

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
MCC Set 1 Data Requests (001-015)

Dear Ms. Whitney:

Enclosed for filing is a copy of NorthWestern Energy's responses to MCC Set 1 data requests. 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 Schwartzenberger at 406 497-3362.

Sincerely,



Nedra Chase
Administrative Assistant
Regulatory Affairs

NC/nc
CC: Service List

CERTIFICATE OF SERVICE

I hereby certify that a copy of NorthWestern Energy's responses to MCC Set 1 (001-015) 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. They 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. They will also be emailed to counsel of record.

Date: January 24, 2014



Nedra Chase
Administrative Assistant
Regulatory Affairs

Docket No D2013.12.85
Hydro Assets Purchase
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NorthWestern Energy
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Montana Consumer Counsel (MCC)
Set 1 (001-015)

Data Requests received January 3, 2014

MCC-001

Regarding: Bid Development
Witness: Bird

Please explain in detail how NorthWestern's bid was developed.

RESPONSE:

NorthWestern believes the detail provided in the Bird, Stimatz, Meyer, and DiFronzo testimonies was sufficient to describe how the bid was developed to determine the \$900 million price ultimately agreed with PPLM for the Hydros.

Nonetheless, NorthWestern was focused on 1) obtaining the right assets in terms of energy supply needs (output, diversity, and environmental impact); 2) paying just enough for the assets to entice PPLM to sell without initiating a competitive bid process (potentially leading to a higher purchase price); 3) provide a price that would have less than a 10% impact on customers' bills; and 4) pay a price low enough to ensure there were not better alternatives available for NorthWestern's customers to meet their baseload needs in the long run. NorthWestern spent years contemplating how to procure the hydro assets from PPLM but it wasn't until we were able to fully conduct our due diligence on all the PPLM assets, continued to update our financial models, obtained feedback from our advisors, and deliberated as an executive team and with our Board of Directors could we become comfortable in developing our bid for the hydro assets. At the end of the day, we believe we agreed to an appropriate price to buy the right assets (perfect fit for our customers' needs and our energy supply portfolio) at the right time (tremendous amount of uncertainty looming around future environmental regulation) while providing price stability for decades to come.

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Montana Consumer Counsel (MCC)
Set 1 (001-015)

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MCC-002

Regarding: Bid Development
Witness: Bird

- a. Please provide a detailed explanation of how Northwestern's January 2013 non-conforming bid of \$740 million for the hydro assets only, was developed.
- b. Please provide a detailed explanation of how NorthWestern's January 2013 conforming bid of approximately \$400 million for the total package of assets including Colstrip 3, was developed.
- c. Please explain in detail the assumptions made about the costs, benefits and potential liabilities of non-hydro facilities that led to them having a net value of negative \$340 million to the package.
- d. Please provide a detailed comparison of each of those assumptions with the equivalent assumptions made in analyzing the value of Colstrip 4 to the utility when Northwestern asked the Commission to approve a price of approximately \$400 million for its purchase.

RESPONSE:

- a. The Bird, Stimatz, Meyer, and DiFronzo testimonies described in adequate detail the general process to value the PPLM assets, though it was quite specific to the \$900 million bid for the Hydro assets that was ultimately agreed to with PPLM. The process that developed the bid of \$740 million in January 2013 was generally similar.

Similar bidding criteria and modeling was developed as noted in the aforementioned testimonies and the response to MCC-001 for this process as was developed for our ultimate bid. The primary differences to note between the \$740 million initial hydro bid and the \$900 million ultimate hydro bid are as follows: First, the earlier modeling used a Weighted Average Cost of Capital ("WACC") of 8.00%, while the more recent modeling used 7.14%. As described in the Bird Testimony on pages 16-17, NorthWestern's financial advisor, Credit Suisse, provided guidance that the appropriate discount rate range for the analysis is 6.5% to 7.5%. The 8.00% used in the initial analysis was beyond the conservative end of the range. Second, the valuation that led to the \$740 million bid used an EBITDA multiple of 7.0X to estimate terminal value. The appropriate range for a multiple provided by NorthWestern's financial advisor is 7.5X to 8.5X, as described in the Bird Testimony on page 17. NorthWestern used 7.5X in the DCF analysis that led to the \$900 million bid. Again, the figure used in the initial valuation was beyond the

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MCC-002 cont'd

conservative end of the range. Third, the assumed closing date changed from January 1, 2013 to January 1, 2014. Finally, NorthWestern's initial bid of \$740 million, developed using the extremely conservative assumptions described above, was not accepted. For the bid in July, NorthWestern elected to use more aggressive assumptions – but assumptions that are still well within the appropriate ranges.

