

AL BROGAN
NorthWestern Energy
208 North Montana Avenue, Suite 205
Helena, Montana 59601
Telephone (406) 443-8903
Fax: (406) 443-8979
al.brogan@northwestern.com

SARAH NORCOTT
NorthWestern Energy
208 North Montana Avenue, Suite 205
Helena, Montana 59601
Telephone (406) 443-8996
Fax (406) 443-8979
sarah.norcott@northwestern.com

HEATHER H. GRAHAME
NorthWestern Energy
208 North Montana Avenue, Suite 205
Helena, Montana 59601
Telephone (406) 443-8958
Fax: (406) 443-8979
Heather.grahame@northwestern.com

Attorneys for NorthWestern Energy

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

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

NorthWestern Energy's Prehearing Memorandum

I. Procedural Background

On September 26, 2013, NorthWestern Corporation d b a NorthWestern Energy (“NorthWestern”) announced that it had entered an agreement to acquire 11 hydroelectric generating facilities and related assets (the “Hydros”) from PPL Montana, LLC. On December 20, 2013, NorthWestern submitted its *Application for Approval to Purchase and Operate the Hydroelectric Facilities of PPL Montana, LLC for Inclusion of Generation Assets Cost of Service in Electricity Supply Rates, for Issuance of Securities to Complete the Purchase, and for Related Relief* (“Application”) in this docket to the Montana Public Service Commission (“Commission”).

Prior to the filing of the Application, on December 6, 2013, the Commission issued a *Notice of Opportunity for Early Intervention* setting the date for early intervention as December 31, 2013. On December 20, 2013, the Commission granted the Montana Consumer Counsel’s (“MCC”) request for general intervention in this docket. On December 23, 2013, the Commission issued a *Notice of Application and Intervention Deadline and Initial Procedural Schedule*. Human Resource Council District XI/Natural Resources Defense Council (“HRC/NRDC”) and Renewable Northwest Project,¹ the Confederated Salish and Kootenai Tribes, Montana Large Customer Group and Hydrodynamics, Inc. petitioned for and were granted intervention. On January 16, 2014, the Commission issued *Procedural Order No. 7323b* (“Order 7323b”).

For this filing § 69-8-421, MCA, required the Commission to “determine whether or not a utility’s application for approval of an electricity supply resource is adequate and in compliance with the commission’s minimum filing requirements.” The statute also provides, “[i]f

¹ On March 21, 2014, Renewable Northwest Project withdrew as an intervenor in this docket.

the commission determines that the application is inadequate. it shall explain the deficiencies.”

The Commission engaged Evergreen Economics (“Evergreen”) to assist the Commission staff in determining whether the Application was adequate. On January 24, 2014, Evergreen provided its findings in a Memorandum to the Commission. Evergreen concluded that NorthWestern’s efforts were best practices, but that additional information was needed in order for the Commission to determine if the Application was complete. In response to the Memorandum, on January 29, 2014, NorthWestern filed a *Motion for Leave to Respond to Evergreen Economics’ Memorandum* (“Motion”) in which it indicated that pursuant to a Commission data request, NorthWestern agreed to run and provide the results of three additional portfolios modeled with PowerSimm to the Commission no later than February 14, 2014. On February 3, 2014, the Commission determined that the Application was not complete because it did not include the three additional models, but would deem the Application complete if the modeling results were received and satisfactory to the Commission. As NorthWestern indicated in its Motion, on February 14, 2014, it filed Supplemental Testimony providing the three additional PowerSimm models. On February 28, 2014, the Commission issued a *Notice of Staff Action* that found the additional modeling to be satisfactory and deemed the Application complete.

