NorthWestern Energy
Delivering a Bright Future

February 27, 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 8 Data Requests (121-129)

Dear Ms. Whitney:

Enclosed for filing is a copy of NorthWestern Energy's responses to PSC Set 8 Data Requests (PSC-121-PSC-129). 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. They 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

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 PSC Set 8 Data Requests (PSC-121-PSC-129) 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 and will also be emailed to counsel of record.

Date: February 27, 2014

Nedra Chase

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 8 (121-129)

Data Requests served February 13, 2014

PSC-121

Regarding: DCF
Witness: Stimatz

a. Did NWE conduct a sensitivity analysis on either the weighted average cost of capital or the perpetual growth rate?

b. If so, please provide the work papers for each. If not, please explain why a sensitivity analysis was not conducted.

RESPONSE:

a. As described in the Stimatz Direct Testimony on pages 10 and 20 and in the Bird Direct Testimony on pages 16 to 17, NorthWestern conducted sensitivity analysis based on several factors. These factors included the weighted average cost of capital ("WACC"), the multiple applied to the Earnings Before Interest, Taxes, Depreciation, and Amortization ("EBITDA"), the transaction closing date, and the use of mid-year vs. end of year convention for cash flows. A perpetual growth rate was not used in the DCF analysis and therefore no sensitivities were calculated based on one. NorthWestern used a discount rate of 7.14%, which is near the middle of the discount rate guidance range (6.5% to 7.5%) that was received from our financial advisor, Credit Suisse. NorthWestern used a 7.5x EBITDA multiple to derive the terminal value, which was at the bottom of the 7.5x to 8.5x range provided by Credit Suisse. In addition to NorthWestern's analysis, Credit Suisse provided sensitivity analysis based on those factors as well. See also the response to part b, below.

b. See the Excel workbook in the folder labeled "PSC-121" on the attached CD, which shows the sensitivities calculated in relation to the WACC, EBITDA multiple, closing date, and cash flow timing convention.

The sensitivity analysis begins in Row 41 of the "Valuation" tab. NorthWestern calculated valuations based in a WACC range of 6.5% to 7.5% and an EBITDA multiple range of 7.5x to 8.5x for each of the four scenarios. Scenario 1 assumed a January 1, 2014 closing date and a year-end convention for cash flows. Scenario 2 assumed the same closing date and used the mid-year convention for cash flows. As described in the Bird Direct Testimony on page BBB-17, the mid-year convention is the more commonly used approach in valuation analysis. Scenario 3 assumed a closing date of July 1, 2014 and used the mid-year cash flow convention. Scenario 4 assumed an October 1, 2014 closing date and used the mid-year convention. The table below summarizes the results using the most conservative, least conservative, and mid-range assumptions for the WACC and EBITDA multiple.

PSC-121 cont'd

Sensitivity of Net Present Value				
		WACC and EBITDA Multiple Assumptions		
Closing Date	Cash Flow Convention	Most Conservative	Least Conservative	Mid-Range
1/1/2014	Year End	$ 790,304,988	$ 935,164,046	$ 858,780,764
1/1/2014	Mid-year	$ 819,405,652	$ 965,078,422	$ 888,329,730
7/1/2014	Mid-year	$ 838,044,147	$ 984,442,024	$ 907,374,679
10/1/2014	Mid-year	$ 847,617,596	$ 994,353,661	$ 917,140,094
	WACC	7.50%	6.50%	7.00%
	EBITDA Multiple	7.5	8.5	8.0

In addition, please see the working papers and Excel files submitted by Credit Suisse in the response to Data Request MCC-093 and the Attachment.

NorthWestern Energy

Comparable company trading statistics – IPPs

Cost of Capital Schedule - IPPs
Capitalization and Barra Predicted Unlevered Beta Analyses

($ in millions)