- b. NorthWestern describes in sufficient detail the process to determine its bid for the PPLM assets in the Bird, Stimatz, Meyer, and DiFronzo testimonies. The process for the initial bid on all the PPLM assets was essentially the same. Since we did not ultimately bid a second time on all of the assets no comparison was done.
- c. The \$340 million negative value attributed to the coal-fired assets was primarily driven by two things: 1) concerns about future coal regulations and particularly the potential necessity to shut-down units Colstrip 1&2; and 2) the sale-leaseback was very onerous in its terms that effectively resulted in us transferring the asset back in good working condition and in compliance with any and all future regulations that may be in place at the end of the lease. These conditions could have required NorthWestern to make an uneconomic investment that would have severely impacted our customers, and thus we modeled that investment as if it would not be recoverable. In the alternative to making that uneconomic investment we could have paid a sizeable lease buyout fee, which again would likely be unrecoverable in NorthWestern's view.
- d. 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 responds as follows:

There is no comparison of the assumptions between this process and that related to Colstrip Unit 4 ("CU4"). In 2008, NorthWestern evaluated its strategic options relative to CU4 and entered into a contract to sell CU4 to Bicent (Montana) Power Company LLC after a competitive bidding process. While the competitive process was ongoing, the Commission issued a press release that it would discuss court action to stop

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MCC-002 cont'd

NorthWestern from selling CU4. (Press Release dated April 29, 2008 attached.) In response to the Commission's actions, NorthWestern included a regulatory out provision in its contract with Bicent and made a filing with the Commission. Additionally, the passage of time, the changed characteristics of NorthWestern's electricity supply portfolio, and other changes in the electric industry render comparison of the two processes and transactions not meaningful.

P
S
C
NEWS

Montana Public Service Commission
Post Office Box 202601
Helena, MT 59620-2601
406.444.6199
<http://psc.mt.gov>

April 29, 2008 – *For Immediate Release*

For more information contact:
Chair Greg Jergeson, 406.444.6166

PSC to Discuss Court Action to Stop NorthWestern Corporation's Plans to Sell Colstrip 4

Concerned about the future price and source of electricity for Montanans, Public Service Commission Chair Greg Jergeson is calling for additional information regarding NorthWestern Corporation's plans for Colstrip 4. Specifically, Jergeson and the PSC want to know why the parent company is not considering transferring the power plant to NorthWestern Energy (NWE) as a rate-based asset.

Jergeson requested the topic be added to the May 6 Public Service Commission (PSC) meeting, stating that NWE's recent filing with PSC related to its future sources of electricity supply included no discussion about the possible acquisition of Colstrip 4. Therefore, it has become apparent to him that NorthWestern Corporation has retained the services of Credit Suisse, not to analyze the options available to the company, but to act as the agent to sell Colstrip 4.

"The last time a utility company serving Montana residents with electricity followed the advice of Wall Street type financial advisors to sell their generation assets to the highest bidder, the customers, employees, and stockholders of that utility suffered great harm," observed Jergeson. "The goal then was for the management to get their hands on massive amounts of cash as quickly as possible, not the long-term interest of customers, employees or stockholders. It appears that NorthWestern Corporation has chosen to proceed with a similar strategy," he added.

Jergeson feels there is great potential for NWE to acquire Colstrip 4, under the auspices of HB 25 passed during the 2007 Legislative Session, an arrangement that could provide just and reasonable rates for consumers; a reasonable rate of return for stockholders; and provide relief from non-competitive, volatile and unfavorable market conditions.

In contrast, if NWE does not acquire Colstrip 4 as a rate-based asset, at a minimum NWE will have to continue to pay higher market prices for the electricity generated at the facility. If the power plant were to be sold to PPL Montana that would further exacerbate the problems with that company's already considerable market dominance. Or, if the assets were acquired by a vertically integrated utility in the northwest, Colstrip 4 electricity could be removed from market entirely and not be available to Montanans at any price.

Real time video and audio of the PSC's discussion on this issue will be available May 6 at <http://psc.mt.gov/eDocs/#Calendars>. Archives are available after the meeting, which begins at 9:30 am and it located at the PSC offices in Helena, 1701 Prospect Avenue.

