither the warranty repairs nor the purchase of regulation were considered. In the event of a future incident where warranty coverage is not applicable, the FM Global property policy would cover the property damage-related repairs after the retention is exhausted – but would again not extend to the purchase of regulation.

We renew our policy with FM Global in March 2013. We can ask them to provide a quote for an extension of coverage to replacement power or regulation purchases. FM Global has written that type of coverage in the past and will have experience with underwriting that risk.

We discussed this coverage with our insurance broker, Hays Companies. Hays works with other utilities and does not see their clients purchasing this type of coverage because of the premium costs. The typical offering from FM Global is an extension of coverage which is reached through a number of outage days, rather than a dollar-expressed retention. Their typical elimination period is 60 days, triggering coverage for the purchase of power on the 61st day of a covered plant outage. To further clarify what this coverage would apply to, the plant would have to be out of service due to a covered incident (fire, flood, property damage due to mechanical failure, etc) to trigger the extension of coverage to replacement power or regulation.

Our 2012 premium was roughly \$1.3M. A rough ballpark estimate of additional annual premium for the purchase of power coverage is \$1M. We are anticipating a market-driven increase to our basic property rates in 2013, so the ballpark estimate is likely to be impacted as well.