



March 21, 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 7 Data Requests (104-120)
UPDATED RESPONSES TO PSC-104, PSC-105, PSC-106,
PSC-107 (parts b. through e.) and PSC-108 (parts b. through e.)

Dear Ms. Whitney:

Enclosed for filing is a copy of NorthWestern Energy's updated responses to PSC Set 7 Data Requests listed above. 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 updated 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,

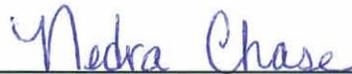
Nedra Chase
Administrative Assistant
Regulatory Affairs

NC/nc
CC: Service List

CERTIFICATE OF SERVICE

I hereby certify that a copy of NorthWestern Energy's updated responses to PSC Set 7 Data Requests PSC-104, PSC-105, PSC-106, PSC-107 (parts b. through e.), PSC-108 (parts b. through e.) in Docket D2013.12.85, in 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. They will also be emailed to counsel of record.

Date: March 21, 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 7 (104-120)

Data Requests served February 6, 2014

PSC-104

Regarding: Coal Asset Valuation
Witness: Barnes, parts a & b / Stimatz, parts c, d, & e

- a. Please describe and provide sources for all costs shown in the Colstrip 1&2 O&M, Colstrip 3 O&M, and Corette O&M tabs of the Excel spreadsheet provided in response to PSC-066. If you employed models to estimate these costs, please describe in detail the inputs and calculations performed. If the costs were estimated by PPL, please provide the source documents.
- b. Please describe and provide sources for all capital expenditures shown in the Thermal CapEx tab of the Excel spreadsheet provided in response to PSC-066. If you employed models to estimate these expenditures, please describe in detail the inputs and calculations performed. If the costs were estimated by PPL, please provide the source documents.
- c. Please describe and provide sources for all expenditures shown in the G&A, Contingency Items tab of the Excel spreadsheet provided in response to PSC-066. If you employed models to estimate these expenditures, please describe in detail the inputs and calculations performed. If the costs were estimated by PPL, please provide the source documents.
- d. Please describe the derivation of the values found in cells D:4, D:5, and D:6 of the Valuation tab of the PSC-066 spreadsheet. Why are these values not linked (iteratively) to the net present values found in cells H:4-6 of the same sheet?
- e. Please provide evidence and reasoning to support NorthWestern's assumptions of service termination at Corette in 2016, and Colstrip 1&2 in 2032.

RESPONSE:

- a. On February 18, 2014, NorthWestern objected to this data request. NorthWestern will respond, if necessary, after the Commission has ruled on the objection.
- b. On February 18, 2014, NorthWestern objected to this data request. NorthWestern will respond, if necessary, after the Commission has ruled on the objection.
- c. On February 18, 2014, NorthWestern objected to this data request. NorthWestern will respond, if necessary, after the Commission has ruled on the objection.

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Data Requests served February 6, 2014

PSC-104 cont'd

- d. On February 18, 2014, NorthWestern objected to this data request. NorthWestern will respond, if necessary, after the Commission has ruled on the objection.
- e. On February 18, 2014, NorthWestern objected to this data request. NorthWestern will respond, if necessary, after the Commission has ruled on the objection.

UPDATED RESPONSE (March 21, 2014):

- a. The inputs supporting the data for the O&M expenses in the referenced model were destroyed in accordance with the Confidentiality Agreement (CA) with PPL. However, PPL documents were used to provide the basis for the inputs. To that end, when data was not available to input, a simple escalation was employed to predict the future years.
- b. See the response to Data Request PSC-092, parts a and b.
- c. The expenses shown for the Black Eagle and Thompson Falls contingencies in rows 8 and 9 are NorthWestern's estimates as described in the Rhoads Direct Testimony on pages 43-44 and in the responses to Data Requests PSC-031 and PSC-080. The Marketing Expense, Hydro Direct G&A, and Thermal Direct G&A in rows 22-24 come from PPLM's financial models that were provided in the data room. The Third Party Operator expense is NorthWestern's estimate of the cost of contracting with a third party to operate the Colstrip plants.
- d. The values in D4, D5, and D6 are approximations of the asset valuations calculated in H4:H6. They are not linked to calculate iteratively due to modeling choice.
- e. The assumption regarding Corette was consistent with PPLM's public statements that the plant will be mothballed in April 2015. The assumption with regard to Colstrip 1 & 2 was not specific to any particular source. The planning horizon used in the DCF modeling was 20 years, and decommissioning costs were included for Colstrip 1 & 2 in the last year of that horizon. It should also be noted that the model provided in response to Data Request PSC-066 represents the state of the DCF modeling as of June 24, 2013, but since NorthWestern decided around that time not to bid on the coal assets, a final valuation for the purpose of bidding on the coal plants was not completed.

