

January 24, 2014

Ms. Kate Whitney
Montana Public Service Commission
1701 Prospect Avenue
P.O. Box 202601
Helena, MT 59620-2601

RE: Docket No. D2013.12.85
PPLM Hydro Assets Purchase
PSC Set 3 Data Requests (059-066)

Dear Ms. Whitney:

Enclosed for filing is a complete copy of NorthWestern Energy's response to PSC Set 3 Data Requests. As noted, certain of these responses were provided on January 17, 2014. For convenience, the January 17th responses are included here, but any associated attachments are not provided again.

A hard copy will be mailed to the most recent service list in this Docket this date. The Montana Public Service Commission and the Montana Consumer Counsel will be served by hand delivery this date. These data responses will also be e-filed on the PSC website and emailed to counsel of record.

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

Sincerely,



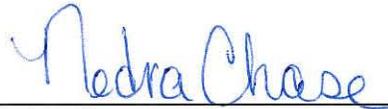
Nedra Chase
Administrative Assistant
Regulatory Affairs

NC/nc
CC: Service List

CERTIFICATE OF SERVICE

I hereby certify that a complete copy of NorthWestern Energy's response to PSC Set 3 Data Requests in Docket D2013.12.85, the PPLM Hydro Assets Purchase, has been hand delivered to the Montana Public Service Commission and to the Montana Consumer Counsel this date. These data responses will be e-filed on the PSC website and served on the most recent service list by mailing a copy thereof by first class mail, postage prepaid. These data responses will also be emailed to counsel of record. As noted, certain of these responses were provided on January 17, 2014. For convenience, the January 17th responses are included in this copy; any associated attachments are not.

Date: January 24, 2014



Nedra Chase
Administrative Assistant
Regulatory Affairs

Docket No D2013.12.85
Hydro Assets Purchase
Service List

Joe Schwartzenberger
NorthWestern Energy
40 E Broadway
Butte MT 59701

Patrick R Corcoran
NorthWestern Energy
40 E Broadway
Butte MT 59701

Nedra Chase
NorthWestern Energy
40 E Broadway
Butte MT 59701

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

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

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

Robert A Nelson
Montana Consumer Counsel
111 North Last Chance Gulch Ste1B
Helena MT 59620-1703

John W Wilson
J W Wilson & Associates
1601 N Kent Ste 1104
Arlington VA 22209

Albert E Clark
2871 Conway Rd. 127
Orlando FL 32815

Michael J Uda
Uda Law Firm, P C
7W 6th Ave Suite 4E
Helena MT 59601

Roger Kirk/Ben Singer
Hydrodynamics Inc.
521 E Peach, Suite 2B
Bozeman MT 59715

Joe Hovenkotter Gen Counsel
Energy Keepers Inc
110 Main Street Suite 304
Polson MT 59860

Ranald McDonald
CSKT Tribal Legal Dept
P O Box 278
Pablo MT 59855

Thorvald Nelson
Holland & Hart LLP
6380 South Fiddlers Green Circle
Suite 500
Greenwood Village CO 80111

Nikolas Stoffel
Holland & Hart LLP
6380 South Fiddlers Green Circle
Suite 500
Greenwood Village CO 80111

Charles Magraw
501 8th Ave
Helena MT 59601

Dr Thomas Power
920 Evans
Missoula MT 59801

Docket No D2013.12.85
Hydro Assets Purchase
Service List

Joe Schwartzberger
NorthWestern Energy
40 E Broadway
Butte MT 59701

Patrick R Corcoran
NorthWestern Energy
40 E Broadway
Butte MT 59701

Nedra Chase
NorthWestern Energy
40 E Broadway
Butte MT 59701

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

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

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

Robert A Nelson
Montana Consumer Counsel
111 North Last Chance Gulch Ste1B
Helena MT 59620-1703