Company		Barra Predicted Beta	Market Equity	Net Debt	Enterprise Value	Debt / Non-Deductible Pref. Stock / Market Equity / Cash	Senior Unsec. Credit Ratings	Tax Rate	Unlevered Barra Predicted Beta	Enterprise value / EBITDA 2013E	Enterprise value / EBITDA 2014E	Enterprise value / EBITDA 2015E
Canadian IPPs												
Atlantic Power Corporation		1.16	$484	$2,157	$2,641	73% / 8% / 18% / 0%	B	26.5%	0.50	9.2x	8.8x	9.7x
Brookfield Renewable Energy Partners LP		0.71	6,871	7,727	14,598	47% / 6% / 47% / 0%	BBB	26.5%	0.39	15.2x	14.9x	14.7x
Capital Power Corporation		0.65	1,990	1,669	3,659	46% / 0% / 54% / 0%	BBB-	26.5%	0.40	9.0x	9.3x	7.8x
TransAlta Corporation		0.86	3,461	5,095	8,556	51% / 9% / 40% / 0%	BBB-	26.5%	0.41	8.8x	8.4x	8.4x
	Mean	**0.85**	**$3,202**	**$4,162**	**$7,364**	**48% / 5% / 43% / 0%**		**26.5%**	**0.43**	**10.5x**	**10.3x**	**10.1x**
	Median	**0.78**	**2,726**	**3,626**	**6,108**	**32% / 4% / 45% / 0%**		**26.5%**	**0.41**	**9.1x**	**9.0x**	**9.0x**
U.S. IPPs												
Calpine Corporation		1.11	$8,568	$11,020	$19,588	56% / 0% / 44% / 0%	B+	38.0%	0.61	10.4x	9.6x	9.3x
NRG Energy, Inc.		1.14	8,899	16,875	25,774	65% / 1% / 35% / 0%	BB-	38.0%	0.52	9.0x	8.2x	8.9x
Dynegy Inc.		0.96	1,937	1,296	3,233	40% / 0% / 60% / 0%	B	38.0%	0.68	13.2x	10.6x	10.1x
	Mean	**1.07**	**$6,468**	**$9,730**	**$16,198**	**60% / 1% / 40% / 0%**		**38.0%**	**0.60**	**10.9x**	**9.5x**	**9.4x**
	Median	**1.11**	**8,568**	**11,020**	**19,588**	**58% / 0% / 42% / 0%**		**38.0%**	**0.61**	**9.7x**	**8.9x**	**9.1x**
YieldCos												
NRG Yield, Inc. Class A		0.55	$1,925	$1,901	$3,826	50% / 0% / 50% / 0%	NR	38.0%	0.34	17.0x	13.3x	12.7x
Pattern Energy Group, Inc.		NA	$1,022(1)	$1,316	$2,338	56% / 0% / 44% / 0%	NR	38.0%	NA	15.5x(2)	10.9x(2)	NA
TransAlta Renewables, Inc.		0.87	$1,108	$555	$1,664	33% / 0% / 67% / 0%	NR	38.0%	0.66	9.8x	10.8x	11.0x
	Mean	**0.71**	**$1,352**	**$1,257**	**$2,609**	**48% / 0% / 52% / 0%**		**38.0%**	**0.50**	**14.1x**	**11.7x**	**11.8x**
	Median	**0.71**	**1,108**	**1,316**	**2,338**	**47% / 0% / 48% / 0%**		**38.0%**	**0.50**	**15.5x**	**10.9x**	**11.8x**
	Mean	**0.89**	**$3,626**	**$4,961**	**$8,588**	**55% / 2% / 42% / 0%**		**33.4%**	**0.50**	**11.7x**	**10.5x**	**10.3x**
	Median	**0.87**	**1,964**	**2,029**	**3,742**	**55% / 1% / 44% / 0%**		**38.0%**	**0.50**	**10.1x**	**10.1x**	**9.7x**

→ Clean generation IPP comps

Source: FactSet, Alacra, S&P, Moody's, company management as of 9/13/13.
(1) Assumes $20 per share price, the midpoint of the stated IPO offer range.
(2) Based on management estimates as filed in offering prospectus.

CREDIT SUISSE

NorthWestern Energy

WACC analysis – clean generation IPPs

Cost of Capital Schedule - IPPs
Selected Assumptions
($ in millions)

Risk-free rate
Market risk premium
Capital structure
Pre-tax cost of debt

Market Assumptions		
Risk Free Rate [1]		2.90%
Equity Market Risk Premium [2]		7.67%
Capitalization Assumptions		
	Sector	**Target**
Debt	60%	60%
Non-Deductible Preferred Stock	1%	-
Cash [3]	-	-
Subtotal	60%	60%
Equity	40%	40%
Total EV	100%	100%
Credit Rating		BB- / B
Debt Beta [4]		-

Financing and Tax Rate Assumptions (Subject Company)	
Pre-tax Cost of Debt [5]	6.00%
Non-Deductible Preferred Stock Dividend Rate	6.00%
Cash Interest Income Rate [6]	0.25%
Marginal Tax Rate [7]	38.0%
Marginal Tax Rate on Cash Interest Income [8]	-
Equity-Related Assumptions	**Subject Company**
Equity market value	$1,624
Levered Beta	1.01
Mean Unlevered Beta	0.53
Size Premium [9]	-
Political Risk Premium [10]	-

Cost of Capital Calculation - Equity Market Risk Premium / Beta Sensitivity

Cost of equity
WACC

				Equity Market Risk Premium Sensitivity					
				Cost of Equity [12]			WACC [13]		
Unlevered Beta	Debt / Non-Deductible Pref. Stock / Market Equity / Excess Cash	Levered Beta [11]	Cost of Debt	6.7%	7.7%	8.7%	6.7%	7.7%	8.7%
0.45	60% / 0% / 40% / 0%	0.87	6.00%	8.7%	9.6%	10.4%	5.7%	6.1%	6.4%
0.49	60% / 0% / 40% / 0%	0.94	6.00%	9.2%	10.1%	11.1%	5.9%	6.3%	6.7%
0.53	60% / 0% / 40% / 0%	1.01	6.00%	9.7%	10.7%	11.7%	6.1%	6.5%	6.9%
0.56	60% / 0% / 40% / 0%	1.09	6.00%	10.1%	11.2%	12.3%	6.3%	6.7%	7.2%
0.60	60% / 0% / 40% / 0%	1.16	6.00%	10.6%	11.8%	12.9%	6.5%	6.9%	7.4%

Cost of Capital Calculation - Equity Market Risk Premium / Cost of Debt Sensitivity

