



February 20, 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 1 Data Requests (001-035)
Updated Response to PSC-018a

Dear Ms. Whitney:

Enclosed for filing is a copy of NorthWestern Energy's updated response to PSC-018a in PSC 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 updated response to PSC-18a in PSC Set 1 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. These data responses will also be emailed to counsel of record.

Date: February 20, 2014



Nedra Chase
Administrative Assistant
Regulatory Affairs

**Docket No D2013.12.85
Hydro Assets Purchase
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NorthWestern Energy
Docket D2013.12.85
PPLM Hydro Assets Purchase

Public Service Commission (PSC)
Set 1 (001-035)

Data Requests served December 27, 2013

PSC-018 Regarding: Cap-Ex Estimates
 Witness: Rhoads

- a. For each year represented in the LT Rev Req Model and the DCF Model, please provide an itemized list of the capital expenditures included in the exhibits as aggregate figures (i.e., Row 21 in TEM-2; Row 29 in JMS-1.)
- b. With respect to the answer at JMS-14:5-11, further describe how these capital expenditure estimates were assembled.
- c. Detail each instance where NWE's cap-ex estimates, represented in the above exhibits, departs from the PPLM estimates mentioned on JMS-14:7-8.
- d. When did PPLM create its estimates of future cap-ex requirements?
- e. Describe what NWE did to check the future cap-ex requirements of the Hydros against other similar hydro facilities in the United States and elsewhere.

RESPONSE (January 17, 2014):

- a. Assuming that "itemized list of the Capital expenditures" means specific assets, the list exists only for 2013 through 2017. On January 17, 2014, NorthWestern filed a motion for protective order regarding the itemized list. Attached is a redacted public version of this itemized list.

NorthWestern will update this response by providing this information in the appropriate format after the Commission rules on the motion for protective order.

In the event that the Commission does not grant the protective order sought by NorthWestern, NorthWestern objects to the question to the extent the request seeks information that is irrelevant, outside the reasonable scope of this proceeding, and not calculated to lead to the discovery of admissible evidence; to the extent that it seeks information or documents relating to entities other than NorthWestern; and to the extent that it requires public disclosure of information that is confidential or commercially sensitive to entities other than NorthWestern.

- b. The aggregate annual capital expenditures for 2013-2017 were based on the original PPLM data that was detailed by project and common costs. NorthWestern reviewed and used the PPLM forecast with two material adjustments. An amount of \$1,000,000 was included in year 2015 for disposition of the old Rainbow powerhouse. The powerhouse

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status was undetermined at the time of valuation and currently is unknown. A \$1,000,000 timing adjustment was included in 2016 for a major unit upgrade at Holter prior to the 2023 planned upgrades to accelerate future upgrades for this plant.

The balance of unit upgrades will focus on Black Eagle, Hauser, and Madison. These plants' units are smaller than the majority of the larger unit plants. Therefore, the \$8,500,000 starting in 2018 and escalated forward is adequate for planned system upgrades and auxiliary capital expenditures.

PPLM also provided a detailed account of the projects and costs for years 2008-2012. These years were capital intensive including unique one-time expenditures including the Thompson Falls fish ladder, Rainbow new powerhouse, and the Great Falls Interconnection transmission and substation construction. Excluding these types of projects and the unanticipated Hebgen Intake work, annual capital expenditures for these years are comparable to those forecasted from 2018 forward. The 2008-2012 actual capital project lists identify the continuation of numerous auxiliary system upgrades supporting the substantial system upgrade summary provided by PPLM and confirmed through the due diligence work concluded in the CBI independent engineer's reports (Exhibit__(WTR-2)).

- c. See the response to part b, above.
- d. PPLM created its five-year capex estimates prior to issuance of the CIM.
- e. NWE did not check the future cap-ex requirements of the hydros against other similar hydro facilities in the United States and elsewhere. However, NorthWestern employees are very knowledgeable about this hydroelectric system. NorthWestern and NorthWestern's independent consultant, CB&I, 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 capital forecast validity. The qualifications of the individuals whose resumes are included as Exhibit__(WTR-1) reflect their professional knowledge and experience which qualifies them to evaluate these important hydro assets. There would be limited value gained in the short time and limited resources to seek such a comparison during its due diligence effort.