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MCC-003

Regarding: Revenue Requirement
Witness: DiFronzo/Meyer

- a. Please provide a year by year estimate of the revenue requirements of the utility with and without the purchase of the hydros, including a detailed explanation of all assumptions made about the alternative power purchases and their prices in the “without” case.
- b. Please provide an analysis of the effect of alternate assumptions in part a, above, on the date at which revenue requirements become lower in the “with” case than in the “without” case.

RESPONSE:

- a & b NorthWestern objects to this data request because it is beyond the proper scope of data requests in that it requires NorthWestern to undertake an analysis that it did not make in evaluating the acquisition or preparing its Application and to produce a document that does not currently exist. NorthWestern further objects because responding to this data request is unduly burdensome.

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MCC-004

Regarding: Valuation
Witness: Hines

Does NWE believe that its owned interest in Colstrip Unit 4 has a negative value to the utility currently? Please explain in detail.

RESPONSE:

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. Colstrip Unit 4 is not at issue in this docket.

Without waiving this objection NorthWestern does not believe that its owned interest in Colstrip Unit 4 has a negative value to the utility. NorthWestern views its owned interest in Colstrip Unit 4 as a valuable component of its current electricity supply portfolio providing essential baseload electricity for its customers. With the addition of the Hydros, Colstrip Unit 4 will remain an integral component of a well-balanced portfolio of electricity supply resources that are part of a fully integrated set of utility resources (supply, transmission, and distribution).

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MCC-005

Regarding: Bill Impacts
Witness: DiFronzo

Please provide a year by year estimate of the average residential customer bill for NWE resource procurement planning cycle with and without the purchase of the hydros, including a detailed explanation of any assumptions not already described in response to MCC-003.

RESPONSE:

NorthWestern objects to this data request because it is beyond the proper scope of data requests in that it requires NorthWestern to undertake an analysis that it did not make in evaluating the acquisition or preparing its Application and to produce a document that does not currently exist. NorthWestern further objects that responding to this data request calls for speculation and is unduly burdensome. Without waiving said objections, in response to Data Request PSC-034, NorthWestern provided existing documents that are partially responsive to this data request.

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MCC-006

Regarding: Due Diligence
Witness: All Relevant Witnesses

Please provide all components of any due diligence analysis that was done by or for NWE regarding the acquisition of PPLM's hydroelectric properties (and all exhibits and/or attachments thereto).

RESPONSE:

NorthWestern objects to MCC-006 to the extent that it may seek to compel the production of material protected by the attorney client privilege or the work product doctrine, including NorthWestern's communications with its counsel or the work product, mental notes or impressions of NorthWestern's counsel. NorthWestern has attached a privilege log detailing any documents withheld due to a claim of privilege. Some of the pages produced in response to MCC-006 contain notations indicating that they are attorney work product and privileged and confidential. The notations were added when the pages were created. NorthWestern is not claiming that all material on pages with that notation is protected by the attorney client privilege or the work product doctrine. NorthWestern is only asserting the protection of the attorney client privilege and/or the work product doctrine with respect to that specific material listed on the privilege log. NorthWestern also objects to this request on grounds that it is vague, ambiguous, overly broad, imprecise, and utilizes terms that may contain proprietary or confidential business information which may only be disclosed subject to a suitable protective order. Specifically, the term "due diligence analysis" is vague, ambiguous, overbroad, imprecise, and subject to multiple interpretations. Without waiving any of these objections, NorthWestern responds as set forth below.

For purposes of this response, NorthWestern defines the term "components of any due diligence analysis" to mean the final versions of documents prepared either internally or by NorthWestern's outside advisors (with the exception of materials protected by the work product doctrine or the attorney client privilege), analyzing the information and data provided by PPLM and collected through NorthWestern's own investigations regarding the hydroelectric properties and presented to NorthWestern's Board of Directors. NorthWestern limits its response to those documents prepared after October 24, 2012 through the date the Purchase and Sale Agreement for the sale of the hydroelectric properties was signed on September 26, 2013. Please see the documents in the folder labeled "MCC-006" on the attached CD. Except as described in the next paragraph, these are all of the documents NorthWestern has identified as responsive as of Friday, January 24, 2014.

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MCC-006 cont'd

Additional reports from Credit Suisse were presented to the Board of Directors and were part of NorthWestern's due diligence analysis. NorthWestern's agreement with Credit Suisse requires it to obtain consent before making public any Credit Suisse information. NorthWestern desires to produce those reports in response to this Data Request and has sought permission from Credit Suisse to do so. NorthWestern has not yet received a response from Credit Suisse.