				Equity Market Risk Premium Sensitivity					
				Cost of Equity [12]			WACC [13]		
Unlevered Beta	Debt / Non-Deductible Pref. Stock / Market Equity / Excess Cash [14]	Levered Beta [11]	Cost of Debt	6.7%	7.7%	8.7%	6.7%	7.7%	8.7%
0.45	60% / 0% / 40% / 0%	0.87	5.00%	8.7%	9.6%	10.4%	5.3%	5.7%	6.0%
0.49	60% / 0% / 40% / 0%	0.94	5.50%	9.2%	10.1%	11.1%	5.7%	6.1%	6.5%
0.53	60% / 0% / 40% / 0%	1.01	6.00%	9.7%	10.7%	11.7%	6.1%	6.5%	6.9%
0.56	60% / 0% / 40% / 0%	1.09	6.50%	10.1%	11.2%	12.3%	6.5%	6.9%	7.3%
0.60	60% / 0% / 40% / 0%	1.16	7.00%	10.6%	11.8%	12.9%	6.9%	7.3%	7.8%

(1) 10-year U.S. Treasury yield as of 9/13/2013.
(2) Based on Credit Suisse Financial Strategy Group estimates.
(3) Assumes zero excess cash.
(4) Based on Credit Suisse Financial Strategy Group.
(5) Target marginal pre-tax cost of debt consistent with senior debt of peer companies.
(6) Based on 90-day LIBOR as of 9/13/2013.
(7) Based on "normalized / long-run" marginal tax rate.
(8) Based on marginal tax rate on interest income if different from "normalized / long-run" marginal tax rate.
(9) Based on Credit Suisse Financial Strategy Group: $0 to $170 million use 6.25% • $170 million to $270 million use 3.00% • $270 million to $300 million use 1.50% • above $300 million use 0%.
(10) Based on Credit Suisse Financial Strategy Group.
(11) Beta levered = Beta unlevered(1 + ((1 - t) * D + P + C * (1 - t') / E)) - (((1 - t) * D + P + C * (1 - t')) / E) * Beta debt.
(12) Re: Rf + Beta levered * (Rm - Rf) + Sp.
(13) WACC = (Rd * (1 - t) * D / Net Capital) + (Rp * P / Net Capital) + (Rc * (1 - t') * C / Net Capital) + Re * E / Net Capital. Net Capital = Debt + Equity + Preferred, less Cash, where Cash is excess cash not held for operating purposes.

CREDIT SUISSE

Comparable company trading statistics – regional utilities

Cost of Capital Schedule - Regional utilities
Capitalization and Barra Predicted Unlevered Beta Analyses

($ in millions)

Company	Barra Predicted Beta	Market Equity	Net Debt	Enterprise Value	Debt / Non-Deductible Pref. Stock / Market Equity / Cash	Senior Unsec. Credit Ratings	Tax Rate	Unlevered Barra Predicted Beta	Price / Earnings 2013E	Price / Earnings 2014E	Price / Earnings 2015E	Enterprise value / EBITDA 2013E	Enterprise value / EBITDA 2014E	Enterprise value / EBITDA 2015E
Regional utilities														
ALLETE, Inc.	0.74	$1,883	$1,103	$2,986	37% / 0% / 63% / 0%	BBB+	38.0%	0.54	17.2x	15.9x	14.0x	10.3x	9.0x	8.3x
Avista Corporation	0.90	$1,571	1,457	3,028	48% / 0% / 52% / 0%	BBB	38.0%	0.57	14.6x	14.1x	13.5x	7.9x	7.5x	7.1x
Black Hills Corporation	0.84	$2,167	1,314	3,481	38% / 0% / 62% / 0%	BBB-	38.0%	0.61	20.7x	19.4x	18.4x	8.4x	7.9x	7.5x
IDACORP, Inc.	0.79	$2,351	1,748	4,099	43% / 0% / 57% / 0%	BBB	38.0%	0.54	14.1x	13.8x	NA	9.3x	9.1x	NA
MDU Resources Group, Inc.	1.12	$5,082	2,053	7,135	29% / 0% / 71% / 0%	BBB+	38.0%	0.90	19.4x	17.6x	15.4x	8.6x	7.8x	7.2x
Northwest Natural Gas Company	0.66	$1,098	829	1,927	43% / 0% / 57% / 0%	A+	38.0%	0.45	18.6x	17.2x	16.3x	8.8x	8.4x	8.2x
PNM Resources, Inc.	0.84	$1,730	1,935	3,665	52% / 0% / 47% / 0%	BBB-	38.0%	0.50	15.7x	14.7x	13.1x	8.2x	7.7x	7.1x
Portland General Electric Company	0.78	$2,138	1,736	3,874	45% / 0% / 55% / 0%	BBB	38.0%	0.52	21.1x	13.2x	12.4x	7.2x	6.4x	5.8x
UNS Energy Corp	0.73	$1,883	1,841	3,724	49% / 0% / 51% / 0%	NR	38.0%	0.46	15.8x	13.2x	13.7x	7.9x	7.2x	7.2x
Westar Energy, Inc.	0.73	$3,831	3,658	7,489	49% / 0% / 51% / 0%	BBB	38.0%	0.46	14.2x	13.6x	13.3x	8.7x	8.2x	7.8x
Xcel Energy Inc.	0.75	$13,786	11,553	25,339	46% / 0% / 54% / 0%	A-	38.0%	0.49	14.5x	13.9x	13.3x	8.6x	8.1x	7.7x
Mean	**0.81**	**$3,411**	**$2,657**	**$6,068**	**44% / 0% / 56% / 0%**		**38.0%**	**0.55**	**16.9x**	**15.1x**	**14.3x**	**8.5x**	**7.9x**	**7.4x**
Median	**0.78**	**2,138**	**1,748**	**3,724**	**47% / 0% / 57% / 0%**		**38.0%**	**0.52**	**15.8x**	**14.1x**	**13.6x**	**8.6x**	**7.9x**	**7.4x**
NorthWestern Corporation	0.72	$1,624	1,152	2,777	42% / 0% / 58% / 0%	BBB	38.0%	0.50	16.5x	15.4x	14.5x	9.8x	9.0x	8.5x

