

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

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IN THE MATTER OF NorthWestern Energy's) REGULATORY DIVISION
Application for Approval to Purchase and)
Operate PPL Montana's Hydroelectric Facilities,) DOCKET NO. D2013.12.85
for Approval of Inclusion of Generation Asset)
Cost of Service in Electricity Supply Rates, for)
Approval of Issuance of Securities to Complete)
the Purchase, and for Related Relief)

DATA REQUESTS OF THE MONTANA CONSUMER COUNSEL

MCC-016

Regarding: Original plant cost
Witness: Kliewer

Please explain in detail the nature of the \$63,853,971 of Intangible Plant associated with the Kerr project.

MCC-017

Regarding: Original plant cost
Witness: Kliewer

- a. Given that the acquisition adjustment is shown to be \$257,598,753 (including Kerr), that is the purchase price is substantially above book value, please explain in detail how and why the purchase price for Kerr is assumed to be substantially below book value.
- b. Assume for this question that Kerr is ultimately sold at \$50,000,000 and that after receiving the sales proceeds, NorthWestern would make a payment to PPLM of \$20,000,000 in 2015. How would that receipt of cash and the payment of cash be accounted for on the books of NorthWestern?
- c. Continuing to use the assumptions in part b, how would that receipt and payment impact the revenue requirement (and thus rates) if at all.

- d. If we change the assumptions to be a sale at \$25,000,000 and a then a \$5,000,000 payment from PPLM to Northwestern, please provide the accounting and revenue requirement impact as requested in parts b and c.
- e. If we assume the sale of Kerr is for exactly \$30,000,000 provide the accounting and revenue requirement impact as requested in parts b and c.

MCC-018

Regarding: Original plant cost
Witness: Kliever

- a. Please explain in detail how assuming the \$30,000,000 price for Kerr protects NorthWestern from “any risk associated with the ultimate outcome of this purchase price dispute.”
- b. Please explain in detail how assuming a \$30,000,000 price for Kerr protects ratepayers from “any risk associated with the ultimate outcome of this purchase price dispute.”

MCC-019

Regarding: Original plant cost
Witness: Kliever

Your Direst Testimony (page 6, lines17-19) refers to the development of three percentage tables.

- a. What are these three percentage tables?
- b. Explain how each table was used to assign common costs to individual hydro units.
- c. Provide an electronic copy of each of these percentage tables.
- d. The column labelled “Allocated Costs” in Exhibit___ (KGK-1) consists simply of input amounts. Please provide all work papers, analyses and other documentation that support each of the amounts shown in the referenced column.

MCC-020

Regarding: Original plant cost
Witness: Kliewer/DiFronzo

The total intangible, hydro and transmission plant shown in Exhibit___ (KGK-4) is \$523,078,225. Exhibit ___ (PJD-1), page 3 shows \$553,078,225, with the difference being, presumably, the \$30,000,000 assigned to Kerr. Given that NorthWestern is not providing for depreciation expense at Kerr (and thus not increasing the accumulated depreciation), please explain why the \$30,000,000 is included in Exhibit___ (PJD-1), at page 3.

MCC-021

Regarding: Depreciation expense
Witness: Kliewer

- a. Please provide a detailed explanation as to why NorthWestern believes that a 40 year life for the hydro assets is reasonable at this time.
- b. When does NorthWestern expect to conduct its next comprehensive depreciation study?
- c. Does NorthWestern expect that the results of that future depreciation study will be included in a future rate case for examination and adjudication? If not, why not?

MCC-022

Regarding: Depreciation expense
Witness: Kliewer

The depreciation rates used for the transmission facilities are from “NorthWestern’s 2012 Montana Depreciation Study” (page KGK-9 lines 11-13). Were these depreciation rates filed with the Montana PSC and subsequently examined and adjudicated? If so, please provide a copy of the MPSC Order approving these rates for ratemaking purposes.

MCC-023

Regarding: Production Tax Credit
Witness: Kliewer

- a. Regarding the Production Tax Credit and using Kerr as an example, does the “% Related to Incremental Production” remain constant over the 10 year effective period? If not, what is the year that the 3.31% for Kerr represents?

- b. Does the “Total Production kWh” remain constant over the ten year effective period? If not, what is the year that the 1,078,634,568 kWh at Kerr represents?
- c. Provide the “Total Production kWh” for Kerr, Cochrane, Ryan and Mystic Lake for 2013.
- d. Provide the 2014 PTC rate as soon as it is available.