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PSC-105

Regarding: Coal Asset Valuation
Witness: Meyer, parts a & c / Barnes, part b

- a. Please describe and provide sources for all costs reflected in the NWE Energy Supply estimates of coal asset cost of sales; as found in rows 15, 25, 35, and 55 of the Thermal Var COS tab of the conforming bid Excel spreadsheet provided in response to PSC-003. If you employed models to estimate these costs, please describe in detail the inputs and calculations performed. If some of the costs were estimated by PPL, please provide the source documents.
- b. Why did NorthWestern choose to use its own estimates regarding the coal asset cost of sales rather than the "CIM" estimates displayed in rows 14, 24, 34, and 54 of the tab referenced in (a)?
- c. Please provide the source of the estimates referenced in (b).

RESPONSE:

- a. On February 18, 2014, NorthWestern objected to this data request. NorthWestern will respond, if necessary, after the Commission has ruled on the objection.
- b. On February 18, 2014, NorthWestern objected to this data request. NorthWestern will respond, if necessary, after the Commission has ruled on the objection.
- c. On February 18, 2014, NorthWestern objected to this data request. NorthWestern will respond, if necessary, after the Commission has ruled on the objection.

UPDATED RESPONSE (March 21, 2014):

- a. Although the models provided in response to Data Request PSC-003 were from the January 2013 bid process, the cost of sales estimates as found in rows 15, 25, 35 and 55 of the Thermal Var COS tab were copied from the DCF Analysis Models utilized during that same time period but subsequently destroyed per the Confidentiality Agreement. However, these same cost of sales estimates can be seen in the DCF Analysis Model as provided in response to Data Request PSC-066 from the July 2013 bid process on line 14 of tabs Colstrip 1&2 O&M, Colstrip 3 O&M and Corette O&M. As such, please see the response to Data Request PSC-104a regarding availability of the source documents.

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PSC-105 cont'd

- b. The inputs supporting the data for the "Var COS" tab were destroyed in accordance with the CA with PPL. However, PPLM included the entire cost of fuel at Colstrip as variable, and the fuel contracts are such that a portion of those costs are actually fixed. NorthWestern made an adjustment to account for that in order to better predict dispatch rate. The differences for Corette were differences seen in the actual fuel contract for Corette as opposed to values in the CIM.
- c. The "CIM" estimates displayed in rows 14, 24, 34 and 54 of the Thermal Var COS tab were copied from the seller's thermal and hydro financial model, lines 40-44 of tabs Unit 1, Unit 2, Unit 3 and Corette CONSOLIDATED.

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Public Service Commission (PSC)
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PSC-106

Regarding: Coal Asset Valuation
Witnesses: Meyer, parts a & c / Stimatz, parts b & c

- a. Is the coal asset (Corette, Colstrip 1&2, Colstrip 3) cost and production information found in the conforming bid spreadsheet provided in response to PSC-003 consistent with the full information that NorthWestern had received prior to July 1, 2013? If not, please explain inconsistencies and deficiencies.
- b. Is the coal asset cost and production information found in the spreadsheet provided in response to PSC-066 consistent with the full information that NorthWestern had received prior to July 1, 2013? If not, please explain inconsistencies and deficiencies.
- c. Please remedy any inconsistencies and deficiencies in the PSC-003 and PSC-066 spreadsheets by providing data to support all relevant model inputs that are consistent with full information as of July 1, 2013.

RESPONSE:

- a. On February 18, 2014, NorthWestern objected to this data request. NorthWestern will respond, if necessary, after the Commission has ruled on the objection.
- b. On February 18, 2014, NorthWestern objected to this data request. NorthWestern will respond, if necessary, after the Commission has ruled on the objection.
- c. On February 18, 2014, NorthWestern objected to this data request. NorthWestern will respond, if necessary, after the Commission has ruled on the objection.

UPDATED RESPONSE (March 21, 2014):

- a. The cost and production information found in the conforming bid spreadsheet provided in response to Data Request PSC-003 was from the January 2013 bid process so it would not have contained the “full information” NorthWestern had received up to the July 1, 2013 time frame, such as the planned termination of the sale-leaseback agreement that became known in early May 2013. However, since the inputs into the LT Rev Req Model that was provided in response to Data Request PSC-003 were from sources that were destroyed according to the Confidentiality Agreement, I am not able to provide a reconciliation of the “inconsistencies and deficiencies.”