Source: FactSet, Alacra, S&P, Moody's, company management as of 9/13/13.

NorthWestern Energy

WACC analysis – regional utilities

Cost of Capital Schedule - Regional Utilities
Selected Assumptions
($ in millions)

Risk-free rate

Market risk premium

Capital structure

Pre-tax cost of debt

Market Assumptions	Sector	Target
Risk Free Rate [1]		2.90%
Equity Market Risk Premium [2]		7.67%
Capitalization Assumptions		
Debt	44%	58%
Non-Deductible Preferred Stock	0%	–
Cash [3]	–	–
Subtotal	44%	58%
Equity	56%	42%
Total EV	100%	100%
Credit Rating		BBB / BBB
Debt Beta [4]		

Financing and Tax Rate Assumptions (Subject Company)	
Pre-tax Cost of Debt [5]	4.50%
Non-Deductible Preferred Stock Dividend Rate	4.50%
Cash Interest Income Rate [6]	0.25%
Marginal Tax Rate [7]	38.0%
Marginal Tax Rate on Cash Interest Income [8]	–

Equity-Related Assumptions	Subject Company
Equity market value	$1,624
Levered Beta	0.93
Mean Unlevered Beta	0.50
Size Premium [9]	–
Political Risk Premium [10]	–

Cost of Capital Calculation - Equity Market Risk Premium / Beta Sensitivity

Cost of equity

WACC

				Equity Market Risk Premium Sensitivity					
				Cost of Equity [12]			WACC [13]		
Unlevered Beta	Debt / Non-Deductible Pref. Stock / Market Equity / Excess Cash	Levered Beta [11]	Cost of Debt	6.7%	7.7%	8.7%	6.7%	7.7%	8.7%
0.45	58% / 0% / 42% / 0%	0.84	4.50%	8.5%	9.3%	10.1%	5.2%	5.5%	5.9%
0.48	58% / 0% / 42% / 0%	0.88	4.50%	8.8%	9.7%	10.5%	5.3%	5.7%	6.1%
0.50	58% / 0% / 42% / 0%	0.93	4.50%	9.1%	10.0%	10.9%	5.4%	5.8%	6.2%
0.53	58% / 0% / 42% / 0%	0.97	4.50%	9.4%	10.3%	11.3%	5.6%	6.0%	6.4%
0.55	58% / 0% / 42% / 0%	1.02	4.50%	9.7%	10.7%	11.7%	5.7%	6.1%	6.6%

Cost of Capital Calculation - Equity Market Risk Premium / Cost of Debt Sensitivity

				Equity Market Risk Premium Sensitivity					
				Cost of Equity [12]			WACC [13]		
Unlevered Beta	Debt / Non-Deductible Pref. Stock / Market Equity / Excess Cash [10]	Levered Beta [11]	Cost of Debt	6.7%	7.7%	8.7%	6.7%	7.7%	8.7%
0.45	58% / 0% / 42% / 0%	0.84	3.50%	8.5%	9.3%	10.1%	4.8%	5.2%	5.5%
0.48	58% / 0% / 42% / 0%	0.88	4.00%	8.8%	9.7%	10.5%	5.1%	5.5%	5.9%
0.50	58% / 0% / 42% / 0%	0.93	4.50%	9.1%	10.0%	10.9%	5.4%	5.8%	6.2%
0.53	58% / 0% / 42% / 0%	0.97	5.00%	9.4%	10.3%	11.3%	5.8%	6.2%	6.6%
0.55	58% / 0% / 42% / 0%	1.02	5.50%	9.7%	10.7%	11.7%	6.1%	6.5%	6.9%

