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

In the Matter of NorthWestern Energy's Application For:)
(1) Approval of Deferred Cost Account Balances for)
Electricity Supply, CU4 Variable Costs/Credits, and) Regulatory Division
DGGs Variable Costs/Credits; and (2) Projected)
Electricity Supply Cost Rates, CU4 Variable Rates,) Docket No. D2012.5.49
and DGGs Variable Rates)

PRE-HEARING MEMORANDUM

I. Background

On May 31, 2012, NorthWestern Corporation d/b/a NorthWestern Energy
("NorthWestern") submitted its Application for (1) Approval of Deferred Cost Account Balances

for Electricity Supply, Colstrip Unit 4 (“CU4”) Variable Costs/Credits, and Dave Gates Generating Station (“DGGS”) Variable Costs/Credits; and (2) Projected Electricity Supply Cost Rates, CU4 Variable Rates, and DGGS Variable Rates (“Application”) in this docket.

On June 15, 2012, the Commission issued a Notice of Application and Intervention Deadline. Human Resource Council District XI/Natural Resources Defense Council (“HRC/NRDC”) and the Montana Consumer Counsel (“MCC”) petitioned for and were granted intervention¹. On August 1, 2012, the Commission issued Procedural Order No. 7219b. On November 16, 2012, the Commission issued a Notice of Commission Action and Limited Intervention Deadline (“Notice”). The Notice directed NorthWestern to supplement its original filing with testimony on (1) the comprehensive demand-side management program evaluation performed by SBW Consulting, Inc. (“SBW”), and (2) the efficient scheduling and dispatching of electricity supply resources. As a result of the additional issues, the Commission issued Modified Procedural Order No. 7219e (“Order 7219e”). Order 7219e, ¶ 13 provided “[t]he deadline for pre-hearing memoranda will be June 5, 2013.”

Order 7219e, ¶ 25 requires each party to file a Prehearing Memorandum “listing the following information regarding the hearing: (1) Uncontested issues; (2) contested issues; (3) witnesses it intends to call; (4) exhibits and discovery it intends to introduce; and (5) any special accommodations it seeks regarding witness sequence or scheduling.” Order 7219e also provides, “If a party intends to introduce a discovery response, it must identify the number of the request, the responding witness, and the issue addressed.” *Id.* NorthWestern submits this Pre-Hearing Memorandum pursuant to Order 7219e.

¹ Both Pratt & Whitney Power Systems, Inc. and Powerex Corp. were granted limited intervention by the Commission for the purpose of seeking a protective order.

The MCC has actively contested issues in this docket. Commission advisory staff and the MCC submitted discovery to which NorthWestern responded. NorthWestern, as requested in the Notice, filed supplemental testimony. The MCC and HRC/NRDC filed responsive testimony. NorthWestern and the Commission advisory staff submitted discovery to the MCC on its responsive testimony. The Commission advisory staff submitted discovery to HRC/NRDC on its responsive testimony. NorthWestern filed rebuttal testimony. Commission advisory staff and the MCC submitted discovery to NorthWestern on the rebuttal testimony.

On May 31, 2013, the Commission issued a Notice of Commission Action (“May 31 Notice”) requiring additional live testimony on three issues. On June 4, 2013, NorthWestern filed a Motion for Reconsideration of the May 31 Notice. In asking for reconsideration, NorthWestern contends that the May 31 Notice (1) exceeds the Commission’s statutory authority, (2) is arbitrary and capricious, (3) violates the Commission’s rules, orders, and procedures, and (4) violates the parties’ due process rights.

II. Uncontested Issues

NorthWestern believes that all issues, except those identified as contested issues, are uncontested.

III. Contested Issues

The contested issues in this docket are as follows:

1. Recovery of the costs associated with replacement regulation service contracts during the DGGs outage; and
2. NorthWestern’s Hedging Strategy – termination of off-system, fixed price electric hedges.

IV. Witnesses

NorthWestern intends to call the following witnesses to testify at the hearing:

1. David E. Fine;
2. William T. Rhoads;
3. Fred Lyon;
4. Michael R. Cashell;
5. Casey E. Johnston;
6. Kevin J. Markovich;
7. Frank V. Bennett;
8. Cheryl A. Hansen;
9. William M. Thomas;
10. Michael H. Baker;
11. Faith DeBolt; and
12. Marjorie R. McRae

David E. Fine, Frank V. Bennett, and Cheryl A. Hansen submitted Pre-filed Direct Testimony. Michael R. Cashell submitted both Pre-filed Direct Testimony and Pre-filed Rebuttal Testimony. Kevin J. Markovich and William M. Thomas submitted Pre-filed Direct Testimony, Pre-filed Supplemental Testimony, and Pre-filed Rebuttal Testimony. Casey E. Johnston, Michael H. Baker, Faith DeBolt, and Marjorie R. McRae submitted Pre-filed Supplemental Testimony. William T. Rhoads and Fred Lyon submitted Pre-filed Rebuttal Testimony.

