

March 10, 2015

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

RE: Docket Nos. D2013.5.34/D2014.5.47 – Natural Gas Tracker
Second Updated Responses to PSC-041 and PSC-042 in
PSC Set 4 (040-043)

Dear Ms. Whitney:

Enclosed for filing are NorthWestern Energy's second updated responses to PSC-041 and PSC-042 in PSC Set 4 Data Requests in Docket Nos. D2013.5.34/D2014.5.47 Natural Gas Tracker.

These data responses will be hand delivered to the Montana Public Service Commission and the Montana Consumer Counsel this date. They will also be mailed to the service list in this docket, e-filed on the PSC website, and emailed to counsel of record.

If you have any questions, please call Joe Schwartzenberger at (406) 497-3362.

Sincerely,

Connie Moran
Administrative Assistant
Regulatory Affairs

CERTIFICATE OF SERVICE

I hereby certify that a true and correct copy of NorthWestern second updated responses to PSC-041 and PSC-042 in PSC Set 4 (040-043) in Docket Nos. D2013.5.34/D2014.5.47 will be hand delivered to the Montana Public Service Commission and Montana Consumer Counsel this date. They will be 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 as follows:

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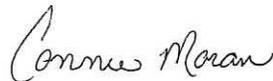
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DATED this 10th day of March 2015.



NorthWestern Energy
Docket D2013.5.34/D2014.5.47
Natural Gas Tracker

Public Service Commission (PSC)
Set 4 (040-043)

Data Requests received February 6, 2015

PSC-041 Regarding: NFR Total Owned Production and Costs
 Witness: Pat DiFronzo, parts a & b / John Smith, part c

- a. Please estimate total cost of service from NorthWestern owned NFR production in 2012-13 and 2013-14. Please provide electronic worksheets to support the estimates.
- b. Please estimate the total cost per dekatherm to NorthWestern customers of NFR production in 2012-13 and 2013-14, including costs recovered or expected to be recovered through fixed and variable rates. Please provide electronic worksheets to support your estimates.
- c. Please provide royalty payments and production taxes on NorthWestern owned NFR production in 2012-13 and 2013-14.

RESPONSE:

- a. The Bear Paw fixed revenue requirement rate of \$0.1817 as shown on Exhibit (JMS-2), line 51 was based on twelve months ended December 2012. The rate is designed to recover the estimated net revenue requirement of NorthWestern's share of Bear Paw. This rate went into effect on an interim basis starting on November 1, 2012 as part of NorthWestern's monthly tracker filing dated October 17, 2012. This "bridge" allows NorthWestern to recover the estimated net revenue requirement until it is tried-up pursuant to a final order in a separate Bear Paw filing. See the PSC-041a file on the CD attached to PSC-040 for the workpapers.
- b. The estimated total cost for 2012-13 is \$4.51 per dekatherm. The estimated total cost for 2013-14 is \$4.30 per dekatherm. See the PSC-041b file on the CD for the supporting calculations.
- c. Using NorthWestern's revised "gross" royalty methodology, the 2012/2013 royalty payments were \$269, 908 and the 2012/2013 production taxes were \$161,929. The 2013/2014 royalty payments were \$535,238 and the production taxes were \$218,220.

UPDATED RESPONSE (March 4, 2015):

- a. Subsequent to NorthWestern filing the response to this data request, Commission staff verbally requested additional information. Please see the Updated PSC-041a

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Docket D2013.5.34/D2014.5.47
Natural Gas Tracker

Public Service Commission (PSC)
Set 4 (040-043)

Data Requests received February 6, 2015

PSC-041 cont'd

file on the attached CD for the model supporting the revenue requirement workpapers provided in the original response.

As discussed with Commission staff, this model was used for analysis of the purchase of these gas production properties and, therefore, includes additional data not relevant to this proceeding.