(1) 10-year U.S. Treasury yield as of 9/13/2013.
(2) Based on Credit Suisse Financial Strategy Group estimates.
(3) Assumes zero excess cash.
(4) Based on Credit Suisse Financial Strategy Group.
(5) Target marginal pre-tax cost of debt consistent with senior unsecured debt of peer companies.
(6) Based on 90-day LIBOR as of 9/13/2013.
(7) Based on "normalized / long-run" marginal tax rate.
(8) Based on marginal tax rate on interest income if different from "normalized / long-run" marginal tax rate.
(9) Based on Credit Suisse Financial Strategy Group: $0 to $170 million use 6.25% • $170 million to $270 million use 3.00% • $270 million to $300 million use 1.50% • above $300 million use 0%.
(10) Based on Credit Suisse Financial Strategy Group.
(11) Beta levered = Beta unlevered(1 + ((1 - t) * D + P + C * (1 - t') / E)) - (((1 - t) * D + P + C * (1 - t')) / E) * Beta debt.
(12) Re: Rf + Beta levered * (Rm - Rf) + Sp.
(13) WACC = (Rd * (1 - t) * D / Net Capital) + (Rp * P / Net Capital) + (Rc * (1 - t') * C / Net Capital) + Re * E / Net Capital. Net Capital = Debt + Equity + Preferred, less Cash, where Cash is excess cash not held for operating purposes.

CREDIT SUISSE

PSC-122

Regarding: EBITDA
Witness: Bird

a. Did NWE account for cash required to fund working capital and replace old equipment in the EBITDA calculation?

b. If yes, how? If no, why not?

c. Does NWE have a standard input model to calculate EBITDA? If so, please provide the inputs NWE uses consistently.

RESPONSE:

a. To the extent future replacement of equipment, inventory, and consumables are operating expenses, they are accounted for in EBITDA through NorthWestern's projection of future O&M expenses. To the extent capital equipment will be replaced, it would not be accounted for in EBITDA but rather through NorthWestern's projection of future capital expenditures. NorthWestern did not account for cash required to fund working capital in EBITDA.

b. Changes in working capital would be accounted for in the calculation of operating cash flow and is not typically accounted for in EBITDA.

c. EBITDA is a non-GAAP accounting term that means Earnings Before Interest, Taxes, Depreciation and Amortization. It is derived from information on the income statement.

PSC-123

Regarding: Financial Models
Witness: Meyer

a. Travis E. Meyer's pre-filed direct testimony page 5, lines 7-10 mentions intangible factors. Is there an approximate percentage demonstrating to what extent these factors could impact the model?

b. Please provide the work papers NWE used to account for these factors.

RESPONSE:

a. The "intangible factors" (or referred to as "less quantifiable" factors in the pre-filed direct testimony referenced above) were intended to relate to all the potential items that could impact the forward market curve and the comparisons that are made to it within the LT Rev Req Model (30 Year NPV of rev req or levelized price comparisons). With an unlimited number of potential outcomes to future power prices, I am not able to provide an approximate percentage demonstrating to what extent these factors could impact the model.

b. As indicated in the testimony referenced above, the LT Rev Req Models were not intended to account for these intangible (less quantifiable) factors and therefore does not have workpapers developed.

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PSC-124

Regarding: DCF
Witness: Stimatz

a. What value drivers were combined to reach the estimated market multiplier used for the terminal value in Exhibit_ (JMS-1)?

b. Please identify the peer group used in estimating the market multipliers.

c. Please provide the work papers used by NWE and Credit Suisse to develop the market multipliers.

RESPONSE:

a. The terminal value EBITDA multiplier was informed by the guidance provided by our financial advisor, Credit Suisse. NorthWestern used a 7.5x EV/EBITDA multiple to derive the terminal value, which was at the bottom of the 7.5x to 8.5x range provided by Credit Suisse. Its range was driven by analysis of the long-term average EV/EBITDA multiples for various power generation companies. Current trading EV/EBITDA multiples were also evaluated to inform the reasonableness of the range selected.

b. Credit Suisse's analysis included the following U.S. power companies:
   - AES Corp
   - Calpine
   - Dynegy
   - NRG Energy
   - NRG Yield
   - Pattern Energy Group
   - Genon (For historical trading analysis, merged with NRG in 2012)
   - Mirant (For historical trading analysis, merged with Genon in 2010)

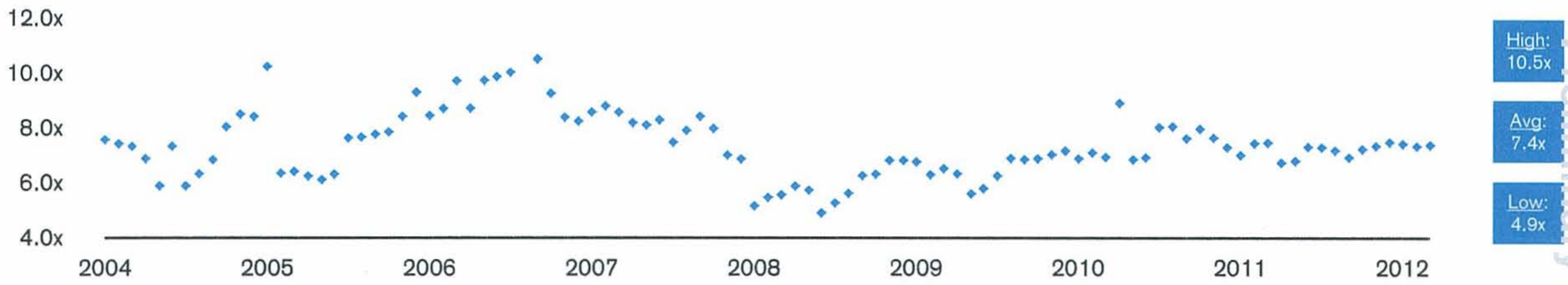
   Credit Suisse's analysis included the following Canadian power companies:
   - Atlantic Power
   - Brookfield Renewable Energy Partners
   - Capital Power
   - TransAlta Corporation
   - TransAlta Renewables

c. Please see AM-Exhibit 1 attached to the Prefiled Direct Testimony of Ahmad Masud and the Attachment.

