



August 28, 2015

Ms. Kate Whitney
Utility Division
Montana Public Service Commission
1701 Prospect Avenue
PO Box 2022601
Helena, Montana 59620-2601

**Re: Docket Nos. D2013.5.33/D2014.5.46 Electric Tracker
MCC Set 3 Data Requests (122-153)**

Dear Ms. Whitney:

Enclosed for filing is a copy of NorthWestern Energy's responses to MCC Set 3 Data Requests in Docket Nos. D2013.5.33/D2014.5.46. It will be hand delivered to the Montana Public Service Commission and the Montana Consumer Counsel this date. It has also been mailed to the service list in this docket, 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,

Tracy Lowney Killoy
Administrative Assistant

CERTIFICATE OF SERVICE

I hereby certify that a copy of NorthWestern Energy's responses to the MCC Set 3 Data Requests (122-153) in Docket Nos. D2013.5.33/D2014.5.46 has been hand delivered to the Montana Public Service Commission and to the Montana Consumer Counsel this date. It has been e-filed on the PSC website, emailed to counsel of record, and served on the most recent service list by mailing a copy thereof by first class mail, postage prepaid.

Date: August 28, 2015

A handwritten signature in blue ink that reads "Tracy Lowney Killoy". The signature is written in a cursive style with a horizontal line drawn across the middle of the text.

Tracy Lowney Killoy
Administrative Assistant
Regulatory Affairs

Docket Nos.
D2013.5.33/D2014.5.46
Service List

Al Brogan
NorthWestern Energy
208 N. Montana Ave Suite 205
Helena MT 59601

Charles Magraw
501 8th Ave
Helena MT 59601

Dr. Thomas M. Power
920 Evans Ave.
Missoula MT 59801

Joe Schwartzenberger
NorthWestern Energy
40 E Broadway
Butte MT 59701

Tracy Lowney Killoy
NorthWestern Energy
40 E Broadway
Butte MT 59701

Sarah Norcott
NorthWestern Energy
208 N Montana Ave Suite 205
Helena MT 59601

Kate Whitney
Public Service Commission
1701 Prospect Ave
P O Box 202601
Helena MT 59620-2601

Robert A Nelson
Montana Consumer Counsel
111N Last Chance Gulch Ste 1B
P O Box 201703
Helena MT 59620-1703

Matthew Gerhart
Earthjustice
705 Second Ave. Suite 203
Seattle WA 98014

Jenny Harbine
Earthjustice
313 E. Main St.
Bozeman MT 59715

Monica Tranel
Montana Consumer Counsel
P.O. Box 201703
Helena MT 59620-1403

John W. Wilson
JW Wilson & Associates
1601 N. Kent Ste 1104
Arlington VA 22209

William W. Mercer
Holland & Hart
P O Box 639
Billings MT 59103--0639

David A Schlissel
Schlissel Technical Consulting
45 Horace Road
Belmont MA 02478

John Alke
NorthWestern Energy
208 N Montana Ave Suite 205
Helena MT 59601

NorthWestern Energy
Docket D2013.5.33/D2014.5.46
Electric Tracker

Montana Consumer Counsel (MCC)
Set 3 (122-153)

Data Requests received August 14, 2015

MCC-122. RE: Hedging Losses
Witness: Kevin J. Markovich

In Docket No. D2012.5.49, Order No. 7219h, at ¶89, the Commission made the following statements:

“However, MCC’s advocacy in this docket has made clear the need for a review of NorthWestern’s fixed price hedging strategy. The Commission is persuaded that NorthWestern transacts with less incentive to avoid *hedging losses* than its hedging counterparties. The Commission will open a docket within 90 days of this Order to investigate possible mechanisms to better align the goals of rate stability and risk mitigation with the goal of providing service at the lowest long-term total cost. In the meantime, the prudence of *hedging losses* will continue to be a potential issue in annual electricity tracker dockets.” (Emphasis added.)