SECOND UPDATED RESPONSE (March 10, 2015):

- b. On March 4, 2015, NorthWestern filed an updated response to part a that responded to an oral request from Commission staff for additional information. As stated in the updated response, the information provided was a model that NorthWestern used for a different purpose – analysis of the acquisition of the relevant gas production properties. Upon reviewing the updated response, Commission staff and intervenor's expert asked for reconciliation between the model provided in the original response to part b and the model provided in the updated response to part a, both of which include estimated cost per dekatherm. NorthWestern reiterates that it used the models for different purposes, differences should be expected, and reconciliation involves many moving parts. Please see the Updated PSC-041b file on the attached CD. NorthWestern provides it to reconcile, clarify, and correct earlier responses.

NorthWestern Energy
Docket D2013.5.34/D2014.5.47
Natural Gas Tracker

Public Service Commission (PSC)
Set 4 (040-043)

Data Requests received February 6, 2015

PSC-042 Regarding: Devon Total Owned Production and Costs
 Witness: Pat DiFronzo, parts a & b / John Smith, parts c & d

- a. Please estimate total cost of service from NorthWestern owned Devon production in 2013-14. Please provide electronic worksheets to support your estimates.
- b. Please estimate the total cost per dekatherm to NorthWestern customers of Devon 2013-14 production, including costs recovered or expected to be recovered through fixed and variable rates. Please provide electronic worksheets to support the estimate.
- c. Please provide royalty payments and production taxes on NorthWestern owned Devon production in 2013-14.
- d. With exception of a significant drop in February 2014, total owned 2013-14 Devon production in the revised analysis appears more consistent than total owned Devon production in the original analysis. Please explain.

RESPONSE:

- a. The Devon fixed revenue requirement rate of \$0.9308 as shown on Exhibit __ (JMS-2), line 54 was based on twelve months ended December 2012. The rate is designed to recover the estimated net revenue requirement of NorthWestern's share of Devon. This rate went into effect on an interim basis starting on December 1, 2013 as part of NorthWestern's monthly tracker filing dated November 17, 2013. This "bridge" allows NorthWestern to recover the estimated net revenue requirement until it is tried-up pursuant to a final order in a separate Devon filing. See the PSC-042a file on the CD attached to PSC-040 for the workpapers.
- b. The estimated total cost for 2013-2014 is \$4.79 per dekatherm. See the PSC-042b file on the CD for the supporting calculations.
- c. Using NorthWestern's revised "gross" royalty methodology, the 2013/2014 royalty payments were \$2,078,564 and the 2013/2014 production taxes were \$839,559.

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Public Service Commission (PSC)
Set 4 (040-043)

Data Requests received February 6, 2015

PSC-042 cont'd

- d. The revised analysis correctly uses the “NorthWestern Equity and Royalty First” allocation method. This allocation allowed NorthWestern access to more of the Devon owned production.

UPDATED RESPONSE (March 4, 2015):

- a. Subsequent to NorthWestern filing the response to this data request, Commission staff verbally requested additional information. Please see the Updated PSC-042a file on the CD attached to the updated response to PSC-041 for the model supporting the revenue requirement workpapers provided in the original response.

As discussed with Commission staff, this model was used for analysis of the purchase of these gas production properties and, therefore, includes additional data not relevant to this proceeding.

SECOND UPDATED RESPONSE (March 10, 2015):

- b. On March 4, 2015, NorthWestern filed an updated response to part a that responded to an oral request from Commission staff for additional information. As stated in the updated response, the information provided was a model that NorthWestern used for a different purpose – analysis of the acquisition of the relevant gas production properties. Upon reviewing the updated response, Commission staff and intervenor’s expert asked for reconciliation between the model provided in the original response to part b and the model provided in the updated response to part a, both of which include estimated cost per dekatherm. NorthWestern reiterates that it used the models for different purposes, differences should be expected, and reconciliation involves many moving parts. Please see the Updated PSC-042b file on the CD attached to the second updated response to PSC-041. NorthWestern provides it to reconcile, clarify, and correct earlier responses.