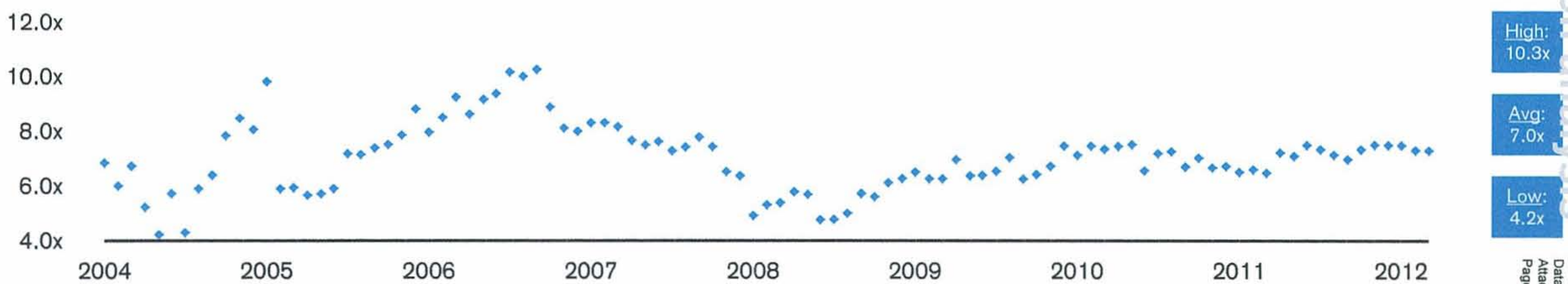
Forward EV/EBITDA multiples for select independent power producers

NorthWestern Energy

Average 1 year forward EV/EBITDA multiples



Average 2 year forward EV/EBITDA multiples



Preliminary valuation analysis

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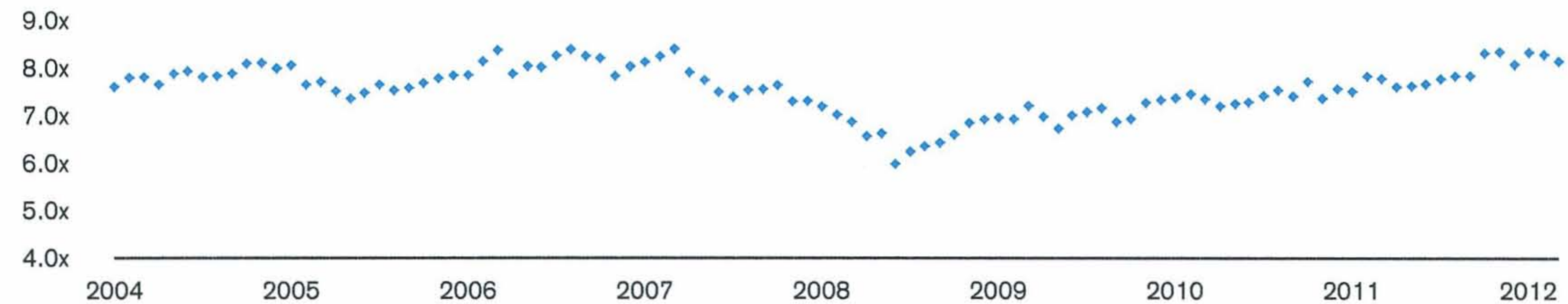
Source: FactSet.
Note: Charts represent the historic arithmetic average 1-year and 2-year forward EV/EBITDA multiples of the independent power producers, NRG, GEN, MIR, AES, CPN.
Prior to 2004, incomplete data.