Priv No.	Doc Type	Date	Description	From	To	CC	Bcc	Privilege Type
PRIV_400001	Memorandum	11/26/2012	Providing legal advice re: transaction structure	Grahame, Heather; Brasher, Lance	NorthWestern Board of Directors			Attorney / Client; Work Product
PRIV_400002	Memorandum	11/26/2012	Providing legal advice re: transaction structure	Grahame, Heather; Brasher, Lance	NorthWestern Board of Directors			Attorney / Client; Work Product
PRIV_400003	Memorandum	11/26/2012	Conveying legal advice provided by outside counsel re: MPSC proceedings	Corcoran, Pat	NorthWestern Board of Directors			Attorney / Client; Work Product
PRIV_400004	Memorandum	11/26/2012	Material prepared in anticipation of litigation re: FERC proceedings	Grahame, Heather; Naeve, Mike; Lyons, John	NorthWestern Board of Directors			Attorney / Client; Work Product
PRIV_400005	Memorandum	11/23/2012	Providing legal advice re: Environmental	Brown, B. Andrew; Stastny, Kristin	Grahame, Heather; Olson, Timothy			Attorney / Client; Work Product
PRIV_400006	Memorandum	11/20/2012	Providing legal advice re: Due Diligence	Brasher, Lance; Schultz, Ethan; Hochman, Michael	Grahame, Heather; Olson, Timothy			Attorney / Client; Work Product
PRIV_400007	PowerPoint Presentation	11/20/2012	Providing legal advice re: Due Diligence	Brasher, Lance	NorthWestern Board of Directors			Attorney / Client; Work Product
PRIV_400008	Memorandum	12/12/2012	Redacted content prepared in anticipation of litigation provided by outside counsel re: Due Diligence	Grahame, Heather; Bird, Brian; Brasher, Lance; Brown, B. Andrew	NorthWestern Board of Directors			Attorney / Client; Work Product
PRIV_400009	Memorandum	12/21/2012	Redacted content prepared in anticipation of litigation provided by outside counsel re: Regulatory	Rowe, Robert	NorthWestern Board of Directors			Attorney / Client; Work Product
PRIV_400010	Memorandum	12/31/2012	Providing legal advice re: Environmental	Brown, B. Andrew; Hammer, Bradley	Grahame, Heather; Olson, Timothy			Attorney / Client; Work Product
PRIV_400011	Memorandum	1/3/2013	Redacted content prepared in anticipation of litigation provided by outside counsel re: Environmental	Wiseman, Gary	Northwestern Board of Directors			Attorney / Client; Work Product
PRIV_400012	Memorandum	6/27/2013	Providing legal advice re: Environmental	Brown, Andrew; Stastny, Kristin	Grahame, Heather; Olson, Timothy			Attorney / Client; Work Product
PRIV_400013	Memorandum	6/21/2013	Conveying legal advice provided by outside counsel re: MPSC proceedings	Corcoran, Pat	NorthWestern Board of Directors			Attorney / Client; Work Product

PRIV_400014	Memorandum	9/23/2013	Redacted content prepared in anticipation of litigation provided by outside counsel re: Due Diligence	Rowe, Robert;Hines, John	NorthWestern Board of Directors		Attorney / Client; Work Product
PRIV_400015	Memorandum	9/23/2013	Redacted content prepared in anticipation of litigation provided by outside counsel re: Environmental	Bird, Brian	NorthWestern Board of Directors		Attorney / Client; Work Product
PRIV_400016	Memorandum	9/23/2013	Redacted content prepared in anticipation of litigation provided by outside counsel re: Environmental	Hines, John	NorthWestern Board of Directors		Attorney / Client; Work Product
PRIV_400017	Memorandum	9/19/2013	Providing legal advice re: Environmental	Brown, Andrew; Stastny, Kristin	Grahame, Heather; Olson, Timothy		Attorney / Client; Work Product
PRIV_400018	Memorandum	1/3/2013	Redacted content prepared in anticipation of litigation provided by outside counsel re: Environmental	Wiseman, Gary	NorthWestern Board of Directors		Attorney / Client; Work Product
PRIV_400019	Memorandum	1/3/2013	Redacted content prepared in anticipation of litigation provided by outside counsel re: Environmental	Wiseman, Gary	NorthWestern Board of Directors		Attorney / Client; Work Product
PRIV_400020	Memorandum	9/23/2013	Providing legal advice re: Water Rights	Grahame, Heather	NorthWestern Board of Directors		Attorney / Client; Work Product
PRIV_400021	Memorandum	9/23/2013	Conveying legal advice provided by outside counsel re: Regulatory	Corcoran, Pat	NorthWestern Board of Directors		Attorney / Client; Work Product
PRIV_400022	PowerPoint Presentation	9/23/2013	Providing legal advice re: Regulatory	Brasher, Lance	NorthWestern Board of Directors		Attorney / Client; Work Product
PRIV_400023	Memorandum	9/23/2013	Providing legal advice re: Regulatory	Brasher, Lance	NorthWestern Board of Directors		Attorney / Client; Work Product
PRIV_400024	Memorandum	1/3/2013	Redacted content prepared in anticipation of litigation provided by outside counsel re: Environmental	Wiseman, Gary	NorthWestern Board of Directors		Attorney / Client; Work Product