NorthWestern intends to have its witnesses address all of their pre-filed testimonies at the time they are initially called to the stand. NorthWestern reserves the right to call any witness to rebut testimony by witnesses of other parties that is offered at the hearing and was not part of pre-filed testimony.

V. Exhibits and Evidence

NorthWestern intends to introduce into evidence the following:

1. The pre-filed direct testimony, pre-filed supplemental testimony, and pre-filed rebuttal testimony of each of the witnesses identified above, as appropriate;
2. All exhibits attached to the pre-filed testimonies of each witness; and
3. Any document needed for impeachment.

Recent Commission practice has been for its staff attorney assigned to the docket to move for the admission of all data request responses into evidence. If such a motion is made, NorthWestern will object on the grounds that the conditions set forth in § 69-2-102, MCA, for the Commission to introduce evidence have not been met, that such a motion is contrary to the requirements of Order 7219e, ¶ 25, and that the mass admission of data request responses violates the Montana Rules of Evidence. Furthermore, this practice is in violation of the Commission’s practice as outlined in the Docket No. 90.7.44, commonly referred to as the “Due Process Docket.”

Pursuant to Order 7219e, ¶ 25, NorthWestern identifies the data request responses shown in the following table as those data request responses that it may move to introduce into the record:

DATA REQUEST	WITNESS	ISSUE ADDRESSED
PSC-006	Michael Cashell	DGGS Outage
PSC-007	Michael Cashell	Replacement Contracts – DGGS
PSC-008	Michael Cashell	DGGS Warranties
PSC-009	Michael Cashell	DGGS Outage – Other Costs
PSC-011	William M. Thomas	Electric DSM Spending
PSC-012a	William M. Thomas	DSM Evaluation – contract with SBW
PSC-014a, b	Bennett, Thomas	2010/2011 Tracker Period
PSC-017a	Michael Cashell	DGGS Regulation Service
PSC-018a,b,d	Kevin Markovich	Hedging

PSC-019	Kevin J. Markovich	Colstrip Unit 4
PSC-25a	Frank V. Bennett	Short-Term Purchases & Sales
PSC-031	William M. Thomas	E+ Lighting Programs
PSC-033	Baker, Thomas	SBW Report
PSC-034	Fine, Bennett	DSM Impacts on Electricity Supply Costs
PSC-036a	William M. Thomas	Impact of USB DSM Programs
PSC-041	William M. Thomas	NWE E+ Green Renewable Attributes Program
PSC-042a	William M. Thomas	DSM Program Unit Costs
PSC-045	William M. Thomas	Impact Evaluation, File Review Process SBW
PSC-046	Michael Baker	DSM Program Evaluation
PSC-047	Michael Baker	Delivery of SBW Report
PSC-048	Thomas, Baker	NWE Review of SBW drafts
PSC-049	Michael Baker	Changes to Drafts of Report
PSC-050	William M. Thomas	Independence of Program Evaluator
PSC-051	Michael Baker	Independence of Program Evaluator
PSC-053	William M. Thomas	E+ Residential Lighting Program
PSC-054	William M. Thomas	Admin Costs & Fed. Standards
PSC-056	William M. Thomas	SBW Spreadsheet Calcs.
PSC-057	Michael Baker	DSM Program Evaluation
PSC-058	Baker, McRae	Residential CFL Operating Hours Study
PSC-059	Baker, McRae	Residential CFL Operating Hours Study
PSC-061	Baker, DeBolt, McRae	E+ Audit Home or Business Program
PSC-062	Baker, DeBolt, McRae	E+ irrigation Program
PSC-063	Baker, DeBolt, McRae	Free-Rider and Spillover Adj.
PSC-064	Baker, DeBolt, McRae	Free-Rider and Spillover Adj.
PSC-065	William M. Thomas	Free-Rider and Spillover Adj.
PSC-066	William M. Thomas	LRAM Adjustment
PSC-067	DeBolt, McRae	Cost-effectiveness Test Scores
PSC-068	DeBolt, McRae	NEEA Incremental Participant Costs
PSC-072	Marjorie McRae	Transformed Markets
PSC-073	Baker, McRae	Behavioral Psychology
PSC-074	Baker, McRae	Random Sampling
PSC-075	Baker, McRae	Staff-to-Budget Ratio
PSC-077	Michael Baker	Demand Savings