CREDIT SUISSE

Forward EV/EBITDA multiples for the S&P 500 Utility index

NorthWestern Energy

Average 1-year forward EV/EBITDA multiples

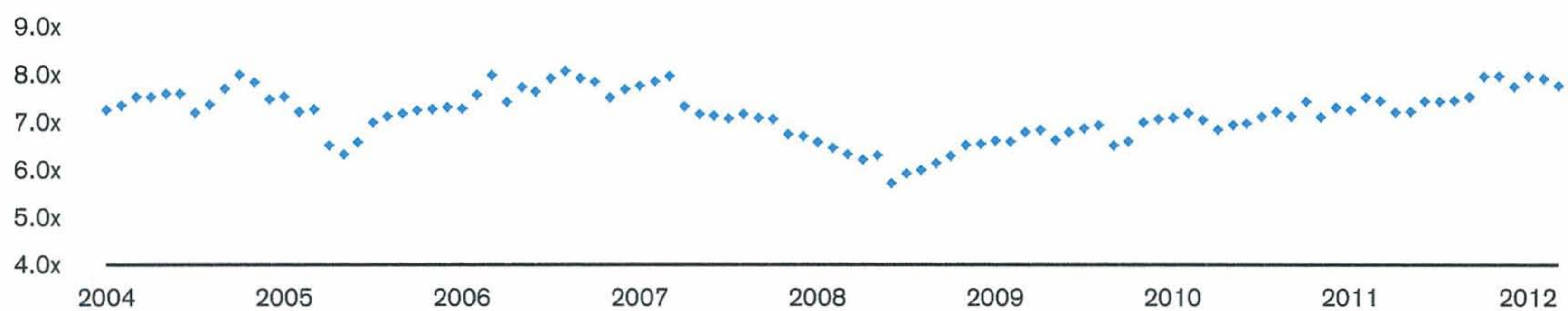


High: 8.4x

Avg: 7.6x

Low: 6.0x

Average 2-year forward EV/EBITDA multiples



High: 8.1x

Avg: 7.2x

Low: 5.7x

Preliminary valuation analysis

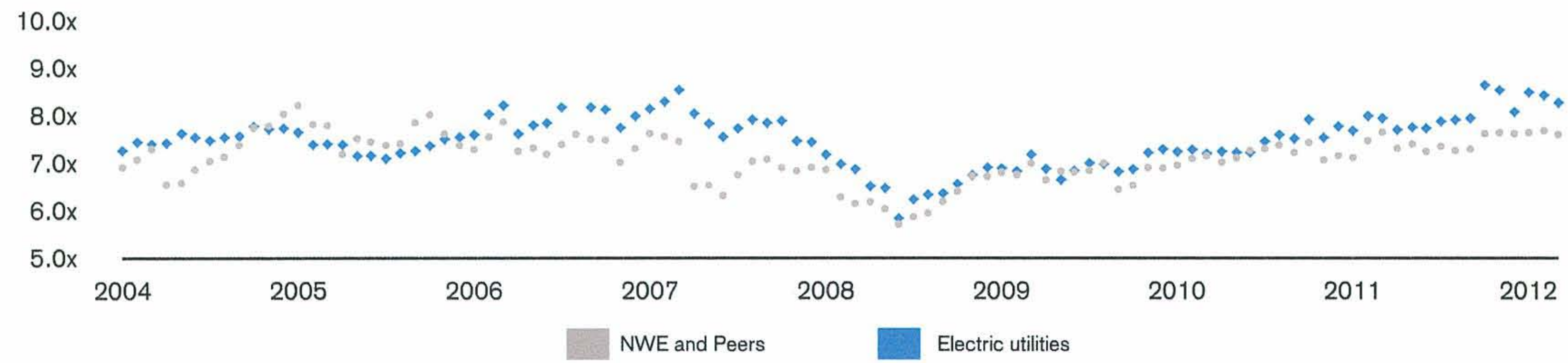
Source: FactSet.
Note: Charts represent the historic arithmetic average 1-year and 2-year forward EV/EBITDA multiples of the components of the S&P 500 utility index which is comprised of 31 gas and electric utilities.
Prior to 2004, incomplete data.

CREDIT SUISSE

Forward EV/EBITDA multiples for the S&P 500 Electric Utility Index and NWE and Peers

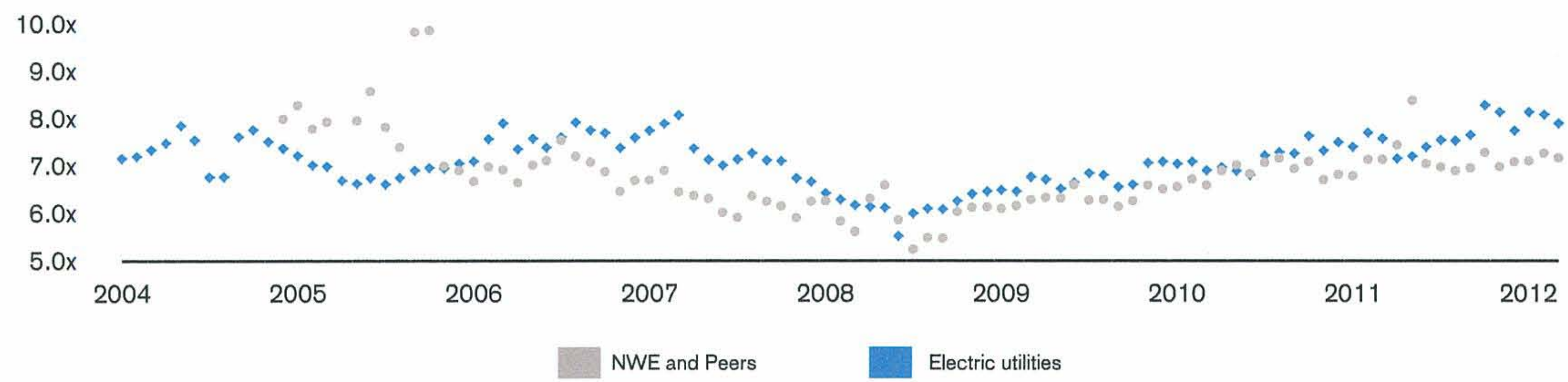
NorthWestern Energy

Average 1-year forward EV/EBITDA multiples



	Electric utilities	NWE & peers
High:	8.7x	8.[illegible]x
Avg:	7.5x	[illegible]x
Low:	5.8x	[illegible]x