With respect to the Commission’s use of the term “hedging losses” in that statement:

- a. Is that terminology, i.e., the Commission’s reference to “hedging losses,” in and of itself confusing? If so explain why you believe it is confusing.
- b. Are you confused by the Commission’s use of the term “hedging losses” in Order No. 7219h, at ¶89? If so, please explain why you are confused.
- c. Is that terminology, i.e., the Commission’s reference to “hedging losses,” in and of itself potentially creating a misunderstanding of what hedging is and what it is intended to accomplish in the case of NorthWestern? If so please explain why you believe that is the case.

RESPONSE:

- a. No, but that terminology could be causing confusion with some parties. See my rebuttal testimony in this docket, pages KJM-3-6.
- b. I understand the concept that is trying to be conveyed but I disagree with categorizing something as a “hedging loss.” See my rebuttal testimony in this docket, pages KJM-3-6.
- c. I believe terminology such as “hedging losses” is creating a misunderstanding of what hedging is and what it is intended to accomplish in the case of NorthWestern. Hedging is similar to buying insurance on a home or car. The insurance is intended to protect the owner against adverse financial consequences, i.e. having to replace a home or car that is destroyed. At the end of an insurance

NorthWestern Energy
Docket D2013.5.33/D2014.5.46
Electric Tracker

Montana Consumer Counsel (MCC)
Set 3 (122-153)

Data Requests received August 14, 2015

MCC-122 cont'd

policy, if there are no damages or claims it is not considered an “insurance loss.”
The value of the insurance is the protection it provides over its term.

NorthWestern uses hedging to dampen volatility, reduce market risk for customers, and provide stable pricing, all of which are consistent with established procurement guidelines. Market risk is asymmetrical and therefore NorthWestern must be diligent in limiting customers’ exposure to market pricing. The forward hedge transactions that are entered into reduce the exposure to spot market prices and in turn reduce risk and volatility.

Again, see my rebuttal testimony in this docket, pages KJM-3-6.

NorthWestern Energy
Docket D2013.5.33/D2014.5.46
Electric Tracker

Montana Consumer Counsel (MCC)
Set 3 (122-153)

Data Requests received August 14, 2015

MCC-123. RE: Hedging Incentives
Witness: Kevin J. Markovich

At KJM-4, line 22, through KJM-6, line 6, you state that you do not agree with Mr. Donkin's assertion that the counterparties to NorthWestern's electric supply price hedging transactions have more of an incentive to "beat the market" than does NorthWestern.

- a. Is it your position that there are no parties to electric supply price hedging transactions that from time to time have an incentive to "beat the market," i.e., receive more in payment from counterparties than they pay to counterparties in their electric supply price hedging transactions?
- b. Does NorthWestern attempt to or have an incentive to "beat the market" in its electric supply price hedging transactions with counterparties? If so, please provide copies of all documents that demonstrate that NorthWestern has attempted to or had an incentive to "beat the market" when entering into electric supply price hedging transactions with counterparties.
- c. NorthWestern's response to Data Request MCC-004 shows that in the past the Company has entered into fixed price electric supply price hedging transactions with Citigroup Energy Inc., Morgan Stanley Capital Group, Inc., Barclay's Bank PLC, Merrill Lynch Commodities, Inc., and DB Energy Trading (affiliate of Deutsch Bank AG). Do these counterparties attempt to or have an incentive to "beat the market," i.e., receive more in payment from counterparties than they pay to counterparties in their electric supply price hedging transactions? If not, please describe what you believe are the objectives and/or incentives of these counterparties when they enter into fixed price electric supply price hedging transactions with NorthWestern.

RESPONSE:

- a. No. Speculators have an incentive to be on the right side of market price movements and thus they have an incentive to try to "beat the market." As noted in my rebuttal testimony, entities such as NorthWestern that enter into hedging transactions do so in order to receive price certainty on a certain volume of energy used to serve customers; the goal of hedging is to eliminate future gains and losses. A speculator tries to beat the market in order to produce gains.
- b. No. NorthWestern does not speculate on future energy prices. NorthWestern attempts to develop a properly diversified portfolio of resources, including purchase contracts, that reduces risk and over reliance on any single source of

NorthWestern Energy
Docket D2013.5.33/D2014.5.46
Electric Tracker

Montana Consumer Counsel (MCC)
Set 3 (122-153)

Data Requests received August 14, 2015

MCC-123 cont'd

supply. The portfolio of resources is forward looking and the individual components complement each other. The hedge transactions limit some, but not all, exposure to market prices leaving the portfolio with what we believe is a proper level of market exposure.

