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

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

NORTHWESTERN ENERGY'S OBJECTIONS TO PARTS OF DATA REQUESTS PSC-084, PSC-086, PSC-087, PSC-090, PSC-092, PSC-093, AND PSC-100

NorthWestern Corporation doing business as NorthWestern Energy ("NorthWestern"), objects to data requests identified as PSC-084c, PSC-084d, PSC-086e, PSC-087, PSC-090a, PSC-092a (in part), PSC-092b, PSC-092d, PSC-093a, PSC-093c, PSC-100b, PSC-100c, and

PSC-100d on the grounds more particularly described below. The Montana Public Service Commission (“Commission”) served its sixth set of data requests (PSC-084 to PSC-103) (“PSC Set 6”) on January 30, 2014. Procedural Order 7323b, ¶ 9, provides a party may object to a data request within 10 days from service. February 9, 2014 is 10 days from service of PSC Set 6. As February 9, 2014 fell on a Sunday, the deadline to object to data requests in PSC Set 6 is February 10, 2014.

PSC-084

PSC-084c asks:

Did your analysis reveal that combining thermal assets with the Hydros hedged the NPV of the total package to some degree against uncertainty in the Carbon Adder? That is, did you find that although higher expected carbon costs would cause an increase in expected operating costs of the thermal assets, the increased costs would be offset to some degree by increased revenues to both types of assets; and that decreased thermal plant costs due to lower expected carbon costs would be accompanied by decreased revenues?

NorthWestern objects to this data request subpart because (1) is not relevant and not reasonably calculated to lead to admissible evidence, and (2) it is vague and ambiguous.

First, this data request seeks information that is not relevant. This question seeks information about thermal assets (in combination with the Hydros). The thermal assets are not before the Commission. The parties did not agree to contract terms and price for a combination of the thermal and Hydros. Therefore, there is no basis on which to compare the transaction before the Commission, acquisition of the Hydros, to a combination of thermal assets and the Hydros.

Second, this question is vague and ambiguous. NorthWestern is not sure what the Commission means by “hedged of the NPV of the total package to some degree against uncertainty in the Carbon Adder.” Hedge generally refers to the act of taking opposite positions

in different markets to reduce risk. The author of the data request appears to be using the term in another sense. Additionally, the phrase “to some degree” is so imprecise that it cannot be interpreted meaningfully. The second question, apparently interposed to clarify the first, does not add sufficient clarity.

PSC-084d asks, “How did NorthWestern value the potential of the combined thermal and hydro package to hedge net present value against changes in forecast carbon costs?”

NorthWestern objects to this subpart because it is argumentative and it is not relevant and not reasonably calculated to lead to admissible evidence. The question is argumentative because it assumes that there is “potential of the combined thermal and hydro package to hedge net present value.” The previous subpart asked if this existed. There is no evidence, only the Commission’s questions, that such a potential exists. Even if the potential did exist, there is no evidence that it is of the type that can be valued. The question is irrelevant because it seeks information about thermal assets (in combination with the Hydros). The thermal assets are not before the Commission. The parties did not agree to contract terms and price for a combination of the thermal and Hydros. Therefore, there is no basis on which to compare the transaction before the Commission, acquisition of the Hydros, to a combination of thermal assets and the Hydros.

PSC-086

PSC-086e asks:

How did NorthWestern value the potential of the combined thermal and hydro package to hedge net present value against the uncertainty of future environmental costs? That is, since the value of the thermal assets would be expected to decline with unexpected increases in environmental costs, and the value of the hydro assets would be expected to increase with unexpected increases in those costs, how did NorthWestern value the NPV stabilizing property of a combined package with respect to the uncertainty in future environmental costs?

NorthWestern objects to this data request subpart because (1) is not relevant and not reasonably calculated to lead to admissible evidence, and (2) it is vague and ambiguous. This data request is

nothing more than repetition of PSC-084c with “future environmental costs” substituted for “Carbon Adder.” NorthWestern notes that it has stated that it interprets “Carbon Adder” as a proxy for “future environmental costs.”

First, this data request seeks information that is not relevant. This question seeks information about “quantifying value of coal facilities’ liabilities.” The coal facilities are not before the Commission. The parties did not agree to contact terms and price for the coal facilities. Therefore, there is no rational reason for inquiring further into the basis on which to compare the transaction before the Commission, acquisition of the Hydros, to a combination of thermal assets and the Hydros.