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Montana Consumer Counsel (MCC)
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MCC-007

Regarding: Due Diligence
Witness: All Relevant Witnesses

Please identify in detail all documents that were reviewed by NWE or its advisors in conjunction with any due diligence analysis of the hydroelectric property acquisition.

RESPONSE:

NorthWestern objects to MCC-007 to the extent that it may seek to compel identification or the production of material protected by the attorney client privilege or the work product doctrine, including NorthWestern's communications with its counsel or the work product, mental notes or impressions of NorthWestern's counsel. The privilege log produced in response to MCC-006 includes privileged documents that would be responsive to this data request. NorthWestern also objects to this request on grounds that it is vague, ambiguous, overly broad, and imprecise. Specifically, the term "due diligence analysis" is vague, ambiguous, overbroad, imprecise, and subject to multiple interpretations. Additionally, it is not possible to identify every document reviewed by any employee of NorthWestern or any of its advisors for a process that extended over many months. NorthWestern further objects to this data request on the grounds that it is unnecessary. This is unnecessary because of the significant documents that were referenced in or attached to the prefiled testimony, referenced in or attached to exhibits to the testimony, referenced or included in the electronic data supporting tables and charts and electronic workpapers provided December 23, 2013, and the documents that have been produced in response to other data requests in this docket. Without waiving said objection, NorthWestern responds that it and its advisors reviewed documents in PPLM's Data Room, documents available on FERC's website, and others.

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MCC-008

Regarding: Acquisition Analysis
Witness: All Relevant Witnesses

Please provide copies of any NWE internal documents or advisory documents that criticized or questioned any aspects of the hydroelectric property acquisition.

RESPONSE:

NorthWestern objects to this request on the grounds that it is overbroad, oppressive, and unduly burdensome. NorthWestern further objects to this data request to the extent that it may seek to compel the production of material protected by the attorney client privilege or the work product doctrine, including NorthWestern's communications with its counsel or the work product, mental notes or impressions of NorthWestern's counsel. NorthWestern also objects that the term "criticized or questioned any aspects" is vague, ambiguous, and subject to multiple interpretations. Without waiving said objections, NorthWestern responds that the documents to be provided in response to Data Request MCC-006 show the questions and concerns that were raised during the process.

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Montana Consumer Counsel (MCC)
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MCC-009

Regarding: Acquisition Analysis
Witness: All Relevant Witnesses

Please provide copies of all communications (and any attachments or documents related thereto) between PPLM (or any affiliate thereof) and NWE (or any affiliate or employee or advisor thereof) regarding NWE's potential acquisition of PPLM's hydroelectric properties.

RESPONSE:

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. NorthWestern objects to this data request to the extent that it seeks information or documents that are protected by privilege or work product. Privileged information and documents are not discoverable. M. R. Civ. P. 26(b)(1), § 26-1-803, MCA. NorthWestern has provided a Privilege Log that complies with the provisions of M. R. Civ. P. 26(b)(6). The Privilege Log is located in the folder labeled "MCC-009" on the CD attached to Data Request MCC-006. NorthWestern objects to this data request to the extent that it is overly broad; seeks the production of documents without reference to a time period or with reference to a time period that has no relevance to the matters at issue in this proceeding; calls for the production of documents that are cumulative or contain duplicative information without a specific determination as to their relevance and the need for them, especially in light of the time and expense required to gather and produce the voluminous requested documents; and imposes on NorthWestern undue expense or unreasonable burden. There are over 7,400 emails and attachments that are potentially responsive to this data request. In a meeting with the MCC, NorthWestern suggested that the MCC narrow its request to seeking information about specific issues and involving particular individuals. NorthWestern provided the MCC a list of the issues by which emails and documents had been classified and agreed to identify the core individuals. The core NorthWestern team involved: Brian Bird, Heather Grahame, John Hines, Pat Corcoran, Michael Cashell, and Dan Rausch.

