PUBLIC SERVICE COMMISSION
STATE OF MONTANA

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January 30, 2014

Mr. Patrick R. Corcoran, Vice President
Government and Regulatory Affairs
NorthWestern Energy
40 East Broadway
Butte, MT 59701

RE: Data requests in Docket D2013.12.85

Dear Mr. Corcoran,

Enclosed please find data requests of the Montana Public Service Commission to NorthWestern Energy (NWE) numbered PSC-084 through PSC-103 in the above-referenced Docket. Please begin the response to each new numbered data request on a new page. Please provide responses by February 13, 2014. If you have any questions, please contact me at (406) 444-6191.

Sincerely,

Neil Templeton
Regulatory Division
Montana Public Service Commission

Service Date: January 30, 2014

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

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

DATA REQUESTS PSC-084 THROUGH PSC-103 OF THE MONTANA PUBLIC SERVICE COMMISSION TO NORTHWESTERN ENERGY

PSC-084

Regarding: Combined Asset Valuation
Witnesses: Stimatz, Meyer

a. The date on the spreadsheet you provided in response to PSC-066 is June 24, 2013. Please confirm that the valuation of coal assets found in this spreadsheet reflects NorthWestern's understanding that the sale leaseback would be bought out prior to execution of the sale. (See Bird Direct Testimony, p. 10:1-2).

b. Did you modify the conforming LT Rev Req model provided in PSC-003 to account for the removal of sale leaseback restrictions? If so, please provide the model.

c. Did your analysis reveal that combining thermal assets with the Hydros hedged the NPV of the total package to some degree against uncertainty in the Carbon Adder? That is, did you find that although higher expected carbon costs would cause an increase in expected operating costs of the thermal assets, the increased costs would be offset to some degree by increased revenues to both types of assets; and that decreased thermal plant costs due to lower expected carbon costs would be accompanied by decreased revenues?

d. How did NorthWestern value the potential of the combined thermal and hydro package to hedge net present value against changes in forecast carbon costs?

e. Please explain why, in the "Dispatch" tab of the PSC-066 Mustang Valuation spreadsheet; Colstrip 1&2 and Corette power is assumed sold at Off-System prices, and Colstrip 3&4 and Hydros power is sold at On-System prices.

PSC-085

Regarding: Hydro and Thermal Assets
Witness: Bird

a. Did the net present value of $736 million for the combined thermal and hydros assets, as shown in cell J:8 of the "Valuation" tab in the PSC-066 Mustang Valuation spreadsheet, or a similar value from a similar, previous spreadsheet, inform your non-conforming bid of $740 million on January 7, 2013?

b. On 9:1-3 you testify that "PPL noted that if NorthWestern increased the offer price on the all-asset bid and could resolve differences in NorthWestern's and PPL's positions on the terms of the PSA, a deal was possible." Did PPL ever indicate to you or other NorthWestern agents that the non-conforming bid of $740 million was acceptable or near-acceptable as bid for the combined assets, conditioned on resolution of the PSA differences?

c. On 10:1-7 you state that NorthWestern was no longer interested in PPL's thermal assets although PPL had removed the sale leaseback restriction. If so, then why the analysis dated June 24, 2013 provided in response to PSC-066?

PSC-086

Regarding: Hydro and Thermal Assets
Witness: Bird

a. On 7:1-4 you testify that "[NorthWestern's] preference has always been to own just the Hydros. From NorthWestern's perspective, it only needed about half the megawatts that PPL was selling, and the Hydros are a clean generation source that would provide diversity to NorthWestern's fleet." Please explain the consequence to NorthWestern of acquiring too much capacity.

b. Would the expected consequence of acquiring over-capacity change if NorthWestern also acquired PPL's Western Power Marketing Business, or "Book", as described on p. 6 of the Confidential Information Memorandum?

c. Regarding the "diversity" of NorthWestern's fleet, do you agree that the primary objective of portfolio diversity is mitigating risks associated with unknown future values of important variables such as fuel and carbon costs?

d. Do you agree that since all interested parties would be very aware of potential future carbon and other environmental costs associated with coal-fired electricity generation,

that any bids for the Colstrip and Corette assets would be significantly discounted to account for environmental risk, and so NorthWestern could have bid competitively for those resources at a price that offset or neutralized that risk?

e. How did NorthWestern value the potential of the combined thermal and hydro package to hedge net present value against the uncertainty of future environmental costs? That is, since the value of the thermal assets would be expected to decline with unexpected increases in environmental costs, and the value of the hydro assets would be expected to increase with unexpected increases in those costs, how did NorthWestern value the NPV stabilizing property of a combined package with respect to the uncertainty in future environmental costs?