Average 2-year forward EV/EBITDA multiples



	Electric utilities	NWE & peers
High:	8.3x	9.[illegible]x
Avg:	7.1x	6.[illegible]x
Low:	5.5x	5.2x

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CREDIT SUISSE

Source: FactSet.
Note: Charts represent the historic arithmetic average 1-year and 2-year forward EV/EBITDA multiples of the components of each index:
Electric utilities include the following companies: AEP, DUK, EIX, ETR, EXC, FE, NEE, NU, PNW, POM, PPL, SO, XEL.
NWE and peers include the following companies: NWE, POR, AVA, IDA, NVE, ALE, MDU, BKH.
Prior to 2004, incomplete data.

PSC-125

Regarding: Terminal Value
Witness: Stimatz

a. What if any sensitivity analyses were performed on the perpetual growth rate used in determining the terminal value in Exhibit_ (JMS-1)? If not, why?

b. Please provide electronic copies of the sensitivity analysis if it was performed.

RESPONSE:

a. A perpetual growth rate was not used in the estimation of a terminal value in Exhibit__(JMS-1). NorthWestern used an EBITDA multiple to estimate terminal value. Please see also the response to Data Request PSC-121.

b. Please see the response to Data Request PSC-121.

PSC-126

Regarding: DCF
Witness: Stimatz

What peer group did Credit Suisse use to determine the WACC? Please provide any and all work papers used by Credit Suisse to determine the recommended WACC.

RESPONSE:

Please see page 17 of AM-Exhibit 1 attached to the Prefiled Direct Testimony of Ahmad Masud and the Attachment to Data Request PSC-121b.

PSC-127

Regarding: Precedent Utility Transactions
Witness: Masud

a. Atlantic Power Corporation's Barra Predicted Beta seems high compared to the other three companies listed in the data set. Why would this company not be considered an outlier? (AM Exhibit 1 page 17 of 26).

b. Brookfield Renewable Energy Partners LP's enterprise value/EBITDA seems high as compared to the other three companies listed in the data set. Why would this company not be considered an outlier? (AM Exhibit 1 page 17 of 26).

RESPONSE:

a. Atlantic Power's Barra Predicted Beta reflects its high leverage relative to the other companies listed in the data set. Once adjusted for leverage (see unlevered Beta column), its unlevered Beta is similar that of other power companies listed on the page (including Canadian IPPs, US IPPs, and YieldCos).

b. While the Brookfield Renewable Energy Partners' (BREP) EV/multiples are higher than the multiples for the rest of the companies shown on AM Exhibit 1 page 17, BREP was not removed from the table shown on AM Exhibit 1 page 17 for the following reasons:

1. AM Exhibit 1 page 17 of 26 presents all the relevant trading statistics of various power companies considered in Credit Suisse's weighted average cost of capital and EV/EBITDA analyses. Power companies that own clean generation were highlighted to demonstrate that, on average, they trade at higher multiples. While BREP's higher EV/multiples were informative data points, they were not the primary driver for the range of EV/EBITDA multiples ultimately selected. Credit Suisse's EV/EBITDA range of 7.5x to 8.5x was driven primarily by its analysis of historical long-term average EV/EBITDA multiples of independent power producers. Given the long-date forecast used for the DCF analysis and taking into consideration the volatility of commodity price markets—a driver of valuation for power companies—Credit Suisse considered the long-term average EV/EBITDA multiples to be more appropriate than current trading multiples in estimating the terminal value. (Please refer to materials submitted by Credit Suisse on analysis of historical IPP EV/EBITDA multiples attached to Data Request PSC-124c.)

PSC-127 cont'd

2. BREP, as a power company that primarily owns renewable generation, of which a significant portion consists of hydroelectric generation assets, was considered a relevant comparable to the Hydros. Its unlevered beta was considered in formulating a range of betas for Credit Suisse's weighted average cost of capital analysis.

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PSC-128

Regarding: Revenue Requirement
Witness: DiFronzo

Please explain the difference in the revenue requirement used in Exhibit_ (PZD-1) page 1 of 12 to the revenue requirement used in Exhibits (TEM-1) and (TEM-2).

RESPONSE:

The differences between the revenue requirement used in Exhibit__(PJD-1) and Exhibit__(TEM-1) are described in Meyer Direct Testimony on pages TEM-15 through TEM-17, line 3. Exhibit__(TEM-2) reflects the updates to the first year revenue requirement as reflected in Exhibit__(PJD-1) except for the differences described on pages TEM-17 through TEM-18, line 16.

PSC-129

Regarding: Blackstone
Witness: Bird

a. Did NWE consult with any other entities besides Blackstone for a fairness opinion? If not, why?

b. Does Blackstone or any member of the work team assigned to Project Mustang have any affiliation to or financial interest in the transaction?

RESPONSE:

a. Yes. Four parties bid to provide a fairness opinion for the Board of Directors, but only one, Blackstone, was selected to provide an opinion.

b. No. Neither Blackstone nor any member of its work team has a financial interest in the transaction.