John W Wilson
J W Wilson & Associates
1601 N Kent Ste 1104
Arlington VA 22209

Albert E Clark
2871 Conway Rd. 127
Orlando FL 32815

Michael J Uda
Uda Law Firm, P C
7W 6th Ave Suite 4E
Helena MT 59601

Roger Kirk/Ben Singer
Hydrodynamics Inc.
521 E Peach, Suite 2B
Bozeman MT 59715

Joe Hovenkotter Gen Counsel
Energy Keepers Inc
110 Main Street Suite 304
Polson MT 59860

Ranald McDonald
CSKT Tribal Legal Dept
P O Box 278
Pablo MT 59855

Thorvald Nelson
Holland & Hart LLP
6380 South Fiddlers Green Circle
Suite 500
Greenwood Village CO 80111

Nikolas Stoffel
Holland & Hart LLP
6380 South Fiddlers Green Circle
Suite 500
Greenwood Village CO 80111

Charles Magraw
501 8th Ave
Helena MT 59601

Dr Thomas Power
920 Evans
Missoula MT 59801

NorthWestern Energy
Docket D2013.12.85
PPLM Hydro Assets Purchase

Public Service Commission (PSC)
Set 3 (059-066)

Data Requests served January 3, 2014

PSC-059

Regarding: Cybersecurity
Witness: Rhoads

- a. Discuss how cybersecurity is maintained as the plants are becoming more automated (e.g. WTR32:1-2, 19) and more interconnected (e.g. WTR32:9-11).
- b. Summarize any significant cybersecurity incidents involving these plants.
- c. Address any due diligence conducted as regards cybersecurity. Summarize any known deficiencies in cybersecurity and plans for upgrades.
- d. Discuss the potential harm that may arise from cybersecurity breaches, including worst case scenarios.

If the responses contains material protected by a previous Commission Order, such as CEII, indicate that as part of the submittal. If the response contains material not protected by a Commission Order, submit a Motion for Protective Order simultaneously. Also provide a publically releasable version of the response for each request.

RESPONSE:

- a. (Response provided January 24, 2014.)
PPLM follows the NERC Critical Infrastructure Protection (“CIP”) requirements, in addition to utilizing broader cyber security protections. An assessment is conducted to identify critical cyber assets through a risk-based analysis methodology. Those facilities meeting the criteria for assessment included Cochrane, Morony, Rainbow #9, Kerr, Thompson Falls, and the Generation Control Center at Rainbow. If these facilities contain critical cyber assets, then the facilities need to follow NERC CIP guidelines for protection. As plant control systems are upgraded, an assessment is conducted and, if appropriate, a change management process would reclassify the facility if meeting CIP criteria. For instance, when the Thompson Falls control system was upgraded, a change management assessment was conducted, but the assessment did not require a change to the Thompson Falls CIP status.

In addition, PPLM’s FERC Security Plans for each hydro plant contain some level of cyber protection at all sites.

NorthWestern Energy
Docket D2013.12.85
PPLM Hydro Assets Purchase

Public Service Commission (PSC)
Set 3 (059-066)

Data Requests served January 3, 2014

PSC-059 cont'd

- b. (Response provided January 24, 2014.)
There have not been any significant cyber security incidents involving the plants.

- c. (Response provided January 17, 2014.)
Cybersecurity was reviewed as part of the due diligence effort. There are no known deficiencies. Under current regulations, there are no current plans for additional cyber security hardware or software. Additional CIP functionality would be added if imposed by additional CIP regulations, or if required by a change in classification or operation of the plants. Cybersecurity following the asset transfer to NorthWestern would be administered by NorthWestern's NERC Compliance Department.

- d. (Response provided January 24, 2014.)
NorthWestern objects to this subpart of this data request because it calls for speculation and therefore is not relevant and not reasonably calculated to lead to admissible evidence.