NorthWestern's supply portfolio must be viewed in its entirety; individual components each serve a distinct role in managing risk and helping adhere to established procurement guidelines and expectations. Separating individual resources in a portfolio and analyzing them on a stand-alone basis, whether it is hedge transactions or CU4, is counterproductive and it goes against the principles of a properly diversified portfolio of resources.

- c. If these entities are speculators then they have an incentive to try to "beat the market." If they are using the transactions for hedging activities then their incentive is to lock in a certain value and eliminate the effects of future price movements.

NorthWestern Energy
Docket D2013.5.33/D2014.5.46
Electric Tracker

Montana Consumer Counsel (MCC)
Set 3 (122-153)

Data Requests received August 14, 2015

MCC-124. RE: Hedging Incentives
Witness: Kevin J. Markovich

At KJM-5, lines 3-23, you address and disagree with Mr. Donkin's testimony that the counterparties to NorthWestern's fixed price electric supply price hedging transactions have an incentive to "beat the market" in their hedging deals with NorthWestern. You testify that for Mr. Donkin's testimony "...to be true, NorthWestern's counterparties would have to be able to influence future market prices to ensure they win their 'bets' with NorthWestern." Do you agree that nowhere in his testimony does Mr. Donkin state that to "beat the market," NorthWestern's counterparties are able to or would need to be able to influence future market prices to ensure that they win their 'bets' with NorthWestern? If you do not so agree, identify by page number and line numbers in Mr. Donkin's testimony where he states that to "beat the market" NorthWestern's counterparties would have to be able to influence future market prices to ensure that they win their 'bets' with NorthWestern.

RESPONSE:

I agree. See also the response to Data Request PSC-067a.

NorthWestern Energy
Docket D2013.5.33/D2014.5.46
Electric Tracker

Montana Consumer Counsel (MCC)
Set 3 (122-153)

Data Requests received August 14, 2015

MCC-125. RE: Hedging Incentives
Witness: Kevin J. Markovich

At KJM-5, lines 3-23, you address and disagree with Mr. Donkin's testimony that the counterparties to NorthWestern's fixed price electric supply price hedging transactions have an incentive to "beat the market" in their hedging deals with NorthWestern. You testify there that "...manipulating the market would be very difficult" and "...with the regulatory oversight provided by the Federal Energy Regulatory Commission and now the Commodity Futures Trading Commission, such behavior would very likely be detected." Do you agree that nowhere in his testimony does Mr. Donkin state that to "beat the market," NorthWestern's counterparties are able to or would need to be able to manipulate future electric supply market prices? If you do not so agree, identify by page number and line numbers in Mr. Donkin's testimony where he states that NorthWestern's counterparties have the ability to manipulate future electric supply market prices.

RESPONSE:

Nowhere in his testimony does Mr. Donkin state that to "beat the market," NorthWestern's counterparties are able to or would need to be able to manipulate future electric supply market prices. See also the response to Data Request PSC-067a.

NorthWestern Energy
Docket D2013.5.33/D2014.5.46
Electric Tracker

Montana Consumer Counsel (MCC)
Set 3 (122-153)

Data Requests received August 14, 2015

MCC-126. RE: Hedging Incentives
Witness: Kevin J. Markovich

At KJM-5, lines 3-23, you address and disagree with Mr. Donkin's testimony that the counterparties to NorthWestern's fixed price electric supply price hedging transactions have an incentive to "beat the market" in their hedging deals with NorthWestern.

- a. Nevertheless, do you agree that some or perhaps all of NorthWestern's counterparties are more sophisticated than NorthWestern at knowing market fundamentals and at valuing risk, when entering into fixed price electric supply price hedging transactions with NorthWestern? If you do not agree, please explain and reconcile your disagreement with your testimony at hearing in Docket No. D2012.5.49.
- b. Do you agree that more sophistication at knowing market fundamentals and at valuing risk may explain why some or perhaps all of NorthWestern's counterparties have received more in payment from NorthWestern than they have paid to NorthWestern in their electric supply price hedging transactions?