Second, this question is vague and ambiguous. NorthWestern is not sure what the Commission means by “hedged of the NPV of the total package to some degree against uncertainty in the future environmental costs.” Hedge generally refers to the act of taking about opposite positions in different markets to reduce risk. This author of the data request appears to be using the term in another sense. Additionally, the phrase “to some degree” is so imprecise that it cannot be interpreted meaningfully. The second question, apparently interposed to clarify the first, does not add sufficient clarity.

PSC-087

PSC-087 provides:

The responses to PSC-003(c) and (d) are appreciated but they lack detail as to how the concerns regarding the coal facilities were actually quantified in NWE’s valuation and analysis leading to its 2013 bid that included the facilities.

- a. Please demonstrate how you quantified or assigned a dollar value to the environmental liabilities discussed in response to PSC-003(c).
- b. Provide any analytic work that supports the negative value described in Bird’s testimony, and the zero rate base value shown in the LT Rev Req model attached in response to PSC-003(b).

- c. Please demonstrate how you quantified or assigned a dollar value to the lease-back provisions discussed in response to PSC-003(d).
- d. Were the environmental and lease-back liabilities described in response to PSC-003(c) and (d) captured as data in the LT Rev Req model produced in response to PSC-003(b)?

NorthWestern objects to this data request because the information that it seeks is not relevant and not reasonably calculated to lead to admissible evidence and because it is not interposed for a proper purpose. This question seeks information about “quantifying value of coal facilities’ liabilities.” The coal facilities are not before the Commission. The parties did not agree to contact terms and price for the coal facilities. Therefore, there is no rational reason to inquire further into NorthWestern’s valuation of the coal facilities.

This data request is unduly cumulative, repetitious, and argumentative. NorthWestern has substantially answered questions about its value of the thermal assets in response to other data requests. PSC-003a asked, “Did NWE use substantially the same methods of valuation to calculate its bids for the PPLM assets described a7:13-16 of [Bird’s Direct Testimony]?” NorthWestern responded, “Yes.” In response to PSC-003c, NorthWestern objected, and without waiving its objection, described its environmental concerns. In response to PSC-066, which asked about NorthWestern’s DCF model that included analysis of other assets owned by PPLM, NorthWestern objected, and without waiving its objection, provided the model and stated:

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 as described in the Prefiled Direct Testimony of Brian Bird, pages 3 through 21.

Given that NorthWestern has responded fully to PSC-003 and PSC-066, this data request is not interposed for a permissible purpose.

PSC-090

PSC-090a asks:

How were cap-ex estimates for the coal facilities in the LT Rev Req model produced in response to PSC-003(b) derived? If they were sourced from PPLM, please describe what, if any, adjustments NWE made to them.

NorthWestern objects to PSC-090a because the information it seeks is not relevant and not reasonably calculated to lead to admissible evidence. The coal assets are not before the Commission. The parties did not agree to contact terms and price for the coal assets. Therefore, there is no rational reason to inquire further into NorthWestern's cap-ex estimates for an offer that did not result in a transaction and for assets that are not included in the Application.

PSC-092

PSC-092a provides:

In the spreadsheet provided in response to PSC-066, NWE in the "Thermal CapEx" tab lists both an "Expected Case" and a "High Case" for the Colstrip units. There appears to be only one cap-ex estimate, with no "high case" for the Hydros.

- a. Where did the cap-ex data appearing for the Thermal and Hydros come from?

NorthWestern objects to PSC-092a to the extent that it asks for information about the cap-ex data for the thermal assets. To the extent that this data request seeks information about the thermal assets, the information it seeks is not relevant and not reasonably calculated to lead to admissible evidence. The thermal assets are not before the Commission. The parties did not agree to contact terms and price for the thermal. Therefore, there is no rational reason to inquire further into NorthWestern's estimates of future cap-ex with respect to the thermal assets.

PSC-092b asks, "What specifically drives the difference between the "Expected" and "High" cases for the Colstrip units? Provide a list of the upgrades assumed in the Colstrip cap-

ex forecasts.” NorthWestern objects to PSC-092b because the data request seeks information about analysis of the thermal assets. Analysis of the thermal assets is not relevant and the data request is not reasonably calculated to lead to admissible evidence. The thermal assets are not before the Commission. The parties did not agree to contact terms and price for the thermal. Therefore, there is no rational reason to inquire further into NorthWestern’s analysis of the thermal assets.