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The operating history of these projects provides the best benchmark for forecasts. Hydro facilities are unique based upon plant location, design, operation, and ongoing dam safety Part 12 analysis. Although generalizations may be made regarding plant upgrades and modernization at non-PPLM hydro plants, past capital expenditures and strategies for the existing PPLM system are a reasonable basis for possible future expenditures.

UPDATED RESPONSE (February 20, 2014):

- a. See the Updated Attachment in which certain descriptions and 2013 expenditures have been unredacted from this public version.

**Capital Expense Summary
2013-2017**

Budget Type	Fac/Dept	Project Description	2013	2014	2015	2016	2017
Capital	Madison						
Capital	Hebgen		3,418,472				
Capital	Ryan						
Capital	Hebgen						
Capital	Mystic						
Capital	Ryan						
		Total Regulatory	3,418,472				
Capital	Ryan	Turbine Upgrade	498,472				
Capital	Ryan	Automate butterfly gate to support spin					
Capital	Black Eagle	Road Retaining Wall Upgrade	30,208				
Capital	Black Eagle	Trashrake Upgrade	161,102				
Capital	Holter	Stanchion Trip Plates	234,173				
Capital	Holter		49,400				
Capital	Madison	Neut PT's on all, CT's on unit 2,3	16,987				
Capital	Madison	Collier Garage Replacement	18,000				
Capital	Morony	Cathodic Upgrade, dam structures	39,984				
Capital	Morony	Generator U1 Upgrade	4,040,721				
Capital	Morony	Turbine U1 Rehab	499,870				
Capital	Morony	Install Bearing Metal Temp Monitoring - U1	19,996				
Capital	Morony	Morony PCS Upgrade	878,655				
Capital	Mystic	New Rock shed in flow tunnel	35,095				
Capital	Rainbow	Rubber Dam Installation	1,718,181				
Capital	Rainbow	Intake Concrete	999,638				
Capital	Tfalls	Tfalls PCS Upgrade	1,712,276				
Capital	Ryan	Transformer Oil Drain System	30,247				
Capital	Ryan		373,000				
Capital	Kerr	Inverter purchase spare	25,000				
Capital	Admin	Tools & Equipment Hydro Engineering	16,710				
Capital	Admin	PCS Admin & GCC Installation	24,593				
Capital	Admin	Vehicle Replacements	75,000				
Capital	South	Tools & Equipment South	32,000				
Capital	Great Falls	Tools & Equipment Great Falls	40,000				
Capital	Admin	Electrical & Relay Test Equipment	120,000				
Capital	Admin	Security Upgrades	18,750				
Capital	Cochrane	Cathodic Upgrade, dam structures	74,983				
Capital	Cochrane	Relay Protection Upgrade	259,279				
Capital	Cochrane	Station Service Upgrade	276,646				
Capital	Cochrane	PD Monitoring Completion	37,068				
Capital	Morony						
Capital	Madison						
Capital	Hauser						
Capital	Rainbow Shop						
Capital	Tfalls						
Capital	Tfalls						
Capital	Black Eagle						
Capital	Holter						
Capital	Ryan						
Capital	Cochrane						
Capital	Black Eagle						
Capital	Tfalls						
Capital	Admin						
Capital	Black Eagle						
Capital	Tfalls						
Capital	Hebgen						
Capital	Mystic						
Capital	Holter						
Capital	Great Falls						
Capital	Morony						
Capital	Hebgen						
Capital	Holter						
Capital	Tfalls						
Capital	Hauser						
Capital	Hauser						
Capital	Hauser						
Capital	Hauser						
Capital	Mystic						
Capital	Holter						
Capital	Cochrane						
Capital	Mystic						
Capital	Hauser						
Capital	Madison						
Capital	Hauser						
Capital	Ryan						
Capital	Hebgen						
Capital	Holter						
Capital	Morony						
Capital	Ryan						
Capital	Cochrane						
Capital	Ryan						
Capital	Madison						