NorthWestern Energy
Docket D2013.12.85
PPLM Hydro Assets Purchase

Public Service Commission (PSC)
Set 3 (059-066)

Data Requests served January 3, 2014

PSC-060

Regarding: Physical Security
Witness: Rhoads

- a. Discuss how physical security is maintained as the plants are becoming more automated and therefore are not continuously manned.
- b. Summarize any significant physical security incidents involving these plants.
- c. Address any due diligence conducted as regards physical security. Summarize any known deficiencies in physical security and plans for upgrades.
- d. Discuss the potential harm that may arise from physical security breaches, including worst case scenarios.

If the responses contains material protected by a previous Commission Order, such as CEII, indicate that as part of the submittal. If the response contains material not protected by a Commission Order, submit a Motion for Protective Order simultaneously. Also provide a publically releasable version of the response for each request.

RESPONSE:

- a. (Response provided January 24, 2014.)
All of the plants, except for the original Rainbow Plant, have been automated or semi-automated for a long time. The Cochrane Plant, built in 1958, was built with automation, and since then, other plants were automated to the level where full-time operators and maintenance personnel were not required at the plant on a 24x7 basis. The last plant to be automated prior to construction of the new Rainbow #9 was the Black Eagle Plant in 1995. (Thompson Falls was automated in 1990.) So physical security has been an area of focus prior to the recent [re]automation efforts described in the referenced testimony for over 50 years.

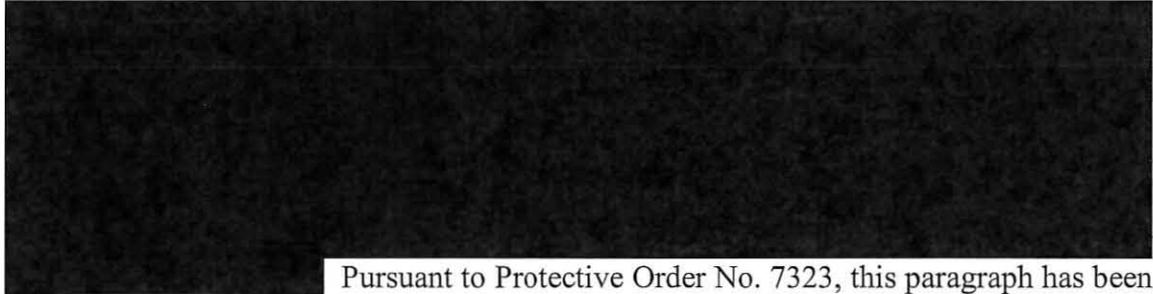
A review of physical security is conducted by the FERC inspector during the annual FERC safety inspection at each of the facilities. FERC has assigned a physical security classification to each of PPLM's hydro facilities as Class I, Class II, or Class III. FERC has mandated that a special site security plan be prepared for Class I dams. Class I dams have the greatest impact to downstream areas if they fail catastrophically and require a formal security plan which is updated every year.

NorthWestern Energy
Docket D2013.12.85
PPLM Hydro Assets Purchase

Public Service Commission (PSC)
Set 3 (059-066)

Data Requests served January 3, 2014

PSC-060 cont'd



Pursuant to Protective Order No. 7323, this paragraph has been redacted and will be provided on yellow paper to parties who have signed the appropriate non-disclosure agreement.

- b. (Response provided January 24, 2014.)
There have not been any significant physical security incidents involving these plants. Isolated incidents of vandalism occur, but do not constitute a threat to the structures.
- c. (Response provided January 17, 2014.)
Physical security was reviewed as part of the due diligence effort. There are no known deficiencies. PPLM is in compliance with FERC's Physical Security Program.
- d. (Response provided January 24, 2014.)
NorthWestern objects to this subpart of this data request because it calls for speculation and therefore is not relevant and not reasonably calculated to lead to admissible evidence.