MCC-024

Regarding: Property Tax
Witness: Kliewer/DiFronzo

- a. Provide all work papers, analyses, memos and other documentation that support the 53.1351% estimated cost to market factor.
- b. Provide all work papers, analyses, memos and other documentation that support the estimated mill levy of 0.489679.
- c. Is the 6% “taxable factor” set by statute or rule? If not, provide all supporting documentation that supports the 6% factor.
- d. Provide a schedule that shows the cost to market factor, the actual mill levy and the “taxable factor” for the hydro assets for each of the last five years through 2013.
- e. Please explain why NorthWestern includes the \$63,853,971 of intangible plant in the property tax calculation at Exhibit___ (PJD-1), page 12.

MCC-025

Regarding: Electrical Energy License Tax
Witness: Kliewer

- a. Please explain and document the 3,507,627 (by hydro facility) net generation MWh used to calculate this tax.
- b. Provide a schedule that shows the net generation MWh for each hydro facility for each of the last five years through 2013.
- c. Is the \$0.20/MWh a fixed rate over the same five year period? If not, provide and explain the changes and indicate if future changes are contemplated.

MCC-026

Regarding: Wholesale Energy Transaction tax
Witness: Kliewer

- a. Why did NorthWestern separate Kerr from the other hydro facilities for the purposes of calculating this tax?
- b. Provide all work papers, analyses, memos and other documentation that support the 1,883,120 MWh of hydro generation produced in Montana and delivered in Montana.
- c. Provide a schedule that shows the total hydro net generation and the amount produced in Montana and delivered in Montana (by hydro facility) for each of the last five years through 2013.
- d. Is the \$0.15 tax rate set by statute and static over the same five year period? If not, provide and explain the changes and indicate if future changes are contemplated.

MCC-027

Regarding: Test Year Revenue Requirement
Witness: DiFronzo

- a. Explain why the 13 month average rate base is described as hypothetical (page PJD-8, line 16) and the 2014 year end rate base is not.
- b. Even though it is labelled as a 13-month average rate base, is it not true that those components that are averaged (e.g. accumulated depreciation) are simply the year end amount divided by 2? If not, please explain.

MCC-028

Regarding: Operation and maintenance expense
Witness: Stimatz/DiFronzo

- a. Please provide all work papers, analyses, memos and other documentation that support the test year operation and maintenance expense of \$41,816,411.
- b. Please provide a schedule that shows actual operation and maintenance expenses in the same format and detail as Exhibit___ (PJD-1), page 6 for each year of the five year period ending December 31, 2013.

MCC-029

Regarding: Administrative and general expenses
Witness: Meyer/Stimatz/DiFronzo

- a. Please provide all work papers, analyses, memos and other documentation that support the test year administrative and general expenses of \$5,807,975.
- b. Please provide a schedule that shows the administrative and general expenses (by FERC account) for each year of the five year period ending 2013.

MCC-030

Regarding: Revenue credits
Witness: Stimatz/DiFronzo

- a. Please define and fully explain the “On-System Off-Peak Market Forecast” as shown on Exhibit___ (PJD-1), page 8, line 95.
- b. Please define and fully explain the “Single Basis Off-Peak Market Forecast” as shown on Exhibit___ (PJD-1), page 8, line 96.
- c. Please fully explain why NorthWestern used the Single Basis Off-Peak Forecast to price the off-system sales revenue credit?

MCC-031

Regarding: Estimated value of Hydros
Witness: Masud

Do the ranges of estimated value of the hydros shown on page AM-12, lines 12 – 18 include or exclude Kerr? If they exclude Kerr, what would the ranges be if Kerr is included? If they include Kerr, what would the ranges be if they excluded Kerr?

MCC-032

Regarding: Valuation of Kerr
Witness: Masud

- a. Referring to page AM-5, lines 15 – 19, please provide the result of having “separately valued Kerr” and all work papers, analyses, memos and other documentation that support that analysis.

- b. In particular, if not provided in part a, provide any material supplied by NorthWestern to Credit Suisse used in the Kerr analysis.

