

DEPARTMENT OF PUBLIC SERVICE REGULATION
BEFORE THE MONTANA PUBLIC SERVICE COMMISSION
OF THE STATE OF MONTANA

IN THE MATTER OF the Application for) REGULATORY DIVISION
approval to Purchase and Operate PPL)
Montana’s Hydroelectric Facilities, for)
Approval of Inclusion of Generation) DOCKET NO. D2013.12.85
Asset and Cost of Service in Electricity)
Supply Rates, for Approval of Issuance of)
Securities to Complete the Purchase, and)
for Related Relief)

**DATA RESPONSES OF THE MONTANA CONSUMER COUNSEL TO
NORTHWESTERN ENERGY’S FIRST SET OF DATA REQUESTS**

NWE-001

Regarding: Exhibits
Witness: Wilson

Please provide working electronic copies of all exhibits and work papers with all supporting files and links intact for each of the following:

- a. Exhibit JW-1
- b. Exhibit JW-2
- c. Exhibit JW-3
- d. Exhibit JW-4

RESPONSE:

- a. See files provided in folder “MCC Response to NWE-001.”
- b. See files provided in folder “MCC Response to NWE-001.”
- c. See files provided in folder “MCC Response to NWE-001.”
- d. See files provided in folder “MCC Response to NWE-001.”

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Responses to NorthWestern Energy
Data Requests

NWE-002

Regarding: Effect of Recommendations
Witness: Wilson

- a. If the Commission adopted your recommended return on equity and capital structure and your third modification described on pages 62-64 of your testimony and assuming that NorthWestern's estimated load, expenses, and revenue credits for the first year are correct, what would be NorthWestern's return on equity on its \$900 million investment?
- b. If the Commission adopted your recommended return on equity and capital structure and your third modification described on pages 62-64 of your testimony and assuming that NorthWestern's estimated load, expenses, and revenue credits are correct, what would be NorthWestern's return on equity on its \$870 million investment after the Kerr project is transferred to the Confederated Salish and Kootenai Tribes?
- c. If the Commission adopted all of your modifications on pages 61-65 of your testimony and assuming that NorthWestern's estimated load, expenses, and revenue credits are correct, what would be the expected annual revenue requirement and resulting expected return on equity?
- d. Please provide the calculations and documentation that support your responses to subparts a through c of this data request.
- e. Would you agree that if NorthWestern's shareholders bear the risk that carbon costs are not implemented, the shareholders should receive a return greater than the authorized rate of return if carbon costs are actually greater than those estimated by NorthWestern in its analysis?

RESPONSE:

- a. NWE's allowed return on equity would be 9.0 percent and a portion of the return would be deferred in accordance with the recommendation.
- b. NWE's allowed return on equity would be 9.0 percent and a portion of the return may be deferred if carbon taxes are not enacted by the time of the sale.
- c. The allowed return on equity would be 9.0 percent and a portion of the return may be deferred. Dr. Wilson has not made the requested revenue calculation.

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Responses to NorthWestern Energy
Data Requests

NWE-002 continued

- d. No new calculations were made.
- e. Dr. Wilson does not agree that the Company's ROE should be adjusted upward with higher carbon taxes. However, he has stated that the Company's acceptance of the proposed ratemaking modifications would result in a more equitable sharing of risks with ratepayers and may justify a 10 percent ROE allowance and the use of a 52/48 capital structure for ratemaking purposes.

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Responses to NorthWestern Energy
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NWE-003

Regarding: Carbon Tax Adder
Witness: Wilson

Please provide all backup calculations and sources (preferably in spreadsheet form) that support your conclusion on page 16, lines 11-12, that NorthWestern's carbon tax adders to projected power purchase costs total \$1.375 billion from 2021 to 2043.

RESPONSE:

Please see MCC response to data request PSC-208.

Montana Consumer Counsel
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Responses to NorthWestern Energy
Data Requests

NWE-004

Regarding: Capital Expenditures
Witness: Wilson

Please confirm that your calculated annual average capital expenditure of \$35.6 million in your testimony on page 37, lines 12-14, includes the capital expenditures for the Rainbow Redevelopment Project, which increased the project's output.

RESPONSE:

Yes. The \$35.6 million average reflects reported actual and budgeted capital expenditures on the hydros during the ten year period.

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Responses to NorthWestern Energy
Data Requests

NWE-005

Regarding: Proposal Analysis
Witness: Wilson

Please provide copies of all communications; emails; and notes, records of conversations and meetings, or calls (and any attachments or documents related thereto) between J.W. Wilson & Associates (or representative, employee, principal, or agent thereof) and the Montana Consumer Counsel (or any representative, agent, employee, or consultant thereof) between September 26, 2013 and the present regarding any aspect of NorthWestern's evaluation of, purchase of, or Application for Approval of the Hydros.

