



February 28, 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)
2ND UPDATE TO MCC-006

Dear Ms. Whitney:

Enclosed for filing is a copy of NorthWestern Energy's 2nd update to MCC-006 in MCC Set 1 listed above. A hard copy will be mailed to the most recent service list in this Docket this date. This updated response 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,

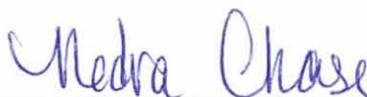
Nedra Chase
Administrative Assistant
Regulatory Affairs

NC/nc
CC: Service List

CERTIFICATE OF SERVICE

I hereby certify that a copy of NorthWestern Energy's 2nd updated response to MCC-006, in MCC Set 1 (001-015) data requests in Docket D2013.12.85 (PPLM Hydro Assets Purchase), 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. A copy will also be emailed to counsel of record.

Date: February 28, 2014

A handwritten signature in blue ink that reads "Nedra Chase". The signature is written in a cursive style and is positioned above a horizontal line.

Nedra Chase
Administrative Assistant
Regulatory Affairs

**Docket No D2013.12.85
Hydro Assets Purchase
Service List**

Joe Schwartzenberger
NorthWestern Energy
40 E Broadway
Butte MT 59701

Patrick R Corcoran
NorthWestern Energy
40 E Broadway
Butte MT 59701

Nedra Chase
NorthWestern Energy
40 E Broadway
Butte MT 59701

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

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

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

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

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

Albert E Clark
2871 Conway Rd. 127
Orlando FL 32815

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

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

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

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

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

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

Charles Magraw
501 8th Ave
Helena MT 59601

Dr Thomas Power
920 Evans
Missoula MT 59801

Fred Szufnarowski
Essex Partnership, LLC
65 Main St. Suite 22
Ivoryton, CT 06442

NorthWestern Energy
Docket D2013.12.85
PPLM Hydro Assets Purchase

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

Data Requests received January 3, 2014

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.

NorthWestern Energy
Docket D2013.12.85
PPLM Hydro Assets Purchase

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

Data Requests received January 3, 2014

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.

UPDATED RESPONSE (February 18, 2014):

NorthWestern believes it has provided a full and reasonable response to the request made for "due diligence analysis" with the documents that it provided on January 24, 2014. It is, however, providing additional information in this response to address the specific concerns raised by MCC, which NorthWestern believes will confirm that the produced materials contain all of the requested information. NorthWestern is also producing additional documents with this response that were prepared by NorthWestern's outside advisor, Credit Suisse, (with 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. (See documents in the folder labeled "MCC-006" on the attached CD.) NorthWestern has produced documents and answers in response to other data requests that asked for specific documents that would also be responsive to this question. In addition, the privilege logs reflect the legal work conducted by outside counsel on matters such as environmental risk and FERC issues. NorthWestern's response to this data request should be read in conjunction with all of the other documents it has produced.

To date, NorthWestern has responded to this request by producing all non-privileged documents relating to the potential acquisition of PPLM's hydroelectric properties considered by NorthWestern's Board of Directors. These documents include "the final versions of documents prepared either internally or by NorthWestern's outside advisors (with 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's January 24, 2014 response.) NorthWestern has produced all due diligence analysis – in fact, all documents of any kind relating to PPLM's hydro properties – provided to its Board of Directors from October 24, 2012 – the first meeting when the Board discussed the potential acquisition of PPLM's hydroelectric properties – through September 26, 2013, when NorthWestern formalized its decision to acquire the hydroelectric properties through

NorthWestern Energy
Docket D2013.12.85
PPLM Hydro Assets Purchase

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

Data Requests received January 3, 2014

MCC-006 cont'd

the signing of the Purchase and Sale Agreement. The Board of Directors was the decision-maker in this case and so it was imperative that they receive the due diligence analysis to fulfill their fiduciary duty. The Board materials provided the final analysis of NorthWestern and its outside advisors on the key issues. It thus seems reasonable to define “due diligence analysis” in terms of the documents provided to the Board.

MCC, however, contends NorthWestern’s response is insufficient for four reasons. NorthWestern is prepared to address each of these concerns.

First, MCC notes NorthWestern’s extensive discussion in its prefiled testimony of its due diligence efforts and calls particular attention to the testimony of William T. Rhoads regarding “the due diligence process” (page 7, line 1) and the reference in a question to “due diligence analysis” (page 12, line 13). MCC seems to be suggesting that the due diligence analysis relating to some or all of the matters discussed in Mr. Rhoads’ testimony was not among the Board materials. This is not the case. Mr. Rhoads’ testimony focused only on certain aspects of NorthWestern’s due diligence – operations, maintenance, engineering and environmental – and the due diligence analysis on all of these matters was provided to the Board. In fact, the due diligence analysis provided to the Board went far beyond the technical and environmental issues discussed in Mr. Rhoads’ testimony and covered other matters such as valuation and business operations.

Second, MCC contends NorthWestern should not limit its response to information provided by PPLM. NorthWestern does not attempt to do so. As indicated in the Company’s January 24th response, NorthWestern has produced documents prepared internally or by the Company’s outside advisors analyzing information and data *collected through NorthWestern’s own investigations*, as well as provided by PPLM. Examples include NorthWestern’s internal assessment of the risks and benefits associated with both the first proceeding, Mustang I, and the second, Mustang II. These assessments are based on internal expertise and judgment, coupled with the conducted due diligence.

Third, MCC objects to NorthWestern limiting its response to documents prepared between October 24, 2012 and September 26, 2013. As explained above, however, there was no due diligence analysis – in fact, no documents of any kind relating to the potential acquisition of PPLM’s hydro properties – submitted to the Board before October 24, 2012. NorthWestern has limited the end date for production to September 26, 2013 as that is the date on which the Board made its decision.

NorthWestern Energy
Docket D2013.12.85
PPLM Hydro Assets Purchase

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

Data Requests received January 3, 2014

MCC-006 cont'd

Fourth, MCC claims NorthWestern is inappropriately withholding documents prepared by Credit Suisse. NorthWestern is producing those materials today, after having obtained consent from Credit Suisse.

The MCC has not identified any specific documents, or even types of document, that NorthWestern has failed to produce. The Board materials contain the due diligence analysis developed by NorthWestern and its outside advisors. MCC does not directly dispute this point but seems to be concerned that the Company is withholding some of the documents provided to the Board because they were generated before October 24, 2012 or were based on information and data collected through NorthWestern's own investigations. As explained above, this is not the case. In addition, when you consider the entirety of NorthWestern's production, the Company's response to this request is reasonable, even under a very broad definition of "due diligence analysis." If after considering this response MCC continues to find NorthWestern's production to be insufficient, the Company is prepared to entertain additional requests for specific documents.

SECOND UPDATED RESPONSE (February 28, 2014):

A protected CD containing the unredacted version of the 422-page document provided on CD in the initial response to this request on January 24, 2014 has been provided to the Commission and the parties who signed the appropriate non-disclosure agreements pursuant to Protective Order Nos. 7323, 7323a, and 7323f. The only redactions that remain in this document pertain to not relevant and privileged information.