RESPONSE:

- a. Some of NorthWestern's counterparties are more sophisticated than NorthWestern at knowing market fundamentals and valuing risk, especially those involved in speculative trading. These entities have different goals than NorthWestern; speculators want to gain from price movements while entities such as NorthWestern use these transactions to reduce risk and provide price stability to its portfolio of resources. Regardless of an entity's goals, transactions done in an efficient and transparent market such as Mid-C are done at the market price on the date the transaction is consummated. Forward market prices are based on information and data known at the time the transaction is done; events and information that becomes known after the transactions are made is what causes price changes.
- b. That is one possible explanation. However, it is a fallacy to assume that when a sophisticated counterparty enters into a transaction with NorthWestern the counterparty is guaranteed profitability. When NorthWestern entered into the purchase transactions it did, it could have just as easily entered into sales transactions at approximately the same price (with any of the counterparties noted in Data Request MCC-123 part c). NorthWestern did not enter into sales transactions at that time because its supply portfolio was short fixed price energy and to do so would have been speculative and it would have created much more risk for customers.

NorthWestern Energy
Docket D2013.5.33/D2014.5.46
Electric Tracker

Montana Consumer Counsel (MCC)
Set 3 (122-153)

Data Requests received August 14, 2015

MCC-127. RE: Hedging Incentives
Witness: Kevin J. Markovich

At KJM-5, lines 3-23, you address and disagree with Mr. Donkin's testimony that the counterparties to NorthWestern's fixed price electric supply price hedging transactions have an incentive to "beat the market" in their hedging deals with NorthWestern.

- a. Nevertheless, do you agree that, in comparison with NorthWestern, some or perhaps all of NorthWestern's counterparties have superior technical modeling skills available when entering into fixed price electric supply price hedging transactions with NorthWestern? If you do not agree, please explain and reconcile your disagreement with your testimony at the hearing in Docket No. D2012.5.49.
- b. Do you agree that superior electric supply price market modeling skills may explain why some or perhaps all of NorthWestern's counterparties have received more in payment from NorthWestern than they have paid to NorthWestern in their electric supply price hedging transactions?

RESPONSE:

- a. I agree. See the response to Data Request MCC-126a.
- b. That is one possible explanation. See the response to Data Request MCC-126b.

NorthWestern Energy
Docket D2013.5.33/D2014.5.46
Electric Tracker

Montana Consumer Counsel (MCC)
Set 3 (122-153)

Data Requests received August 14, 2015

MCC-128. RE: Hedging Counterparties
Witness: Kevin J. Markovich

Do you agree with the following statements?

- a. Some parties to electric supply price hedging transactions may be more sophisticated than some of their counterparties at knowing electric supply price fundamentals and/or valuing risk.
- b. If some parties are relatively more sophisticated then they may receive more in payments over time from some of their less sophisticated counterparties than they pay to those same counterparties in their electric supply price hedging transactions?

RESPONSE:

- a. See the response to Data Request MCC-126a.
- b. See the response to Data Request MCC-126b.

North Western Energy
Docket D2013.5.33/D2014.5.46
Electric Tracker

Montana Consumer Counsel (MCC)
Set 3 (122-153)

Data Requests received August 14, 2015

MCC-129. RE: Hedging Counterparties
Witness: Kevin J. Markovich

Do you agree with the following statements? If your answers are anything other than an unequivocal “yes” please explain your answers.

- a. Some parties to electric supply price hedging transactions may have superior technical modeling skills of electric supply price markets, in comparison with some of their counterparties.
- b. If some parties do have superior technical modeling skills, they may receive more in payments over time from some of their counterparties having lesser technical modeling skills than they pay to those same counterparties in their electric supply price hedging transactions?

RESPONSE:

- a. See the response to Data Request MCC-126a.
- b. See the response to Data Request MCC-126b.

NorthWestern Energy
Docket D2013.5.33/D2014.5.46
Electric Tracker

Montana Consumer Counsel (MCC)
Set 3 (122-153)

Data Requests received August 14, 2015

MCC-130. RE: CU4 Historical Capacity Factor
Witness: Kevin J. Markovich

In reference to your rebuttal testimony at page KJM-11, lines 7-9, please provide all data calculations and workpapers showing that the historical capacity factor of CU4 corresponds with the CU4 forecasted supply in the original 2013/2014 tracker filing in May, 2013.

