



May 8, 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
PSC Set 6 (049-051)

Dear Ms. Whitney:

Enclosed for filing are NorthWestern Energy's responses to PSC Set 6 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 Schwartzberger 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's responses to PSC Set 6 Data Requests (049-051) in Docket Nos. D2013.5.34/D2014.5.47 will be hand delivered to the Montana Public Service Commission and Montana Consumer Counsel and also e-filed with the Montana Public Service Commission. It will also be served upon the following persons by postage prepaid via first class mail as follows:

Robert Nelson
Montana Consumer Counsel
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Helena Mt 59620-1703

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DATED this 8th day of May 2015.



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

Public Service Commission (PSC)
Set 6 (049-051)

Data Requests received May 01, 2015

PSC-049 Regarding: NFR and Devon True-Up
 Witnesses: DiFronzo

At 3:21-5:3 you discuss including the NFR and Devon natural gas production assets within a consolidated natural gas utility rate case in 2016, and using a 2015 test year.

- a. Assuming that the Commission-authorized NFR and Devon rates resulting from a general rate case differ from interim rates, what would the correct method to true up the interim rate to that finally approved rate be? (e.g., would you subtract the authorized rates from the interim rates, and then multiply by previous billed volumes to determine under/over recovery, adjusting for interest as appropriate?) If not, please state precisely how under/over recovery would be calculated.

- b. Please describe whether other jurisdictions where cost-of-service-regulated utilities have acquired gas production assets, or interests in them, have had interim/subject-to-refund rates set outside of a rate case and, if such treatment elsewhere exists, how the issue that you and Mr. Donkin discuss has been decided.

RESPONSE:

- a. Yes.

- b. I have no knowledge of how other jurisdictions may have handled such transactions.

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

Public Service Commission (PSC)
Set 6 (049-051)

Data Requests received May 01, 2015

PSC-050 Regarding: Establishing Natural Gas Production Asset Rates
 Witnesses: DiFronzo

In response to PSC-046(b) Donkin states:

NWE's annual revenue requirement and unit rates for Battle Creek, Bear Paw, and Devon should not be established in a general rate case; rather, they should be adjusted annually in NWE's annual gas tracker filings. This is essential if ratepayers are to realize the results over time from the net present value cost comparisons, levelized cost comparisons, and cross-over point assumptions, that were used by NWE and presented to and considered by MCC and the Commission for the purpose of accepting as reasonable the acquisitions of the Battle Creek, Bear Paw, and Devon gas producing properties.

- a. Please describe why you do not believe that Donkin's proposal is appropriate to establish rates for these assets.
- b. Please identify other jurisdictions where traditional, fixed-price unit rates have been approved by utility commissions for gas production assets owned by a cost-of-service-regulated utility.
- c. Do you believe that Donkin's response on cross-over points threatens the stipulation of September 18, 2012 that was filed in Docket No. D2012.3.25? Please explain.

RESPONSE:

- a. My understanding is that the models were used only for decision-making purposes for the acquisitions of the natural gas production assets. The Commission will decide if the acquisitions were prudent based on the economics that were known at the time of the purchases of the natural gas production assets. The models were not intended to be used to set rates each year based on forecasted information. In other contexts, the Commission has acknowledged the difference between models used for acquisition and ratemaking treatment of assets. The rates established for these assets should be based on an historical test year using the Commission minimum rate case filing standards and rules.
- b. I have not investigated the treatment of gas production assets by utility commissions in other jurisdictions.
- c. The stipulation only applies to the evaluation of the acquisition.

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

Public Service Commission (PSC)
Set 6 (049-051)

Data Requests received May 01, 2015

PSC-051 Regarding: Deleted Language Final Order 7219h
 Witness: Schwartzenberger

At 3:8-22 you describe why the language “as of the service date of this order, NorthWestern bears the burden of demonstrating why any request for incremental lost revenues resulting from the acquisition of additional USB or DSM savings is reasonable and in the public interest” was removed from Final Order 7219h.

At 4:5-12 you testify that NorthWestern has filed a motion to reserve issue and to strike Mr. Donkin’s testimony regarding disallowance of USB related lost revenues. You state that NorthWestern believes that recovery of USB related lost revenues should not be considered until an order has been issued in Docket No. D2014.6.53.

Do you agree that removal of the phrase from Final Order 7219h does not imply that the Commission cannot entertain arguments or determine to disallow lost revenues?

RESPONSE:

Mr. Schwartzenberger is not an attorney and, therefore, cannot respond to the extent the data request calls for a legal conclusion. Mr. Donkin raised the USB lost revenue issue prior to the Commission initiating Docket No. D2014.6.53 (“LRAM Docket”). By opening the LRAM Docket, the Commission established a forum in which to consider all issues regarding LRAM. Consideration of this issue in one docket will conserve and more efficiently apply the Commission’s and the parties’ resources.

Without expressing any opinion as to legal restriction, under the totality of the circumstances, NorthWestern does not believe the Commission should entertain arguments or make a determination regarding recovery of USB-related lost revenues in this docket at this time. Removal of the phrase from the Final Order is not the key point. Rather, the key point is the fact that the Commission opened and is currently processing the LRAM Docket regarding recovery of NorthWestern’s lost revenues, including USB lost revenues. The LRAM Docket is an important lost revenue policy docket. NorthWestern believes the parties’ positions regarding USB-related lost revenues in this docket could change based on the Commission’s order in the LRAM Docket, and that the Commission’s order in this docket should be informed by its order in the LRAM Docket.