RESPONSE:

The Montana Consumer Counsel has objected to this data request.

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Responses to NorthWestern Energy
Data Requests

NWE-006

Regarding: Exhibits
Witness: Clark

Please provide working electronic copies of all exhibits and work papers with all supporting files and links intact for Exhibit AEC-1.

RESPONSE:

Please see the response to Data Request PSC-196.

Montana Consumer Counsel
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Responses to NorthWestern Energy
Data Requests

NWE-007

Regarding: Kerr Facility Acquisition Adjustment
Witness: Clark

- a. If the Commission adopted your recommendation to remove \$89,323,022 less the amount amortized at the time of the sale and assuming that NorthWestern's estimated load, expenses, and revenue credits are correct, what would be your recommended annual revenue requirement after the Kerr project is transferred to the Confederated Salish and Kootenai Tribes?
- b. Please provide the calculations and documentation that support your response to subpart a of this data request.
- c. If the Commission authorized the annual revenue requirement identified in response to subpart a of this data request and assuming that NorthWestern's estimated load, expenses, and revenue credits are correct, what would be NorthWestern's return on equity on its \$870 million investment after the Kerr project is transferred to the Confederated Salish and Kootenai Tribes?
- d. Please provide the calculations and documentation that support your response to subpart c of this data request.

RESPONSE:

- a. Mr. Clark has not made the requested calculation. All other things being equal a rate base deduction of \$89,323,022 at the MCC recommended overall rate of return of 6.53% would result in a decrease in return (before taxes) of \$5,832,793.
- b. There are no additional calculations or documentation.
- c. MCC witness Dr. John Wilson is recommending a return on equity of 9% as part of an overall rate of return of 6.53%. The equity financed portion of the authorized rate base would earn 9%.
- d. There are no additional calculations or documentation.

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Responses to NorthWestern Energy
Data Requests

NWE-008

Regarding: Intergenerational Inequity Adjustment
Witness: Clark

- a. If the Commission adopted your recommended annual revenue requirement of \$105,171,964 as stated on page 17, line 15 of your testimony and assuming that NorthWestern's estimated load, expenses, and revenue credits for the first year are correct, what would be NorthWestern's return on equity on its \$900 million investment?
- b. Please provide the calculations and documentation that support your response to subpart a of this data request.
- c. If the Commission adopted your recommended intergenerational inequity adjustment and Kerr facility acquisition adjustment and assuming that NorthWestern's estimated load, expenses, and revenue credits are correct, what would be your recommended annual revenue requirement after the Kerr project is transferred to the Confederated Salish and Kootenai Tribes?
- d. If the Commission authorized the annual revenue requirement identified in response to subpart c of this data request and assuming that NorthWestern's estimated load, expenses, and revenue credits are correct, what would be NorthWestern's return on equity on its \$870 million investment after the Kerr project is transferred to the Confederated Salish and Kootenai Tribes?
- e. Please provide the calculations and documentation that support your response to subparts c and d of this data request.

RESPONSE:

- a. Please refer to the response to NWE-007, part c.
- b. There are no additional calculations or documentation.
- c. Mr. Clark has not made the requested calculation. All other things being equal a rate base deduction of \$104,042,315 at the MCC recommended overall rate of return of 6.53% would result in a decrease in return (before taxes) of \$6,793,963.
- d. Please see the response to Data Request NWE-007, part c.
- e. There are no additional calculations or documentation.

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Responses to NorthWestern Energy
Data Requests

NWE-009

Regarding: Intergenerational Inequity Adjustment
Witness: Clark

- a. Please explain in detail and provide all calculations to illustrate the process by which rates would be changed to implement your proposal on page 17, lines 5 through 9, to first reduce the current rate base by the net present value amount of the future value of the assets and then to reduce the rate base reduction pro rata.
- b. Would the process described in response to subpart a of this data request require a contested rate case for each rate adjustment?

RESPONSE:

- a. Mr. Clark would expect one of two scenarios. First, the rate base reduction would be treated like any other amortizable rate base addition or deduction at the time the Company files a general rate case. This does not require annual filings. Second, since the rate base deduction is power supply related, it could become a part of future tracker proceedings.
- b. Only to the extent that annual tracker proceedings are considered to be “contested.”

Montana Consumer Counsel
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Responses to NorthWestern Energy
Data Requests

NWE-010

Regarding: Proposal Analysis
Witness: Clark

- a. Please provide copies of all communications; emails; and notes, records of conversations and meetings, or calls (and any attachments or documents related thereto) between you (or representative, employee, principal, or agent thereof) and the Montana Consumer Counsel (or any representative, agent, employee, or consultant thereof) between September 26, 2013 and the present regarding any aspect of NorthWestern's evaluation of, purchase of, or Application for Approval of the Hydros.

RESPONSE:

The Montana Consumer Counsel has objected to this data request.