MCC-033

Regarding: Prospective revenue requirements
Witness: Stimatz/DiFronzo

If we assume that the Kerr facility does transfer to the CSKT in 2015, is it correct to state that, all other things being equal, the revenue requirement would decrease by \$19.9 million as the rent payment would no longer be made and by another \$2.1 million as NorthWestern would no longer be paying the mitigation costs at Kerr? If this is not correct, please explain why not.

MCC-034

Regarding: The Missouri-Madison Hydroelectric Project
Witness: Witness best qualified

In reference to the Application at page 6 (Rainbow redevelopment): Please specify the costs of the Rainbow redevelopment for each aspect of the redevelopment.

MCC-035

Regarding: The Mystic Lake Hydroelectric Project
Witness: Witness best qualified

In reference to the Application at page 7 (Storage reservoirs): It is stated that Mystic Lake is a storage reservoir. Please specify each other project and unit thereof that is a storage reservoir.

MCC-036

Regarding: The Kerr Project
Witness: Witness best qualified

In reference to the Application at page 9 (CSKT rights): It is stated that NorthWestern believes that CSKT will exercise their right to purchase the Kerr project at the earliest possible date. Please fully describe all efforts that NWE has made to acquire these rights from CSKT and provide copies of all communications between NWE and CSKT (or representatives thereof) concerning these efforts.

MCC-037

Regarding: Authority to Issue Securities
Witness: Witness best qualified

In reference to the Application at page 30 (Debt and equity percentages): Do you agree that if the acquisition is accomplished with \$400 million of equity financing and \$500 million of debt financing that is 44.44% equity and 55.56% debt?

MCC-038

Regarding: Authority to Issue Securities
Witness: Witness best qualified

In reference to the Application at page 31 (hybrid securities): (a) Please explain in detail what is meant by “hybrid securities.” (b) Please provide NWE’s best estimated breakdown (in percentages) between common stock, preferred stock, other preferred securities and hybrid securities that will be used for long term financing.

MCC-039

Regarding: Other willing buyers
Witness: Robert C. Rowe

In reference to page RCR-20 at lines 11-12: Please provide your best information on the identity of the other willing buyers that you know were waiting in the wings.

MCC-040

Regarding: Customer Bill Impact
Witness: Robert C. Rowe

In reference to page RCR-22 at line 20: Please fully explain the basis and origin of the 10% general rule of thumb and provide all workpapers and data used to derive it.

MCC-041

Regarding: Ratings of the Hydros to the Planned Resource Alternatives
Witness: Robert C. Rowe

In reference to the table shown on page RCR-31 (Rankings): Please provide all data, workpapers, models and other source materials for the rankings displayed in the tables on this page.

MCC-042

Regarding: Account 102 - Electric Plant Purchased or Sold
Witness: Robert C. Rowe

In reference to page RCR-33 at line 16: Please provide all data, workpapers, and other pertinent underlying documentation for the \$553 million to be booked to Account 102.

MCC-043

Regarding: Preliminary Asset Value Indications
Witness: Brian B. Bird

In reference to page BBB-4 at lines 13-14:

- a. Please identify each banker who provided a preliminary value indication and specify each value indication provided.
- b. Please provide copies of all communications with each of these bankers.

MCC-044

Regarding: Restrictive Sale Leaseback
Witness: Brian B. Bird

In reference to pages BBB-7 lines 20-21 and BBB-8 lines 1-2: Please fully describe and explain the restrictive sale leaseback structure and fully document your estimate of its negative value.

MCC-045

Regarding: Brookfield Infrastructure
Witness: Brian B. Bird

In reference to page BBB-11 at lines 4-5: Please identify the specific assets involved in the Brookfield transaction and fully explain why NWE believed they were comparable to the PPLM assets.

MCC-046

Regarding: Levelized Unit Price
Witness: Brian B. Bird

In reference to page BBB-20 at lines 14-15: Please fully explain and document your derivation of the \$60 per MWh amount and provide all data and workpapers used to derive that amount.

MCC-047

Regarding: Kerr True-Up (Section 5.18 of PSA)
Witness: Brian B. Bird

In reference to page BBB-23 at line 4 (\$30 million Kerr reference amount): Please fully explain what the \$30 million reference amount is and provide all documentation, data and workpapers related to the determination of that amount.