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MCC-010

Regarding: Acquisition Analysis
Witness: All Relevant Witnesses

Please identify by date all meetings (in person or telephonic) that occurred between NWE (including employees or representatives thereof) and PPLM (or representatives or employees thereof) regarding any aspect of the potential hydroelectric property acquisition by NWE. Please identify the person or persons involved in those meetings and provide copies of all notes and other documents related to those meetings.

RESPONSE:

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. NorthWestern objects to this data request to the extent that it seeks information or documents that are protected by privilege or work product. Privileged information and documents are not discoverable. M. R. Civ. P. 26(b)(1), § 26-1-803, MCA. NorthWestern has attached a Privilege Log that complies with the provisions of M. R. Civ. P. 26(b)(6). NorthWestern objects to this data request to the extent that it is overly broad; seeks the production of documents without reference to a time period or with reference to a time period that has no relevance to the matters at issue in this proceeding; calls for the production of documents that are cumulative or contain duplicative information without a specific determination as to their relevance and the need for them, especially in light of the time and expense required to gather and produce the voluminous requested documents; and imposes on NorthWestern undue expense or unreasonable burden.

NorthWestern Energy and its representatives had both in-person meetings and telephonic communications with PPLM regarding the potential hydroelectric acquisition. It is impossible to identify all of the telephonic communications that took place. NorthWestern does not have records of incoming calls to its landline telephones. For outgoing calls, its invoice from its telecommunications provider does not detail the call numbers. While NorthWestern can run an internal report by telephone number of outgoing calls, NorthWestern believes that internal program was not functioning for three months beginning in June 2013. Moreover, even if there were communications, the fact that a communication took place does not mean it is relevant. As

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MCC-010 cont'd

over 70 individuals at NorthWestern had some role in the transaction, the burden of trying to identify any communication far outweighs any benefit.

As discussed with the MCC, NorthWestern recommends that the MCC narrow its request to seeking information about specific issues. The core NorthWestern team involved: Brian Bird, Heather Grahame, John Hines, Pat Corcoran, Michael Cashell and Dan Rausch.

Without waiving these objections, NorthWestern responds as follows:

NorthWestern interprets this request to concern meetings between May 2013 and the date that the Purchase and Sale Agreement was signed for PPLM's Hydro facilities.

In-person meetings:

- New York City. Aug. 27-28, 2013. The purpose of the meeting was to discuss and negotiate various provisions of the Purchase and Sale Agreement. The NorthWestern team was comprised of: Heather Grahame (Vice President and General Counsel), Brian Bird (Vice President and Chief Financial Officer), John Hines (Vice President – Supply), Michael Cashell (Vice President – Transmission), Pat Corcoran (Vice President – Government and Regulatory Affairs), and Dan Rausch (Treasurer). NorthWestern Energy representatives included NorthWestern's outside counsel: Andrew Brown (Dorsey & Whitney – Environmental Counsel); Lance Brasher (Partner, Skadden Arps); Ethan Schultz (Associate - Skadden Arps), and NorthWestern's financial advisor, Credit Suisse (Ahmad Masud, Michael Proskin and David Smith).

The PPL team was comprised of: Tom Douglass (Senior Counsel, PPL Services Corporation); Jeremy McGuire (Vice President – Strategic Development, PPL Strategic Development, LLC), Steve May (Vice President – Development, PPL Strategic Development, LLC), and Adam Star (Financial Analyst, PPL Strategic Development, LLC); UBS (Paul McNutt, Alan Felder, and Joon Lee); and PPL's outside counsel from Simpson Thacher & Bartlett LLP (David Lieberman, Brian Chisling).

The meeting involved negotiations over the Purchase and Sale Agreement. The attorneys were the lead negotiators and attorneys for both NorthWestern and PPL were in all of the meetings. Not all of the meeting participants other than the attorneys were in all of the meetings. In addition, NorthWestern and its representatives had both in-person meetings and telephonic communications with PPLM regarding the due diligence.