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PSC-106 cont'd

- b. As previously described, there were many potential future costs and risks that were not quantified in the DCF model but were important factors in NorthWestern's bid decision. The information in the model represents NorthWestern's estimates at the time for purposes of DCF analysis. The exception is that, as noted in the response to Data Request PSC-093b, the carbon expense in the model was reflective of the carbon assumptions from the 2011 Electricity Supply Resource Procurement Plan and was lower than the carbon cost assumption from the 2013 Plan. Please also see the response to Data Request PSC-141, parts c and d.
- c. See the response to parts a and b, above.

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Public Service Commission (PSC)
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Data Requests served February 6, 2014

PSC-107

Regarding: Ongoing Litigation at Flathead Lake
Witness: DiFronzo

It was indicated in the Due Diligence Report that there is ongoing litigation with respect to shoreline erosion around Flathead Lake and the maintenance of lake levels controlled by Kerr Dam. *See Mattson v. Mont. Power Co.*, 2012 MT 318, 368 Mont. 1.

- a. Please identify and describe any costs related to this litigation that NorthWestern is proposing to include in rates in this proceeding.
- b. Assuming NorthWestern acquires PPL's hydroelectric facilities, please indicate whether NorthWestern will seek to recover any costs related to this litigation from customers if the Plaintiffs (i.e., landowners with properties on the shores of Flathead Lake) ultimately prevail.
- c. With respect to subpart b., please identify and describe the costs that NorthWestern will seek to recover through rates.
- d. Assuming NorthWestern acquires PPL's hydroelectric facilities, please indicate whether NorthWestern will seek to recover any costs related to this litigation from customers if the Defendants ultimately prevail, or if the parties ultimately settle.
- e. With respect to subpart d., please identify and describe the costs that NorthWestern will seek to recover through rates.

RESPONSE:

- a. There are none.
- b. On February 18, 2014, NorthWestern objected to this data request. NorthWestern will respond, if necessary, after the Commission has ruled on the objection.
- c. On February 18, 2014, NorthWestern objected to this data request. NorthWestern will respond, if necessary, after the Commission has ruled on the objection.
- d. On February 18, 2014, NorthWestern objected to this data request. NorthWestern will respond, if necessary, after the Commission has ruled on the objection.

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Data Requests served February 6, 2014

PSC-107 cont'd

- e. On February 18, 2014, NorthWestern objected to this data request. NorthWestern will respond, if necessary, after the Commission has ruled on the objection.

UPDATED RESPONSE (March 21, 2014):

- b. NorthWestern will make that determination at the time we file a future general rate case if there are any such costs.
- c. See the response to part b, above.
- d. NorthWestern will make that determination at the time we file a future general rate case if there are any such costs.
- e. See the response to part d, above.

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Public Service Commission (PSC)
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PSC-108

Regarding: Ongoing Litigation on Riverbed Ownership
Witness: DiFronzo

It was indicated in the Due Diligence Report that there is ongoing litigation with respect to payments potentially owed the State for use of navigable riverbed. *See PPL Montana v. Mont.*, 132 S. Ct. 1215 (2012).

- a. Please identify and describe any costs related to this litigation that NorthWestern is proposing to include in rates in this proceeding.
- b. Assuming NorthWestern acquires PPL's hydroelectric facilities, please indicate whether NorthWestern will seek to recover any costs related to this litigation from customers if the Plaintiff ultimately prevails.
- c. With respect to sub-part b., please identify and describe the costs that NorthWestern will seek to recover through rates.
- d. Assuming NorthWestern acquires PPL's hydroelectric facilities, please indicate whether NorthWestern will seek to recover any costs related to this litigation from customers if the Defendant ultimately prevails, or if the parties ultimately settle.
- e. With respect to sub-part d., please identify and describe the costs that NorthWestern will seek to recover through rates.

RESPONSE:

- a. There are none.
- b. On February 18, 2014, NorthWestern objected to this data request. NorthWestern will respond, if necessary, after the Commission has ruled on the objection.
- c. On February 18, 2014, NorthWestern objected to this data request. NorthWestern will respond, if necessary, after the Commission has ruled on the objection.
- d. On February 18, 2014, NorthWestern objected to this data request. NorthWestern will respond, if necessary, after the Commission has ruled on the objection.

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PPLM Hydro Assets Purchase

Public Service Commission (PSC)
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Data Requests served February 6, 2014

PSC-108 cont'd

- e. On February 18, 2014, NorthWestern objected to this data request. NorthWestern will respond, if necessary, after the Commission has ruled on the objection.

UPDATED RESPONSE (March 21, 2014):

- b. NorthWestern will make that determination at the time we file a future general rate case if there are any such costs.
- c. See the response to part b, above.
- d. NorthWestern will make that determination at the time we file a future general rate case if there are any such costs.
- e. See the response to part d, above.