MCC-048

Regarding: Power Purchase Adjustment (Section 2.2b of PSA)
Witness: Brian B. Bird

In reference to page BBB-23, lines 12-21 (Power purchases from PPLM):

- a. Please identify all PPL power purchases (by NWE) that are expected to extend beyond the closing of the hydro asset purchase transaction and identify and explain the generation source for those purchases.
- b. Please identify any sales obligations that NWE will assume in conjunction with the hydro asset purchase.
- c. Please fully explain the terms and conditions for the termination of PPL power purchases by NWE.

MCC-049

Regarding: Cost of Equity
Witness: Brian B. Bird

In reference to page BBB-38, lines 1-5 (Rate of Return): Please provide all support for the results shown on pages 1 and 2 of Exhibit BBB-5. This should include all data and calculations in machine readable form and all underlying tables and exhibits in electronic spreadsheet form with all links intact.

MCC-050

Regarding: Kerr Asset
Witness: John D. Hines

In reference to page JDH-4, lines 17-19 (CSKT):

- a. Did NWE have discretion as to whether it could negotiate with CSKT regarding rights to the Kerr facility?
- b. Did NWE negotiate with CSKT regarding such rights?
- c. Provide all correspondence with regard to such negotiations.
- d. Please provide all internal documents regarding any aspect of the consideration of NWE's possible negotiations with CSKT or PPLM concerning rights to the Kerr facility.

MCC-051

Regarding: Confirmatory Due Diligence
Witness: John D. Hines

In reference to page JDH-7 at line 6: Please distinguish between due diligence and confirmatory due diligence. Provide a full explanation of why you refer to "these tasks" as confirmatory due diligence.

MCC-052

Regarding: Energy Supply's Evaluation Process
Witness: John D. Hines

In reference to page JDH-21, lines 20-21 (Due Diligence): Please fully describe the due diligence site inspections that were conducted at each of the Hydros facilities units. This should include but is not limited to (a) identification of each individual engaged in the due diligence site inspection of each unit on each date of site inspection, (b) the period of time (starting hour and ending hour) on each date when each such individual was engaged in such site inspection, (c) a detailed description of each specific site inspection task that was conducted by each individual in the specified hours on each date.

MCC-053

Regarding: Longevity of Assets
Witness: John D. Hines

In reference to page JDH-26, lines 14-15: For each of the 40 units please provide the estimated remaining life (longevity) without the incurrence of prohibitively high life extension costs.

MCC-054

Regarding: Monte Carlo Simulations
Witness: Joseph M. Stimatz

In reference to page JMS-39, lines 16-20: Please fully describe each unknown variation (“meaningful uncertainty”) that you allowed for (and how you so-allowed) in the expected life and replacement cost of each element of the aging equipment and structures comprising the hydro generating facility units (and components thereof) in your probabilistic simulation process.

MCC-055

Regarding: Upgrades to Hydro Assets
Witness: William T. Rhoads

In reference to page WTR-6, line 19: Please identify and describe each upgrade that you are referring to and specify the investment amounts for each such upgrade.

MCC-056

Regarding: Site Visits to Hydro Facilities
Witness: William T. Rhoads

In reference to page WTR-8 at 2 and WTR-15 at 23:

- a. For each unit at each plant, please identify the date or dates of the site visit and the names of the persons who participated in each visit.
- b. For each person, specify the time period on each date when they inspected each unit and in each such instance describe in detail the specific actions engaged in by that person at that unit.

MCC-057

Regarding: Due Diligence Process
Witness: William T. Rhoads

In reference to page WTR-8, lines 6-7: Please provide a complete list of historical expenditures (dates, dollar amounts and equipment) and proposed budget forecasts for each unit at each plant.

MCC-058

Regarding: Plant Improvements
Witness: William T. Rhoads

In reference to page WTR-8, lines 11-12: Please provide a complete description (including but not limited to date, dollar amount and plant component) of each significant improvement at each unit at each plant.

MCC-059

Regarding: Dam Safety Inspections
Witness: William T. Rhoads

In reference to page WTR-10, lines 6-8: Please provide complete descriptions and copies of all dialogue between FERC and PPLM related to matters that are not yet fully and permanently resolved concerning dam safety inspections.

MCC-060

Regarding: PPL Capital and Maintenance Forecasts
Witness: William T. Rhoads

In reference to page WTR-13, lines 9-11: Please provide PPLM's capital and maintenance forecasts for the referenced 30-year period.