PSC-078	Kevin J. Markovich	Dispatch of Basin Creek
PSC-079e	Casey Johnston	Basin Creek – Operation Characteristics
PSC-080	Kevin J. Markovich	Energy from Non-Dispatchable Resources
PSC-091	Casey Johnston	CPS2 Scores
PSC-092a	George Donkin	Hedging
PSC-096	Thomas Power	Criteria for Utility Energy Efficiency Programs
PSC-097	Thomas Power	SBW Report
PSC-098	Thomas Power	SBW Report
PSC-099	Thomas Power	LRAM
PSC-100	William Rhoads	DGGS – Contract Mod. 8
PSC-101	William Rhoads	DGGS – Post Outage Testing & Results
PSC-102	William Rhoads	DGGS – Control Software & Ramp Rates
PSC-103	William Rhoads	DGGS – Op. Safeguards
PSC-104	William Rhoads	Design and Op. of DGGS
PSC-105	William Rhoads	Ramp Rates – DGGS
PSC-106	William Rhoads	Modification to DGGS Hardware
PSC-107	William Rhoads	DGGS Warranty
PSC-108	William Rhoads	Email Correspondence
PSC-109a	Kevin J. Markovich	Hedging – Off-system trans.
PSC-114	Kevin J. Markovich	Hedging
PSC-115	William Rhoads	PWPS FT-8 Swiftpack units
PSC-116	William Rhoads	DGGS - Operation
PSC-117	William Rhoads	Failure of Power Plant Components
MCC-002	David Fine	Supplying Regulation Service
MCC-032	Michael Cashell	2011/2012 DGGS Tracking Period
MCC-033	Michael Cashell	2011/2012 DGGS Tracking Period
MCC-036	Michael Cashell	Availability of Sources of Reg
MCC-038	Michael Cashell	DGGS Turbine Outage
MCC-039	Michael Cashell	DGGS Turbine Outage
MCC-040	Michael Cashell	NWE's Actions to Reduce Impact of the DGGS Outage
MCC-043	Michael Cashell	DGGS Third Party Contracts
MCC-045	Casey Johnston	Basin Creek & Reg. Service
MCC-050	William Thomas	Exhibit (WMT-3-S)
MCC-051	William Thomas	Exhibit (WMT-5)
MCC-058	William Rhoads	Operational Performance

MCC-059	Michael Cashell	Replacement Regulation Service
MCC-060	William Rhoads	DGGS
MCC-061	William Rhoads	DGGS
MCC-062	William Rhoads	DGGS
MCC-063	William Rhoads	DGGS
MCC-064	William Rhoads	DGGS – Extended Warranty
MCC-065	William Rhoads	DGGS – Extended Warranty
MCC-066	William Rhoads	Benefits of Outage to Customers
MCC-067	William Rhoads	Consequential Damages
MCC-068	William Rhoads	Replacement Power
MCC-069	William Rhoads	Extension of Warranty
MCC-070	William Rhoads	PWPS Warranty
MCC-071	William Rhoads	Modified Power Turbine Test
MCC-072	William Rhoads	PWPS Warranty
MCC-073	William Rhoads	Exhibit WTR-3
MCC-074	William Rhoads	Exhibit WTR-2
MCC-075	Fred Lyon	Qualifications
MCC-076	Fred Lyon	PWPS/NWE PPA
MCC-077	Fred Lyon	Other Agreements
MCC-078	Fred Lyon	NWE Engagement
MCC-079	Fred Lyon	Exhibit (FL-1)

VI. Special Needs

NorthWestern requests the following accommodations for witnesses:

1. that Michael R. Cashell be permanently excused by close of business on Wednesday, June 12;
2. that Marjorie R. McRae be allowed to testify the morning of Friday, June 14 and excused immediately thereafter,
3. that any witness who responded to data requests in this docket but did not submit pre-filed testimony be allowed to appear at the hearing by telephone (i.e., Patrick Corcoran, Daniel Rausch, and Autumn Mueller); and
4. that if the hearing continues past close of business on Friday, June 14 that the hearing be continued to a date mutually agreeable to the parties.

Respectfully submitted this 5th day of June 2013.

NORTHWESTERN ENERGY

By: Sarah Norcott

Al Brogan
Sarah Norcott
Heather Grahame

Attorneys for NorthWestern Energy

CERTIFICATE OF SERVICE

I hereby certify that a copy of NorthWestern Energy's ("NWE") Pre-Hearing Memorandum in Docket No. D2012.5.49 has been hand delivered to the Montana Public Service Commission ("PSC") and has been e-filed electronically on the PSC website. It will also be hand delivered to The Montana Consumer Counsel ("MCC") and has been served by mailing a copy thereof by first class mail, postage prepaid to the service list in this Docket.

Date: June 5, 2013



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A. Docket D2012.5.49
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