RESPONSE:

In the testimony referenced above, it is first important to note that “CU4” means CU3 and CU4 as a result of the Reciprocal Sharing Agreement. As such, a review of the combined performance of CU3 & CU4 shows Equivalent Availability Factor (EAF) (used as substitute for capacity factor (CF) as explained below) to be approximately 85.2% over the period 1990-2012 (See the response to Data Request MEIC-072c for data table) which corresponds closely with the forecasted supply in the 2013/2014 tracker filing. That tracker filing showed a forecast supply volume of 1,671,096 MWh which is 85.9% of what could have been produced had both plants been 100% available every hour of the year ($222\text{MW} \times 8760\text{hours} = 1,944,720\text{MWh}$). While historic EAF is the basis of forecasting output volume, differences between forecast and historic EAF will exist each year dependent on the maintenance planned for the upcoming year and market conditions expected to be encountered during the year.

EAF is a much more useful value than CF in forecasting supply output as that is time the plants are available for full production. I mistakenly used the words “capacity factor” in my rebuttal testimony simply because EAF would equal CF if all the owners of Colstrip had taken all of the output that was available to them. Each of the owners of Colstrip 3&4 can move the plants up and down according to their desires within contractual limits and that affects the CF values but not the EAF values.

North Western Energy
Docket D2013.5.33/D2014.5.46
Electric Tracker

Montana Consumer Counsel (MCC)
Set 3 (122-153)

Data Requests received August 14, 2015

MCC-131. RE: Exhibit__(KJM-1)
Witness: Kevin J. Markovich

Please provide an electronic working copy, with formulas and all links intact, of your Exhibit__(KJM-1), including all workpapers and supporting documents.

RESPONSE:

See the response to Data Request MEIC-54b. Exhibit__(KJM-1) was first provided as Attachment 3 in response to Data Request MEIC-5.

NorthWestern Energy
Docket D2013.5.33/D2014.5.46
Electric Tracker

Montana Consumer Counsel (MCC)
Set 3 (122-153)

Data Requests received August 14, 2015

MCC-132. RE: Dr. Wilson's Statement
Witness: Patrick R. Corcoran

In reference to your rebuttal testimony at page PRC-5, line 13, please state with specificity where Dr. Wilson asserted "that NorthWestern should first sue somebody."

RESPONSE:

Dr. Wilson testified at pp. 6-9 of his testimony, and at p. 17, that the Commission should deny replacement power cost recovery because NorthWestern failed to show "interest in recovering its replacement power costs, from other potentially responsible parties".

NorthWestern Energy
Docket D2013.5.33/D2014.5.46
Electric Tracker

Montana Consumer Counsel (MCC)
Set 3 (122-153)

Data Requests received August 14, 2015

MCC-133. RE: Dr. Wilson's Statement
Witness: Patrick R. Corcoran

In reference to your rebuttal testimony at page PRC-5, line 17, please state with specificity where Dr. Wilson argued that NorthWestern "should have had outage insurance."

RESPONSE:

Dr. Wilson testified at pp. 9-11 of his testimony, and again at p. 17, that the Commission should deny replacement power cost recovery because "NWE did not even bother to consider or evaluate the merits of outage insurance for the plant."

NorthWestern Energy
Docket D2013.5.33/D2014.5.46
Electric Tracker

Montana Consumer Counsel (MCC)
Set 3 (122-153)

Data Requests received August 14, 2015

MCC-134. RE: NWE Recovery of Costs
Witness: Patrick R. Corcoran

In reference to your rebuttal testimony at page PRC-6, lines 1-3, does the Commission have a statutory obligation to provide NorthWestern full recovery of costs that NorthWestern has not demonstrated were incurred prudently? Please explain your answer fully.

RESPONSE:

The Commission has the statutory obligation to provide NorthWestern full recovery of the replacement power costs unless it determines they were imprudently incurred.