In this docket, the Commission also hired an independent engineering consultant to review the due diligence conducted by NorthWestern. On March 31, 2014, the Essex Partnership (“Essex”) submitted its checklist to the Commission that detailed its assessment of the condition and status of the Hydros. On April 2, 2014, Essex submitted a memo to the Commission that summarized its major findings regarding the condition and status of the Hydros as well as potential issues that may increase future capital expenditures (“CapEx”) and operational and maintenance (“O&M”) costs. On April 4, 2014, the Commission issued a *Notice of Additional*

Issues (“Notice”). The Notice directed the parties to provide additional testimony on (1) the structural integrity, physical condition, environmental liabilities, and the sufficiency of NorthWestern’s due diligence effort for each of the individual facilities; and (2) what the range of potential future CapEx and O&M costs may be and the effect of those potential costs on NorthWestern’s net present value cost estimates. On April 18, 2014, NorthWestern filed Additional Issues Testimony addressing the additional issues identified in the Notice.

From early April to mid-May, the Commission held 17 public listening sessions across Montana for the purpose of receiving public comment on the Application.

The MCC has actively contested issues in this docket. Commission advisory staff and the MCC submitted discovery to NorthWestern to which it responded. The MCC and HRC/NRDC filed direct and responsive testimony. NorthWestern and the Commission advisory staff submitted discovery to the MCC on its testimony. The Commission advisory staff submitted discovery to HRC/NRDC on its testimony. NorthWestern filed rebuttal testimony. Commission advisory staff and the MCC submitted discovery to NorthWestern on both its additional issues and rebuttal testimonies.

On May 15, 2014, the Commission issued a *Notice of Intent to Move Admission of Consultants’ Reports* (“Notice of Intent”). The Notice of Intent provided that the Commission would move the Evergreen and Essex reports into the record at hearing and requested that any party who desired to cross-examine representatives of these entities file a request by June 2, 2014. NorthWestern made such a filing with the Commission requesting that representatives from Essex be available at hearing for cross-examination.

Order 7323b, ¶ 17 requires each party to file a prehearing memorandum “listing the following information regarding the hearing: (1) Contested issues; (2) uncontested issues; (3)

witnesses that it intends to call; (4) exhibits and responses to data requests that it intends to introduce (other than responses to data requests related to additional issue response testimony); [and] (5) any special accommodations it seeks regarding witness sequence or scheduling.”

NorthWestern submits this Pre-Hearing Memorandum pursuant to Order 7323b.

II. Uncontested Issues

NorthWestern believes that all issues, except those identified as contested issues, are uncontested.

III. Contested Issues

The contested issues in this docket are as follows: (1) is approval of NorthWestern’s Application to acquire the Hydros in the public interest; (2) is procurement of the electricity supply resource consistent with the requirements in § 69-3-201, MCA, the objectives in § 69-8-419, MCA, and the Commission’s administrative rules; and (3) should the Commission approve the revenue requirement requested by NorthWestern?

IV. Witnesses

NorthWestern intends to call the following witnesses to testify at the hearing:

1. Brian B. Bird
2. Patrick J. DiFronzo;
3. Gary W. Dorris;
4. John D. Hines;
5. Kliewer G. Kliewer;
6. Ahmad Masud;
7. Adrien M. McKenzie;
8. Travis E. Meyer;

9. Rick Miller;
10. Allen Otto;
11. William T. Rhoads;
12. Robert C. Rowe;
13. Joseph M. Stimatz;
14. Mary Gail Sullivan;
15. John C. VanDaveer; and
16. Gary T. Wiseman;

Please note that the witnesses noted above are listed in alphabetical order and not the order that NorthWestern plans to call the witnesses at hearing.

Allen Otto submitted Prefiled Direct Testimony. Robert C. Rowe, Brian B. Bird, Ahmad Masud, Kendall G. Kliewer, and Patrick J. DiFronzo submitted both Prefiled Direct Testimony and Prefiled Rebuttal Testimony. John D. Hines submitted Prefiled Direct Testimony, Prefiled Supplemental Testimony, and Prefiled Rebuttal Testimony. Joseph M. Stimatz submitted Prefiled Direct Testimony, Prefiled Supplemental Testimony, Prefiled Additional Issues Testimony and Prefiled Rebuttal Testimony. Travis E. Meyer submitted Prefiled Direct Testimony and Prefiled Additional Issues Testimony. William T. Rhoads submitted Prefiled Direct Testimony, Prefiled Additional Issues Testimony, and Prefiled Rebuttal Testimony. Mary Gail Sullivan, John C. VanDaveer, Gary T. Wiseman, and Rick Miller submitted Prefiled Additional Issues Testimony and Prefiled Rebuttal Testimony. Adrien M. McKenzie and Gary W. Dorris submitted Prefiled Rebuttal Testimony.