PSC-092d asks:

Did NWE consult other Colstrip co-owners’ publicly available information regarding cap-ex requirement estimates regarding Colstrip facilities (e.g., Puget Sound Energy) to check it against the cap-ex requirements assumed in the spreadsheet in response to PSC-066?

NorthWestern objects to PSC-92d because the data request seeks information about NorthWestern’s activity regarding the thermal assets. NorthWestern’s activity regarding the thermal assets is not relevant and not reasonably calculated to lead to admissible evidence. The thermal assets are not before the Commission. The parties did not agree to contact terms and price for the thermal. Therefore, there is no rational reason to inquire further into the thermal assets.

PSC-093

PSC-093a provides:

In the DCF model provided in response to PSC-066, the fuel cost increases dramatically for Colstrip Unit 3 in 2020. Explain this increase, and the footnote included in the spreadsheet.

NorthWestern objects to PSC-93a because the data request seeks information related solely to the thermal assets. The thermal assets are not relevant, and the data request is not reasonably calculated to lead to admissible evidence. The thermal assets are not before the Commission.

The parties did not agree to contact terms and price for the thermal. Therefore, there is no rational reason to inquire further into the thermal assets.

PSC-093c asks, “What tons/Mwh is assumed in the calculation of the carbon O&M price for the Colstrip 1 & 2 and Colstrip 3 plants?” NorthWestern objects to PSC-93c because the data request seeks information related solely to the thermal assets. The thermal assets are not relevant, and the data request is not reasonably calculated to lead to admissible evidence. The thermal assets are not before the Commission. The parties did not agree to contact terms and price for the thermal. Therefore, there is no rational reason to inquire further into the thermal assets.

PSC-100

PSC-100 provides:

With respect to the response to PSC-048:

- a. Why does NWE now consider it necessary to include the assumption of an “air-cooled condenser” for its next-best portfolio, which includes a CCCT?
- b. Another Montana regulated utility, in its IRP, has avoided modeling a premium for a small-scale CCCT by assuming that it would enter into a partnership to build one with another entity. Why is that not a reasonable assumption for NWE?
- c. Another Montana regulated utility has recently entered into a significant, low-cost PPA for wind. Why, for NWE, is wind modeled using a build-transfer assumption, as opposed to a PPA?
- d. Please explain the significant divergence in natural-gas generating resources’ capital costs between the 2013 RPP and the PPLM CIM.

NorthWestern objects to parts b, c, and d of this data request because they are argumentative, speculative, and not relevant. The Commission did not identify the other “Montana regulated utility” to which it referring (assuming that parts b and c refer to the same utility). The

argumentative implication of subparts b and c is that NorthWestern is situated similarly to the unidentified utility. NorthWestern cannot respond to such an implication.

For NorthWestern to answer this question, it would need to speculate about the identity of the unidentified utility, the content and basis of its IRP, and its current PPA, all facts that are not within NorthWestern's knowledge. Similarly, NorthWestern does not know the source and underlying assumptions regarding PPLM's estimate of natural gas generating resources' capital costs. Consequently, NorthWestern could explain the asserted "significant divergence" only by speculating as to PPLM's calculations.

Some other unidentified utility's IRP and PPA is not part of this proceeding. Comparison to matters not part of this proceeding is not relevant.

Respectfully submitted this 10th day of February 2014.

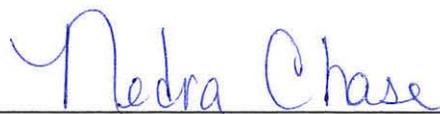


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CERTIFICATE OF SERVICE

I hereby certify that a copy of NorthWestern Energy's Objections to Parts of PSC Set 6 Data Requests PSC-084, PSC-086, PSC-087, PSC-090, PSC-092, PSC-093, and PSC-100 in Docket No. D2013.12.85 has been hand delivered to The Montana Public Service Commission and The Montana Consumer Counsel. A copy has been e-filed on the MPSC website. It will be mailed to the most recent service list in this Docket by first class mail. It will also be emailed to the counsel of record.

Date: February 10, 2014



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Docket No D2013.12.85
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