NorthWestern Energy
Docket D2013.5.33/D2014.5.46
Electric Tracker

Montana Consumer Counsel (MCC)
Set 3 (122-153)

Data Requests received August 14, 2015

MCC-135. RE: NWE Recovery of Costs
Witness: Patrick R. Corcoran

In reference to your rebuttal testimony at page PRC-6, lines 12-16, if NorthWestern does have a cause of action against another party for cost recovery, but does not pursue that recovery, does the Commission have a statutory obligation to provide NorthWestern full recovery of that cost from ratepayers? Please fully explain your answer.

RESPONSE:

The Commission has the statutory obligation to provide NorthWestern full recovery of the replacement power costs unless it determines they were imprudently incurred. It has that statutory obligation regardless of whether NorthWestern has a cause of action against another party.

North Western Energy
Docket D2013.5.33/D2014.5.46
Electric Tracker

Montana Consumer Counsel (MCC)
Set 3 (122-153)

Data Requests received August 14, 2015

MCC-136. RE: NWE Recovery of Costs
Witness: Patrick R. Corcoran

In reference to your rebuttal testimony at page PRC-7, lines 17-20:

- a. Please explain how you believe that the Commission should assure that any replacement power cost recovery from ratepayers is offset with labor cost savings that are associated with that replacement power.
- b. If you do not believe that the ratepayer cost burden associated with replacement power should be offset with the labor cost savings attributable to that replacement power please explain fully why such an outcome would be fair and equitable for ratepayers.

RESPONSE:

- a. These labor costs are associated with owned assets and do not belong in the electricity supply tracker.
- b. See the response to part a, above.

NorthWestern Energy
Docket D2013.5.33/D2014.5.46
Electric Tracker

Montana Consumer Counsel (MCC)
Set 3 (122-153)

Data Requests received August 14, 2015

MCC-137. RE: NWE Recovery of Costs
Witness: Patrick R. Corcoran

In reference to your rebuttal testimony at pages PRC-9 through PRC-11: If the Commission concludes that NWE has been fully compensated through rates for its costs associated with CU4 and other investments for the time periods covered by these dockets and that no amount of authorized revenues have, in fact, been lost, is it nevertheless your position that additional LRAM revenues should be authorized for recovery at this time. Please fully explain your answer.

RESPONSE:

This data response includes a false hypothetical. No information about costs for CU4 or other investments for the time periods is available upon which the Commission could base such a conclusion. In an earlier docket, the Commission determined that the fixed cost component of a generation resource can only be changed in a general rate filing. More importantly, as the Commission has recognized, the underlying purpose of the LRAM is to remove all disincentives to DSM by placing NorthWestern in the same position it would have been in without DSM. Eliminating LRAM for CU4 and other investments would undercut this purpose and possibly jettison NorthWestern's reasonable opportunity to earn its authorized rate of return.

NorthWestern Energy
Docket D2013.5.33/D2014.5.46
Electric Tracker

Montana Consumer Counsel (MCC)
Set 3 (122-153)

Data Requests received August 14, 2015

MCC-138. RE: Interruption (Outage) Insurance
Witness: Fred Lyon

Based on your rebuttal testimony at page FL-14 and FL-15, please provide a detailed list of instances where utilities, independent power producers, etc. have purchased interruption (outage) insurance.

RESPONSE:

Of the various utilities and independent power producers with whom I have worked, I am not aware of any that purchased interruption (outage) insurance.

NorthWestern Energy
Docket D2013.5.33/D2014.5.46
Electric Tracker

Montana Consumer Counsel (MCC)
Set 3 (122-153)

Data Requests received August 14, 2015

MCC-139. RE: Generator's Interlaminar Insulation
Witness: Ronald A. Halpern

When asked if public utilities are typically aware of procedures related to inspection of a generator's interlaminar insulation in your rebuttal testimony at page RAH-11, you respond: "Most utilities rely on the OEM, in this case Siemens, to provide technical expertise for the inspection and repair of their generators." Since public utilities like NorthWestern rely on the expertise of the OEM, please explain in detail if you have an opinion whether Siemens should have noticed that there were core specific issues with CU4, and should have requested additional evaluations of the issues.

RESPONSE:

The question wrongly assumes that there were core specific issues with CU4 that Siemens should have noticed. Siemens did perform tests that would have detected issues with the core. These tests did not show any damage to the core after repair work was completed. It is not standard industry practice for El Cid testing to be completed after reassembly of the generator.