PSC-087

Regarding: Quantifying Value of Coal Facilities' Liabilities
Witness: Bird or Other

The responses to PSC-003(c) and (d) are appreciated but they lack detail as to how the concerns regarding the coal facilities were actually quantified in NWE's valuation and analysis leading to its 2013 bid that included the facilities.

a. Please demonstrate how you quantified or assigned a dollar value to the environmental liabilities discussed in response to PSC-003(c).

b. Provide any analytic work that supports the negative value described in Bird's testimony, and the zero rate base value shown in the LT Rev Req model attached in response to PSC-003(b)

c. Please demonstrate how you quantified or assigned a dollar value to the lease-back provisions discussed in response to PSC-003(d).

d. Were the environmental and lease-back liabilities described in response to PSC-003(c) and (d) captured as data in the LT Rev Req model produced in response to PSC-003(b)?

PSC-088

Regarding: LT Rev Req Model
Witness: Bird, Meyer, or Other

a. Who are the "outside consultants" who provided "one of the final models" described in PSC-003(b)?

b. Did NWE develop the LT Rev Req model?

c. Describe Mr. Meyer's or other NWE employees' role in devising the inputs, populating with data the LT Rev Req models, and running the analysis in the models. Was the work represented in Exhibits TEM-1 and TEM-2 and that included in response to PSC-003(b) primarily the work of NWE employees or others?

d. Further describe the model produced in response to PSC-003(b). What was its purpose?

e. Were there subsequent LT Rev Req model iterations conducted after the model produced in response to PSC-003(b), but before NWE submitted its first bid to PPLM? If so, please describe how they differed from the model that has been produced in response to PSC-003(b).

PSC-089

Regarding: Destroyed Final Models
Witness: Bird or Other

NWE notes that it destroyed the final models used to inform its first bid in response to a PPLM request in February 2013.

a. Did NWE retain the inputs to or outputs of the final model produced in response to PSC-003(b)? Please clarify whether each of the following, which appear as lines of data in the model, was retained in some format: cap-ex, depreciation, rate-base (ending balance), deferred taxes, market curve ($ per Mwh), variable O&M, fixed O&M.

b. Describe which of the lines of data would have changed between the LT Rev Req model produced in response to PSC-003(b) and subsequent models that were used to inform the Jan. 2013 bid.

PSC-090

Regarding: Cap-ex Estimates in LT Rev Req Model
Witness: Bird, Meyer, or Other

a. How were cap-ex estimates for the coal facilities in the LT Rev Req model produced in response to PSC-003(b) derived? If they were sourced from PPLM, please describe what, if any, adjustments NWE made to them.

b. Please confirm that the cap-ex estimates for the Hydros between the LT Rev Req model produced in response to PSC-003(b) and Exhibits TEM-1 and TEM-2 are substantially the same, and identify the cause for the few departures that appear to exist.

PSC-091

Regarding: DCF Analysis for Earlier Bids
Witness: Bird, Stimatz, or Other

Was a final DCF model retained that informed the NWE earlier bids for the PPLM facilities?

PSC-092

Regarding: Thermal CapEx vs. Hydro CapEx
Witness: Stimatz or Other

In the spreadsheet provided in response to PSC-066, NWE in the "Thermal CapEx" tab lists both an "Expected Case" and a "High Case" for the Colstrip units. There appears to be only one cap-ex estimate, with no "high case" for the Hydros.

a. Where did the cap-ex data appearing for the Thermal and Hydros come from?

b. What specifically drives the difference between the "Expected" and "High" cases for the Colstrip units? Provide a list of the upgrades assumed in the Colstrip cap-ex forecasts.

c. Why did NWE not try to produce other scenarios/cases of the Hydros' required CapEx, as was the case with the Colstrip units?

d. Did NWE consult other Colstrip co-owners' publicly available information regarding cap-ex requirement estimates regarding Colstrip facilities (e.g., Puget Sound Energy) to check it against the cap-ex requirements assumed in the spreadsheet in response to PSC-066?

PSC-093

Regarding: Fuel & Carbon Inputs to O&M
Witness: Stimatz or Other

a. In the DCF model provided in response to PSC-066, the fuel cost increases dramatically for Colstrip Unit 3 in 2020. Explain this increase, and the footnote included in the spreadsheet.

b. Is the carbon price forecast that is used in the DCF model for the purposes of calculating the carbon O&M price the same as the carbon forecast that NWE presented in its Application?

c. What tons/Mwh is assumed in the calculation of the carbon O&M price for the Colstrip 1 & 2 and Colstrip 3 plants?