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In-person or conference call due diligence meetings:

- Butte, MT. Aug 7, 2013. The purpose of the meeting was to introduce the due diligence teams, plan the site inspections and discuss operations of the hydro facilities. The NorthWestern team consisted of Bill Rhoads (General Manager, Generation), John Vandaveer (Manager, Hydro Transition), Mary Gail Sullivan (Manager, Environmental Permitting and Compliance), and Gary Wiseman, Shaw, NWE's Independent Engineer. PPL Attendees included Pete Simonich (Vice President and Chief Operating Officer, PPL Montana, LLC) Gordon Criswell (Director, Environmental and Engineering Compliance, PPL Montana, LLC), Dan Barbosa (UBS), Carrie Harris (Manager, Engineering and Projects, PPL Montana, LLC), Jon Jourdonnais (Manager, Hydro Regulatory and Environmental Compliance, PPL Montana, LLC), Jeremy Clotfelter (Manager Hydro Operations and Maintenance), Steve May (Vice President – Development, PPL Strategic Development, LLC), Dave Shultz (Business Development Director, PPL Strategic Development, LLC), Tom Douglass (Senior Counsel, PPL Services Corporation).

The meeting involved discussion about the hydro organization, FERC relationships, maintenance projects, license compliance approach, various mitigation strategies, monitoring studies, non-license environmental management, and issues that may be of concern.

- During the period of Aug 8, 2013-Aug 29, 2013, the NorthWestern team conducted site visits to each of the hydro facilities. The NWE team was comprised of Bill Rhoads (General Manager, Generation), John Vandaveer (Manager, Hydro Transition), Mary Gail Sullivan (Manager, Environmental Permitting and Compliance), and Gary Wiseman and Nicole Opela, Shaw, NorthWestern's Independent Engineer. John Hines (Vice President, Supply) joined the team for the site visit to Hauser. As the sites are owned by PPL, PPL representatives escorted NorthWestern on each of the due diligence site visits. Jeremy Clotfelter (Manager, Operations and Maintenance) and Dan Barbosa (UBS) facilitated the site visits to the Black Eagle, Rainbow, Cochrane, Ryan, Morony, Hauser and Holter. Carrie Harris (Manager, Engineering and Projects), Dan Barbosa (UBS) and Dave Orinski (Manager-Financial Analysis, PPL Strategic Development, LLC) facilitated the visits to Madison, Hebgen, and Mystic. Jon Jourdonnais (Manager, Hydro Regulatory and Environmental Compliance, PPL Montana, LLC), Dave Orinski (Manager-Financial Analysis, PPL Strategic Development, LLC), and Mike Poelman (UBS) and Roscoe Kronfuss (Hydro Supervisor, PPL Montana, LLC) facilitated the site visits to Thompson Falls and Kerr.

The due diligence is addressed in William T. Rhoads Prefiled Direct testimony.

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- Conference Call. Aug 26, 2013. The purpose of the call was to follow up on issues that came up during the due diligence site visits. NorthWestern participants included Bill Rhoads (General Manager, Generation), John Vandaveer (Manager, Hydro Transition), Mary Gail Sullivan (Manager, Environmental Permitting and Compliance), Gary Wiseman and Nicole Opela, Shaw, NorthWestern's Independent Engineer, and Andy Brown and Kristin Statsny (Dorsey & Whitney LLP). PPL participants were Jon Jourdonnais (Manager, Hydro Regulatory and Environmental Compliance, PPL Montana, LLC), Jeremy Clotfelter (Manager, Hydro Operations & Maintenance, PPL Montana, LLC), Dave Kinnard (Assistant General Counsel, PPL Services Corporation), Pete Simonich (Vice President and Chief Operating Officer, PPL Montana, LLC), and Mike Poelman (UBS).

The topics discussed included Arctic grayling, demolition of old Rainbow powerhouse, Ryan drinking water system, and sewage lagoon at Hauser.

Priv No.	Doc Type	Date	Description	From	To	CC	Bcc	Privilege Type
PRIV_200001	Memorandum	8/27/2013	Document prepared by counsel incorporating legal advice re: attorney notes regarding meeting with PPL and revisions to PSA	Grahame, Heather				Attorney / Client
PRIV_200002	Memorandum	8/27/2013	Reflecting legal advice re: PSA and key legal issues to discuss at meeting	Grahame, Heather				Attorney / Client
PRIV_200003	Memorandum	8/27/2013	Document prepared by counsel incorporating legal advice re: key terms of PSA discussed at meeting	Heather, Grahame; Skadden, Arps, Slate, Meagher & Flom LLP				Attorney / Client
PRIV_200004	Memorandum	8/27/2013	Redacted content reflecting legal advice provided by Heather Grahame and outside counsel re: key terms of PSA discussed at meeting	Rausch, Dan				Attorney / Client

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MCC-011

Regarding: Acquisition Analysis
Witness: All Relevant Witnesses

Please provide copies of all communications (internal and external) concerning any aspect of NWE's potential acquisition of any generating properties from PPLM (or any affiliate thereof) other than the hydroelectric properties that are the subject of this filing.