NorthWestern Energy
Docket D2013.5.33/D2014.5.46
Electric Tracker

Montana Consumer Counsel (MCC)
Set 3 (122-153)

Data Requests received August 14, 2015

MCC-140. RE: CU4 Failure
Witness: Ronald A. Halpern

You conclude your rebuttal testimony at page RAH-13 stating: “NorthWestern could not have foreseen or prevented it.” Please explain in detail if you have an opinion whether an OEM like Siemens could have foreseen or prevented CU4 failure.

RESPONSE:

Standard industry practice, as well as my experience as a generator expert, is to test the core after repair work is completed, or after a routine outage where no repair work is done, in order to determine if the core contains any shorted lamination greater than industry-accepted values.

In this case, that is what Siemens did after the repair work was completed. In fact, they did find some values above accepted levels, but they were on a different part of the core and these areas were repaired, retested and found to be at acceptable levels.

NorthWestern Energy
Docket D2013.5.33/D2014.5.46
Electric Tracker

Montana Consumer Counsel (MCC)
Set 3 (122-153)

Data Requests received August 14, 2015

MCC-141. RE: Lawsuit Against Siemens or Talen
Witness: NorthWestern Legal Department

Please provide a detailed list of each element NorthWestern considered in reaching its decision that it will not file a lawsuit against Siemens or Talen regarding the 2013 forced outage, as stated in your rebuttal testimony on page MJB-4, lines 5-8.

RESPONSE:

The decision not to file suit against either Talen or Siemens was not made by Mr. Barnes. It was made at the senior executive level based upon the advice of NorthWestern's Legal Department. All communications were verbal and are privileged communications. The opinion of Mr. Goetz, which is set forth in his prefiled rebuttal testimony, confirmed NorthWestern's conclusions.

NorthWestern Energy
Docket D2013.5.33/D2014.5.46
Electric Tracker

Montana Consumer Counsel (MCC)
Set 3 (122-153)

Data Requests received August 14, 2015

MCC-142. RE: Lawsuit Against Siemens or Talen
Witness: Michael J. Barnes

Please provide all correspondence and any other communications with other owners of CU4 concerning the issue of a possible suit against Siemens, as referred to in your rebuttal testimony on page MJB-4, lines 11-12.

RESPONSE:

There are none.

NorthWestern Energy
Docket D2013.5.33/D2014.5.46
Electric Tracker

Montana Consumer Counsel (MCC)
Set 3 (122-153)

Data Requests received August 14, 2015

MCC-143. RE: Lawsuit Against Siemens or Talen
Witness: Michael J. Barnes

Please provide a copy of the referenced email as well as all additional communications with FM Global, as mentioned in your rebuttal testimony on page MJB-4, lines 12-13.

RESPONSE:

Please see the response to Data Request MEIC-071.

NorthWestern Energy
Docket D2013.5.33/D2014.5.46
Electric Tracker

Montana Consumer Counsel (MCC)
Set 3 (122-153)

Data Requests received August 14, 2015

MCC-144. RE: Lawsuit Against Siemens or Talen
Witness: Michael J. Barnes

Please provide all correspondence and communications from Talen stating what Talen concluded, as referred in your rebuttal testimony on page MJB-4, line 22.

RESPONSE:

There are none.

NorthWestern Energy
Docket D2013.5.33/D2014.5.46
Electric Tracker

Montana Consumer Counsel (MCC)
Set 3 (122-153)

Data Requests received August 14, 2015

MCC-145. RE: Colstrip Unit 4 – Overall Performance
Witness: Michael J. Barnes

In reference to your rebuttal testimony pages MJB-5, line 17 through page MJB-6, line 15: For each instance where you report an EAF (or other measure) for CU3 and CU4 on a combined basis, please provide the corresponding EAF (or other measure) for CU4 alone.

RESPONSE:

Please see the responses to Data Requests MEIC-072c and MEIC-075.