PSC-094

Regarding: Environmental Risks in DCF Model
Witness: Stimatz, Rhoads, or Other

Under the "G&A, Contingency Items" tab in the spreadsheet provided in response to PSC-066, several environmental liabilities are listed.

a. Is "Thompson Falls Reservoir" the expenses related to the cleanup of contaminated river sediments described on WTR-43-44.

b. Why are some rows, including "Sierra Club Litigation," "Kluver Case" and "Colstrip Coal Ash Ponds" listed, but blank of expected G&A expenditures?

c. Is there any significance to the fact that "Sierra Club Litigation" is highlighted, and, if so, what is that significance?

d. In the row "Colstrip Coal Ash Ponds," it is parenthetically noted that this is "included in Colstrip capital." Does this mean it is included in the CapEx forecast within this spreadsheet and, if so, is it included in the "Expected" or "High" case?

e. Are the other liabilities that are not quantified in the "G&A, Contingency Items" tab, somehow elsewhere in this spreadsheet numerically quantified as risks?

PSC-095

Regarding: Financial Consequences of Worst-Case Scenarios
Witness: Rhoads

In the response to PSC-023 and PSC-024 you characterize the potential financial liabilities that could result from worst case scenarios at dams as "not relevant" to this docket, notwithstanding that the Commission is charged with, among other things, identifying whether the cost of the Hydros (including risk) favorably compares to other resources.

Is NWE contending that identifying worst case scenarios and their financial consequences is "not relevant" because the company, and not its customers, should those scenarios occur, would bear their financial consequences?

PSC-096

Regarding: Likelihood of Risks
Witness: Dorris

With reference to your response to PSC-016, how is it decided which risks fall above or below the 99th or 95th percentiles?

PSC-097

Regarding: FERC Regulation of Hydros
Witness: Rhoads

With respect to your response to PSC-020, when has the process you outline, where consensus between FERC, the licensee and its consultants is reached, occurred during the period of PPLM's ownership, and with respect to which issues?

PSC-098

Regarding: Short-Term CapEx Estimates
Witness: Rhoads

With respect to the list of itemized capital expenditures needed in the short term, provided in response to PSC-018(a), would you characterize these upgrades as routine and typical of the requirements of the Hydros into the future, or somehow out of the ordinary? Please explain in either case.

PSC-099

Regarding: Carbon Regulation
Witness: Hines

a. With respect to the response to PSC-040, is it then reasonable to conclude that NWE is assuming that the greenhouse gas regulations scheduled for release this summer will not be reversed or substantially modified by Congress or a new administration, or modified or delayed by an adverse federal court order that undoes part of the "2007 Supreme Court decision" on which NWE assumptions about regulation rely?

b. To what extent has NWE engaged in an analysis of the likelihood that these rules could be reversed, and has NWE assigned any probability to that potential outcome, whether formally or informally?

PSC-100

Regarding: Capital Costs in 2013 Plan
Witness: Fine

With respect to the response to PSC-048:

a. Why does NWE now consider it necessary to include the assumption of an "air-cooled condenser" for its next-best portfolio, which includes a CCCT?

b. Another Montana regulated utility, in its IRP, has avoided modeling a premium for a small-scale CCCT by assuming that it would enter into a partnership to build one with another entity. Why is that not a reasonable assumption for NWE?

c. Another Montana regulated utility has recently entered into a significant, low-cost PPA for wind. Why, for NWE, is wind modeled using a build-transfer assumption, as opposed to a PPA?

d. Please explain the significant divergence in natural-gas generating resources' capital costs between the 2013 RPP and the PPLM CIM.

PSC-101

Regarding: Customer Bill Impacts
Witness: DiFronzo

Assume that this acquisition is approved and that rates reflecting the cost of service become effective of Jan. 1, 2015. Referencing the spreadsheet provided in response to PSC-034, is it then accurate to conclude that rates for a typical residential consumer will rise from an estimated $80.56 per month to $87.22 per month, an increase of 8.3%?

PSC-102

Regarding: Depreciation
Witness: Kliewer

In reference to your response to PSC-055:

a. Please explain why NWE did not think it advisable to establish difference depreciation life-spans for different dams, in light of the fact that some have quite new equipment (Rainbow Unit 9) and others are much older.

b. Please explain why NWE did not compare its decision to use a depreciation lifespan of 40 years to the decisions of other regulated utilities or dam owners on the subject of depreciation.

PSC-103

Regarding: Capital Upgrades
Witness: Gary Wiseman

a. In response to PSC-064(a), it was stated that "[t]he installation of self-contained governors and auxiliary systems has also reduced large bulk oil systems at some of the projects." Please explain how the stated installations reduced large bulk oil systems.

b. In the response referenced above, it was also stated that "[t]he new components [of numerous upgrades that have occurred since 2000], of modern design and fabricated with modern materials, will provide for an extended, more reliable operational life for equipment and plant." Please identify the most significant changes in design and fabrication that have been implemented, as well as any empirical evidence of extended operational life that result from them.