NorthWestern intends to have its witnesses address all of their prefiled testimonies at the time they are initially called to the stand. NorthWestern reserves the right to call any witness to

rebut testimony by witnesses of other parties that is offered at the hearing and was not part of prefiled testimony.

In addition to the above identified witnesses, David E. Fine, Michael Barnes, and Michael R. Cashell provided responses to data requests. NorthWestern does not intend to call any of these individuals or to have them available at the hearing. If any other party or the Commission requests that any of them be available or questions are deferred to them at the hearing, NorthWestern will make them available at a mutually agreed time.

V. Exhibits and Evidence

NorthWestern intends to introduce into evidence the following:

1. The prefiled direct testimony, prefiled supplemental testimony, prefiled additional issues testimony and prefiled rebuttal testimony of each of the witnesses identified above, as appropriate;
2. All exhibits attached to the prefiled testimonies of each witness; and
3. Any document needed for impeachment.

Pursuant to Order 7323b, ¶ 17, NorthWestern identifies the data request responses shown in the following table as those data request responses that it plans to move for introduction into the record:

DATA REQUEST	WITNESS	ISSUE ADDRESSED
PSC-007	Brian Bird	Cost of Capital
PSC-047	David E. Fine	2013 Resource Plan, Alternatives to Hydros
PSC-057	Brian Bird	Capital Structure

Order 7323b also provides that by June 30, 2014, objections to any data responses identified in the parties' prehearing memorandums must be filed with the Commission. It further

provides that the deadline for the Commission to issue a prehearing memorandum is July 3, 2014. Since the Commission's prehearing memorandum is filed after the deadline to object to the admission of any data response, NorthWestern reserves the right to object to any data response identified by the Commission in its prehearing memorandum.

NorthWestern notes that there is a lot of voluminous and spreadsheet data in this docket that have been provided on CD. In order to facilitate timely processing of the hearing, it would be very helpful for parties to make copies of any such documents that they intend to use for cross-examination for the witness, each Commissioner, party and staff member. Any protected data must be copied on yellow paper. NorthWestern will have all CDs at hearing, as well as a laptop computer for their witnesses for those instances when paper copies are not available.

VI. Special Needs

NorthWestern requests the following accommodations for witnesses:

1. That John C. VanDaveer be permanently excused by close of business on Wednesday, July 16.

Respectfully submitted this 20th day of June 2014.

NORTHWESTERN ENERGY

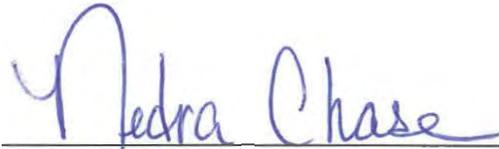
By:  _____
Al Brogan
Sarah Norcott
Heather Grahame

Attorneys for NorthWestern Energy

CERTIFICATE OF SERVICE

I hereby certify that a copy of NorthWestern Energy's Prehearing Memorandum in Docket No. D2013.12.85 has been hand delivered to The Montana Public Service Commission and The Montana Consumer Counsel. A copy has been e-filed on the MPSC website. It will be mailed to the most recent service list in this Docket by first class mail. It will also be emailed to the counsel of record.

Date: June 20, 2014



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 Coreoran
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 32812

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

Roger Kirk/Ben Singer
Hydrodynamics Inc
825 W Rocky Creek Rd
Bozeman MT 59715-8693

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

Ronald 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

Monica Tranel
Montana Consumer Counsel
111 North Last Chance Gulch
Suite 1B
Helena MT 59620-1703