NorthWestern Energy
Docket D2013.5.33/D2014.5.46
Electric Tracker

Montana Consumer Counsel (MCC)
Set 3 (122-153)

Data Requests received August 14, 2015

MCC-146. RE: General Availability Data System
Witness: Michael J. Barnes

Please provide a copy of NERC's Generating Availability Data System ("GADS") reporting Equivalent Availability Factor ("EAF") data on 102 coal-fired generating plants, as mentioned on page MJB-8 of your rebuttal testimony.

RESPONSE:

NERC's GADS Data report is public information available on the NERC web site <http://www.nerc.com/pa/RAPA/gads/Pages/Reports.aspx>. The report used for the reference is the 2009-2013 Generating Unit Statistical Brochure – All Units Reporting. Please note that according to NERC there are 121 coal-fired plants of similar size.

NorthWestern Energy
Docket D2013.5.33/D2014.5.46
Electric Tracker

Montana Consumer Counsel (MCC)
Set 3 (122-153)

Data Requests received August 14, 2015

MCC-147. RE: Outage Insurance
Witness: Michael J. Barnes

In pages MJB-8 through MJB-10 of your rebuttal testimony, you appear to describe outage insurance as a hedging transaction with costs that are expected to exceed benefits. Is it your position that hedging transactions that are expected to lose money should be avoided? Please explain your answer.

RESPONSE:

I did not describe it as a hedging transaction; I described it as a financial instrument similar to a call option.

North Western Energy
Docket D2013.5.33/D2014.5.46
Electric Tracker

Montana Consumer Counsel (MCC)
Set 3 (122-153)

Data Requests received August 14, 2015

MCC-148. RE: Outage Insurance
Witness: Michael J. Barnes

In reference to pages MJB-10 through MJB-13: Please provide all correspondence between NWE and insurance brokers related in any way to the issue of outage insurance for CU4.

RESPONSE:

Please see the response to Data Request MEIC-072c.

North Western Energy
Docket D2013.5.33/D2014.5.46
Electric Tracker

Montana Consumer Counsel (MCC)
Set 3 (122-153)

Data Requests received August 14, 2015

MCC-149. RE: Exhibit__(MJB-2)
Witness: Michael J. Barnes

Please provide an electronic working copy, with formulas and all links intact, of your Exhibit__(MJB-2), including all workpapers and supporting documents.

RESPONSE:

See the response to Data Request MEIC-094.

North Western Energy
Docket D2013.5.33/D2014.5.46
Electric Tracker

Montana Consumer Counsel (MCC)
Set 3 (122-153)

Data Requests received August 14, 2015

MCC-150. RE: Reviewed Documents
Witness: James H. Goetz

In your rebuttal testimony at page JHG-6, lines 10-11, you state: "I have also reviewed a document indicating declination by the insurer to pursue litigation on potential subrogation interest..." Please provide the referenced document and any related documents.

RESPONSE:

See the response to Data Request MEIC-071a.

NorthWestern Energy
Docket D2013.5.33/D2014.5.46
Electric Tracker

Montana Consumer Counsel (MCC)
Set 3 (122-153)

Data Requests received August 14, 2015

MCC-151. RE: Siemens's Work in 2013 on CU No. 4
Witness: James H. Goetz

In reference to your rebuttal testimony at page JHG-7, lines 7-8, please provide the referenced contract.

RESPONSE:

See the response to Data Request MEIC-069.

North Western Energy
Docket D2013.5.33/D2014.5.46
Electric Tracker

Montana Consumer Counsel (MCC)
Set 3 (122-153)

Data Requests received August 14, 2015

MCC-152. RE: Corrected 2013-2014 Program Savings
Witness: Joe Schwartzenberger

Please provide an electronic working copy, with all links intact, of your Exhibit__ (JS-1), including all workpapers and formulas intact.

RESPONSE:

See the response to Data Request PSC-069.

North Western Energy
Docket D2013.5.33/D2014.5.46
Electric Tracker

Montana Consumer Counsel (MCC)
Set 3 (122-153)

Data Requests received August 14, 2015

MCC-153. RE: Corrected 2013-2014 Lost Revenues
Witness: Joe Schwartzenberger

Please provide an electronic working copy, with all links intact, of your Exhibit__ (JS-2), including all workpapers and formulas intact.

RESPONSE:

See the response to Data Request PSC-069.