NorthWestern Energy
Docket D2013.12.85
PPLM Hydro Assets Purchase

Public Service Commission (PSC)
Set 3 (059-066)

Data Requests served January 3, 2014

PSC-061

Regarding: O&M Expenditures
Witness: Rhoads

- a. In evaluating the O&M expenditures for the hydro plants (WTR-2.1, pp. 160-170), please describe efforts made to compare the historical and projected O&M expenditures of the PPLM facilities with historical and projected O&M expenditures of non-PPLM hydro facilities of similar age and capacity.
- b. If comparisons as described above were made, please provide documentation of the non-PPLM facilities (name, location, owner, facility age, operating environment, and other pertinent information) and their historical and projected O&M expenditures.

RESPONSE (January 24, 2014):

- a. NorthWestern and CB&I, NorthWestern's independent engineering firm, are familiar with the hydroelectric system and based their conclusions about the reasonableness of the PPLM forecasts through the due diligence process. The due diligence work, system familiarity, and professional experience provide the confidence for the NorthWestern O&M forecast validity. The individuals' resumes involved in the operations and engineering due diligence process are included in Exhibit__(WTR-1). The exhibit reflects their professional knowledge and experience which qualifies them to evaluate these important hydro assets. There would have been limited value gained in the short time and limited resources to seek such a detailed comparison of PPLM hydro assets during the due diligence effort.

The successful operating history of these projects provides the best benchmark for forecasts. Hydro facilities are unique based upon plant location, size, design, and operation and ongoing dam safety Part 12 analysis. Although generalizations may be made regarding plant operation and maintenance expenses compared to other non-PPLM hydro projects, past O&M expenditures for the existing PPLM system is a reasonable and best basis for possible future expenditures.

- b. Not applicable. See the response to part a, above.

NorthWestern Energy
Docket D2013.12.85
PPLM Hydro Assets Purchase

Public Service Commission (PSC)
Set 3 (059-066)

Data Requests served January 3, 2014

PSC-062

Regarding: Historical O&M Figures for Hebgen
 Witness: Rhoads

In the table, “Historical Budget vs. Actual Financial Performance” (WTR-2.1, p. 162), it appears that figures for “Historical Annual Generation” and “Specific O&M, \$/MWhr” were omitted in the data provided for Hebgen. If this is an error, please correct and resubmit that page of the table.

RESPONSE (January 24, 2014):

A snapshot of Page 62 from the referenced report regarding Hebgen is shown below:

Hebgen	MW Net	**storage lake with no generation										
	Basic			\$73	\$36	\$42	\$27	\$33	\$32	\$34	\$33	
	Regulatory			\$521	\$508	\$520	\$523	\$520	\$538			
	Special			\$654	\$	\$1	\$					
	Total O&M \$1000/yr			\$1,249	\$544	\$563	\$550	\$554	\$570	\$34	\$33	

As noted for Hebgen on the line for MW Net, Hebgen is a “**storage lake with no generation”. There is no “Historical Annual Generation” and therefore no “Specific O&M, \$/MWhr”. Although lines could have been provided for these two metrics, the values would have been zero (“0”) or blank.

NorthWestern Energy
Docket D2013.12.85
PPLM Hydro Assets Purchase

Public Service Commission (PSC)
Set 3 (059-066)

Data Requests served January 3, 2014

PSC-063

Regarding: Conceptual Agreements
Witness: Rhoads

In a discussion of “Conceptual Agreements” that underlie the hydro facilities (WTR-2.1, pp. 186-187), similar limiting statements about the existence and details of easements are made for each of the facilities, i.e., “The size, location, and use of these easements are not described in the deed,” and “No information was provided regarding water or land leases on development land.” Does NWE have evidence to demonstrate that all deeds and leases for the hydro facilities are sufficient to ensure continued, desirable, and uncontested operation of the facilities? If such evidence exists, please describe it.

RESPONSE (January 24, 2014):

There is a typo in the header in the CB&I report on the referenced pages. The header should read “Contractual Agreements” rather than “Conceptual Agreements”. CB&I comments are based upon an early and initial review of this subject. For this area of due diligence effort, internal NorthWestern land management personnel and outside consultants reviewed the real property and water rights areas for any material deficiencies.

