



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  
PSC Set 1 Data Requests (001-035)  
**UPDATED RESPONSE to PSC-001, 2<sup>nd</sup> UPDATED RESPONSE to PSC-018a**

Dear Ms. Whitney:

Enclosed for filing is a copy of NorthWestern Energy's updated responses to PSC-001 and PSC-018a in PSC Set 1. A hard copy will be mailed to the most recent service list in this Docket 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 Schwartzberger at 406 497-3362.

Sincerely,

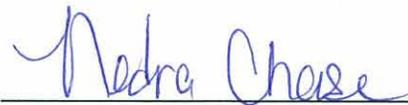
Nedra Chase  
Administrative Assistant  
Regulatory Affairs

NC/nc  
CC: Service List

**CERTIFICATE OF SERVICE**

I hereby certify that a copy of NorthWestern Energy's updated responses to PSC-001 and PSC-018a in PSC Set 1 in Docket D2013.12.85, the 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. They will also be emailed to counsel of record.

Date: February 28, 2014



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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-001      Regarding:    Confidential Information Memorandum  
                  Witness:      Rowe

Please provide the Seller's Confidential Information Memorandum referred to at TEM-7:13-14 and on JMS:7 and JMS:14. If NWE believes a new Protective Order is necessary for this material, please provide, simultaneously with a Motion for Protective Order by the response deadline, a redacted copy of the CIM that includes that information for which protection is not sought.

RESPONSE (January 17, 2014):

On January 10, 2013, NorthWestern filed two motions for protective order regarding certain information contained within the Seller's Confidential Information Memorandum (CIM). A redacted public version of this CIM was provided with both motions, and it is attached here as well.

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

In the event that the Commission does not grant the protective orders 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.

UPDATED RESPONSE (February 28, 2014):

Please note that the protected pages of this Attachment were provided on yellow paper on January 27, 2014, to the Commission and to the parties who signed the appropriate non-disclosure agreements pursuant to Protective Order Nos. 7323c and 7323d.

**NorthWestern Energy**  
**Docket D2013.12.85**  
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**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.

SECOND UPDATED RESPONSE (February 28, 2014):

- a. Please note that the protected version of this Attachment was provided on yellow paper on January 29, 2014 to the Commission and to the parties who signed the appropriate non-disclosure agreement pursuant to Protective Order No. 7323e.