MCC-061

Regarding: Potential Failure Modes (“PFMs”)
Witness: William T. Rhoads

In reference to page WTR-21 at 15-17:

- a. Please identify, list and describe all other PFMs for each unit and their category.
- b. Please fully describe each PFM category.

MCC-062

Regarding: NorthWestern Cost Exposure
Witness: William T. Rhoads

In reference to pages WTR-21, lines 21-23 and page 22, line 1: Please list and fully describe each already planned large future cost that NorthWestern is exposed to.

MCC-063

Regarding: NorthWestern Personnel
Witness: William T. Rhoads

In reference to page WTR-28, lines 10-13:

- a. Please identify NorthWestern’s three management professionals with extensive experience in hydro operations and engineering.
- b. Please describe in detail the work in hydroelectric generation that each of these individuals has engaged in during the past 15 years.

MCC-064

Regarding: Status of the Major Hydro Equipment
Witness: William T. Rhoads

In reference to page WTR-31, lines 4-6: Please identify and describe each of the significant improvements to plant equipment that PPLM has made and specify the significant investment that is asserted in each such instance.

MCC-065

Regarding: Rainbow Upgrade
Witness: William T. Rhoads

In reference to page WTR-32 at 12-13:

- a. Please specify the cost (and components thereof) of the referenced powerhouse upgrade at Rainbow unit 9.
- b. Please state and explain whether or not this upgrade cost may be an indication of similar powerhouse upgrade costs at the other units when such upgrades are required.

MCC-066

Regarding: NorthWestern Personnel
Witness: William T. Rhoads

In reference to page WTR-41, lines 20-22: Please list NorthWestern's experienced engineering, environmental and hydro operations personnel and describe the work that each of these individuals has been engaged in during the past fifteen years. Please explain why each of these individuals remained with Montana Power when the hydroelectric facilities were sold to PPLM.

MCC-067

Regarding: Black Eagle Superfund Costs
Witness: William T. Rhoads

In reference to page WTR-43, lines 15-16: In the event that some portions of the Black Eagle facility fall within the boundaries of the Superfund site, what is the Company's best estimate of the costs (or range of costs) that could accrue to NWE?

MCC-068

Regarding: Rainbow Powerhouse Demolition Costs
Witness: William T. Rhoads

In reference to page WTR-44, lines 17-21: Please provide the cost estimate and all supporting documentation provided by PPLM to NorthWestern.

MCC-069

Regarding: Site Visits
Witness: William T. Rhoads

In reference to Exhibit WTR-1 page 5 of 6:

- a. Please list each day that Mr. Wiseman participated in site visits to the hydro properties on behalf of NWE.
- b. For each site visit day list the unit or units that Mr. Wiseman inspected and the time period (e.g., 1 pm – 4 pm) spent by Mr. Wiseman inspecting each of the 40 units.
- c. For each such inspection time period list and describe in detail the specific work tasks that were performed by Mr. Wiseman.
- d. Please provide the same information as requested in parts a, b and c for each other employee of CBI or SWI who participated in site visits.

MCC-070

Regarding: CBI and SWI
Witness: William T. Rhoads

- a. Please provide copies of all bills for due diligence and related work and all detailed supporting documentation that were provided to NWE by CBI and SWI.
- b. Please provide a detailed description of the relationship between CBI and SWI for the period that either CBI or SWI was retained by NWE, including a description of any changes in that relationship over the period.

MCC-071 Regarding Bid Instruction Letter
 Witness: Bird

Please list and explain the assumptions included in the bid instruction letter that NWE used in developing its July 1, 2013 proposal to purchase the hydroelectric facilities of PPL that are referenced at the top of page 3 of Exhibit__(BBB-2).

MCC-072
 Regarding: Operating Expenses
 Witness: Hines

Please provide all documents related to NWE’s review of the base assumptions included in the CIM as referenced at the bottom of page JDH-25 of your testimony.

MCC-073
 Regarding: Structural adequacy of dams
 Witness: Hines

You state near the bottom of page JDH-26, “The due diligence assessment also concludes that the FERC regulatory process will help ensure long-term structural adequacy, as it has to date,…”

- a. Does the FERC process ensure actual structural adequacy of the hydroelectric facilities or does it rather increase the likelihood that if there are any structural problems they will be found?
- b. Would the timely discovery of structural problems still affect the ultimate cost of the hydroelectric facilities to utility consumers?