In the Purchase and Sale Agreement, PPLM agreed to convey the real property (including land, easements and water rights claims), which it acquired from The Montana Power Company (“MPC”) by the December 17, 1999 special warranty deeds, together with real properties subsequently acquired by PPLM and less real properties subsequently conveyed by PPLM. NorthWestern has reviewed the December 17, 1999 special warranty deeds describing the real property, along with the subsequent acquisitions and dispositions of real property made by PPLM. Our review indicates that PPLM will convey all the real property, including easements and water rights, historically used by PPLM and the MPC to operate the facilities and these are sufficient for continued operation.

In addition NorthWestern has ordered title commitments on the real property from Fidelity Title Company. NorthWestern will review the title commitments and will work with PPLM and Fidelity to cure all material title exceptions prior to closing. Once this process is completed, NorthWestern will obtain a standard title insurance policy from Fidelity insuring against title defects.

There is no water lease associated with the developments. PPLM will transfer the water rights claims to NorthWestern. We have reviewed the water rights claims based on their longstanding historical use and by comparison to those originally transferred to PPLM. See the Prefiled Direct Testimony of William T. Rhoads, page 46, lines 19 – 23, and page 47, lines 1 – 17. We have determined that the water rights claims are adequate to operate the facilities.

NorthWestern Energy
Docket D2013.12.85
PPLM Hydro Assets Purchase

Public Service Commission (PSC)
Set 3 (059-066)

Data Requests served January 3, 2014

PSC-063 cont'd

NorthWestern will continue to work with PPLM to collect and transfer all appropriate water rights information.

NorthWestern has reviewed, and is generally familiar with, all real estate leases associated with the facilities. Our review indicates that these are sufficient to continue operation of the facilities.

NorthWestern Energy
Docket D2013.12.85
PPLM Hydro Assets Purchase

Public Service Commission (PSC)
Set 3 (059-066)

Data Requests served January 3, 2014

PSC-064

Regarding: Industry Practices for Hydro Facilities
Witness: Gary Wiseman

- a. A summary finding of the “Due Diligence Report” states that “the ongoing program of upgrades and rehabilitation [for the hydro system] appears effective to maintain operational reliability and safety and is consistent with industry practices for similar facilities.” (WTR-2.3, p. 3.) Please provide the references, standards, codes, and related documentation that constitute the industry practices referred to.
- b. Please identify and provide descriptive information (hydro facility name, location, owner, capacity, facility age, operating environment, significant operational repairs, and other pertinent information) of all “similar facilities” that were investigated or evaluated in the context of passing judgment on the ongoing programs of the PPLM facilities.
- c. For any and all “similar facilities” provided in response to Part b., please describe the context in which each similar facility was utilized (e.g., O&M expenditures, capital expenditures, FERC licensing, operating performance, average net capacity) to provide comparative information for a corresponding PPLM hydro facility or for all PPLM facilities.

RESPONSE (January 24, 2014):

- a. There is no standard code that we are referring to for maintenance or upgrade of hydro facilities. We are referring to activities and considerations that have proven effective in operating, maintaining, upgrading, and extending the life of hydro plants. The capital upgrades for the system’s generating units and auxiliary equipment have been strategic and significant during PPLM’s ownership. The program has substantially upgraded unit control through governors, exciters and automation projects described in the upgrade summary of the due diligence reporting. The turbine and generator work has progressed at prioritized plants. The installation of self-contained governors and auxiliary systems has also reduced large bulk oil systems at some of the projects. The forward capital plan includes further project upgrades to essentially complete a modernization program for the system.

This thorough process will provide reliability for the system. Numerous upgrades that have occurred since 2000 have replaced original equipment. The new components, of modern design and fabricated with modern materials, will provide for an extended, more reliable operational life for equipment and plant.