RESPONSE:

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. NorthWestern objects to this data request to the extent that it seeks information or documents that are protected by privilege or work product. Privileged information and documents are not discoverable. M. R. Civ. P. 26(b)(1), § 26-1-803, MCA. NorthWestern objects to this data request to the extent that it is overly broad; seeks the production of documents without reference to a time period or with reference to a time period that has no relevance to the matters at issue in this proceeding; calls for the production of documents that are cumulative or contain duplicative information without a specific determination as to their relevance and the need for them, especially in light of the time and expense required to gather and produce the voluminous requested documents; and imposes on NorthWestern undue expense or unreasonable burden. Simply put, communications about potential transactions that did not come to fruition are not relevant to the matters before the Commission in this docket. NorthWestern is producing the non-privileged information that the decision-maker, the Board of Directors, relied on in considering the thermal assets. See the response to Data Request MCC-006. Although NorthWestern does not have an exact number, at this time it believes that there are between 15,000 and 19,500 potentially responsive emails and attachments. In the event that the Commission overrules these objections, NorthWestern reserves its right to provide a privilege log at the time that it responds further.

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MCC-012

Regarding: Valuation
Witness: Kliewer

Please provide in as much detail as possible a tabulation comparing (1) the original cost to Montana Power of the hydroelectric properties, (2) the value or sale price of the properties when they were sold to PPLM (3) any additions to original cost that you are aware of that were incurred by PPLM and (4) the value or sale price of the properties as proposed in this filing. Please provide each of these valuations including and excluding Kerr Dam.

RESPONSE:

- (1) The only original cost information available to NorthWestern for these tabulations is contained in my Testimony and Exhibits by FERC Account on an asset by asset basis. All of the detailed plant information/records were given to PPLM as part of the sale of these assets. See page 1 of Exhibit__ (KGK-3).
- (2) The sales price of the thermal and hydro generation assets sold to PPLM by MPC was \$740 million.
- (3) See the response to Data Request PSC-051.
- (4) NorthWestern evaluated the value of Hydro assets on a total basis (\$900 million), and did not perform a detailed allocation by individual asset.

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Montana Consumer Counsel (MCC)
Set 1 (001-015)

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MCC-013

Regarding: Exhibits
Witness: Bird/Meyer/Stimatz/Kliewer

Please provide working electronic copies of all exhibits and work papers with all supporting files and links intact, for each of the following:

- a. Exhibit Nos. BBB-3, BBB-4 and BBB-5.
- b. Exhibit Nos. TEM-1 and TEM-2.
- c. Exhibit Nos. JMS-1, JMS-2 and JMS-3.
- d. Exhibit Nos. KGK-1, KGK-2 and KGK-3.

RESPONSE:

- a. For Exhibit__(BBB-3), refer to the Witnesses' Electronic Supporting Data CD provided on December 23, 2013. NorthWestern does not have an electronic version of Exhibit__(BBB-4). Refer to the response to Data Request PSC-057 for Exhibit__(BBB-5).
- b. Refer to the Witnesses' Electronic Supporting Data CD provided on December 23, 2013.
- c. Refer to the Witnesses' Electronic Supporting Data CD provided on December 23, 2013.
- d. Refer to the Witnesses' Electronic Supporting Data CD provided on December 23, 2013.

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MCC-014

Regarding: Exhibits
Witness: DiFronzo/Masud/Otto

Please provide working electronic copies of all exhibits and work papers with all supporting files and links intact, for each of the following:

- a. Exhibit Nos. PJD-1, PJD-2, PJD-3 and PJD-4.
- b. AM Exhibit 1 Public.
- c. Exhibit AO-02 Public.

RESPONSE:

- a. Refer to the Witnesses' Electronic Supporting Data CD provided on December 23, 2013.
- b. NorthWestern does not have electronic copies in its possession, nor may it require its consultants to provide proprietary models.
- c. NorthWestern does not have electronic copies in its possession, nor may it require its consultants to provide proprietary models.

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MCC-015

Regarding: Workpapers
Witness: Stimatz

Please provide working electronic copies of all calculations and related workpapers used to prepare the charts and tables that are presented in the body of the prefiled direct testimony of Joseph M. Stimatz.

RESPONSE:

Refer to the Witnesses' Electronic Supporting Data CD provided on December 23, 2013.