NorthWestern Energy
Docket D2013.12.85
PPLM Hydro Assets Purchase

Public Service Commission (PSC)
Set 3 (059-066)

Data Requests served January 3, 2014

PSC-064 cont'd

The independent consultant, engaged as part of the due diligence team, has significant experience with a variety of hydro projects and upgrade/rehabilitation programs. While other systems are not an exact comparison with the PPLM system, the strategies and upgrades are similar in their experience.

- b. Similar facilities were not specifically investigated or evaluated in passing judgment on the ongoing programs of the PPLM facilities. The basis was working knowledge of other facilities that comprises the experience of several industry professionals, with various backgrounds, as discussed below. Please reference the resume of NWE's Independent Engineer, Mr. Gary T. Wiseman, included in Exhibit__ (WTR-1). Mr. Wiseman's resume conveys the number and breadth of hydro-related experiences which Mr. Wiseman possesses on which Mr. Wiseman can base his judgment. Reference is also made to the experience of others whose resumes are also included.

Furthermore, FERC regulation provides oversight of these facilities by experienced federal employees in both the FERC Portland Regional Office and the FERC Washington, DC office. The individuals at FERC monitor all FERC-licensed projects and provide input and judgment based upon owner/consultant studies and observations. In addition, FERC requires as part of their Part 12 dam safety program a FERC-approved Part 12 consultant. The consultants are employed by large, reputable engineering firms that perform engineering studies for many other hydro projects.

So the experience of several industry professionals, with various backgrounds, is the basis for passing judgment on the ongoing programs of the PPLM hydro facilities.

- c. None of the data requested specifically exists. The main consideration is that past O&M and capital programs have proven successful for the effective operation of the PPLM hydro system. Importantly and appropriately, the programs going forward are consistent with those past efforts. This is the best comparison for evaluating system future upgrades, rehabilitation, and potential expenditures.

NorthWestern Energy
Docket D2013.12.85
PPLM Hydro Assets Purchase

Public Service Commission (PSC)
Set 3 (059-066)

Data Requests served January 3, 2014

PSC-065

Regarding: Off-System Hedges
Witness: Hines

Please describe in detail how acquisition of PPLM's Hydro assets would affect NWE's procurement of off-system electricity supply hedges, with specific reference to the types of hedges that were contended in Docket No. D2012.5.49.

RESPONSE (January 24, 2014):

See 2013 Electric Procurement Plan, Action Item #3, p. 7-3. NorthWestern expects to continue meeting its load-serving obligation through, in part, the hedging tools currently available, recognizing there may be future changes mandated by regulatory determination to its existing hedging program.

NorthWestern Energy
Docket D2013.12.85
PPLM Hydro Assets Purchase

Public Service Commission (PSC)
Set 3 (059-066)

Data Requests served January 3, 2014

PSC-066

Regarding: Evaluating Other PPLM Assets
Witness: Stimatz

Please provide the version of your Exhibit_(JMS-1) that included analysis of other assets owned by PPLM referenced on JMS-4:9-10.

RESPONSE (January 24, 2014):

NorthWestern objects to this data request to the extent that it seeks information or documents not relevant to the issues in this docket, which is beyond the permissible scope of discovery. The scope of discovery is limited to non-privileged matters that are relevant. M. R. Civ. P. 26(b)(1). The information sought must be reasonably calculated to the discovery of admissible evidence. *Id.* Initially, the party responding to discovery must make a good faith determination of relevance. If the party responding is not permitted to determine the relevance of material and is required to produce all material so that the requesting party can determine relevance, the limitation that irrelevant information or documents are not discoverable is violated. Without waiving said objection, NorthWestern provides the following response.

See the file in the folder labeled "PSC-066" on the attached CD. The model alone is not reflective of the acquisition decision ultimately made by NorthWestern. In the end NorthWestern did not bid on the combined hydro and thermal assets. Many other factors and risks were analyzed by NorthWestern as described in the Prefiled Direct Testimony of Brian Bird, pages 3 through 21.