

Montana Public Service Commission



Brad Johnson - Chairman
Travis Kavulla - Vice Chairman
Roger Koopman - Commissioner
Bob Lake - Commissioner
Tony O'Donnell - Commissioner

September 8, 2017

Mr. Joe Schwartzberger
NorthWestern Energy
11 East Park
Butte, MT 59701

RE: Data requests in Docket D2017.5.39

Dear Mr. Schwartzberger,

Enclosed please find Data Requests PSC-001 Through PSC-008 Of The Montana Public Service Commission To NorthWestern Energy in the above referenced Docket. Please begin the response to each new numbered data request on a new page. If the initial data request is objectionable or seeks confidential information, NorthWestern Energy must respond accordingly and proceed to object or file a motion for protective order no later than the deadline to respond. Please provide responses on or before September 22, 2017. If you have any questions, please contact me at (406) 444-6191.

Sincerely,



Neil Templeton
Analyst, Regulatory Division
Montana Public Service Commission

Service Date: September 8, 2017

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

IN THE MATTER of the Montana Public Service) REGULATORY DIVISION
Commission's Review of Rates to Recover)
NorthWestern Energy's Electricity Supply Costs) DOCKET NO. D2017.5.39

**DATA REQUESTS PSC-001 THROUGH PSC-008 OF THE MONTANA PUBLIC
SERVICE COMMISSION TO NORTHWESTERN ENERGY**

PSC-001

Regarding: Electronic Files
Witnesses: All

Please provide working electronic copies of all Exhibits with all supporting files and links intact.

PSC-002

Regarding: Net Recovered Power Supply Cost Deadband Region
Witness: Lail

- a. Please explain whether NorthWestern would support a deadband range within which over/ under-recovered ("net recovered") power supply costs are not amortized. Please discuss the merits and demerits of a deadband range.
- b. A general rationale for a cost recovery deadband is that it represents a range of outcomes spanning normal business risk. What is NorthWestern's position on the representation of a deadband as a net recovery region representing normal business risk?
- c. Is NorthWestern able to estimate a net recovery region that represents normal business risk? If so, please provide.
- d. If the Commission adopts a deadband for a range of net recovered power supply costs, would NorthWestern prefer the deadband to be symmetric around the value of \$0? Please explain.

- e. If the Commission adopts a deadband, how should the range be described?

PSC-003

Regarding: Sharing Bands

Witness: Lail

- a. Would NorthWestern support net recovered cost sharing bands other than its proposed band of 100% of Category I costs? Please explain.
- b. Please provide NorthWestern's rationale for its 90/10 sharing ratio.
- c. Can you provide argument, using financial or economic theory, to support NorthWestern's proposed 90/10 sharing ratio?
- d. Would NorthWestern support asymmetric sharing bands, where either the bandwidth or sharing ratio vary depending on whether net recovered power supply costs are positive or negative? Please explain.

PSC-004

Regarding: Earnings Test

Witness: Lail

- a. Please explain whether NorthWestern would favor an earnings test, e.g., a provision that would suspend any sharing adjustment if NorthWestern remains within threshold bands of its authorized return on equity (ROE).
- b. If an earnings test were to apply, should it apply only to the electric supply revenue requirement, or to the company's overall Montana jurisdiction revenue requirement? Please explain the basis for your view.
- c. If the Commission adopts an earnings test, would NorthWestern prefer the test parameters to be symmetric around its authorized ROE? Please explain.
- d. If the Commission adopts an earning test, please specify a set of test parameters that NorthWestern would prefer.

PSC-005

Regarding: Calculation of Earnings

Witness: Lail

In the past, NWE has calculated a return specifically for each rate-based generating unit and for the T&D function of the utility. See Notice of Commission Action (July 7, 2017),

p. 8, citing to *In re NorthWestern Energy's Lost Revenue Adjustment Mechanism*, D2014.6.53, DR PSC-003(d) (Jan 30, 2015).

- a. Please provide the underlying work papers used to make this calculation.
- b. Please update and modify the work papers responsive to (a) to show the "Average Authorized Allowed Return on Equity" and calculate the "Adjusted ROR on Average Equity" for 2014, 2015 and 2016. Please modify the work papers so that, on the table of results, an additional column appears which shows the authorized and adjusted actual return for the aggregate electric supply function of the utility. Please modify the work papers so that, on the table of results, two additional rows appear which show the "Average Authorized Allowed Rate of Return" and an "Adjusted Rate of Return," which encompass both debt and equity.
- c. If not already included in the work papers provided in (b), show the basis for revenue (the rates in effect, sales volumes, and the product in dollars of revenue); the actual costs and the last-approved revenue requirement; and an identification and explanation of any adjustments to actuals.
- d. Please indicate for each column and row shown on the table of results from the work papers in (b), what a 10-basis point increase/decrease in return would equal, in terms of additional/subtracted revenue.
- e. Please provide the information provided in response to D2014.6.53, PSC-003(d) referenced above, and the information requested in Parts a. through d. of this data request, for NorthWestern's hydroelectric assets.

PSC-006

Regarding: Deferral Account Threshold

Witness: Lail

- a. Would NorthWestern support an amortization threshold level for a deferral account, such that over/ under-recoveries are not amortized until the account reaches threshold?
- b. If the Commission adopts a deferral account amortization threshold greater than zero, which level would NorthWestern prefer?
- c. If the Commission adopts an amortization model that allows for the carriage of non-amortized deferred balances, would NorthWestern prefer to apply carrying charges to the deferred balances? If so, please specify.

PSC-007

Regarding: Category II Costs
Witness: Markovich

At 10:16-19 you explain that net recovered Category II costs should flow 100% to customers, since NorthWestern cannot control volumes, operations, or maintenance on federally mandated QF projects. Please explain why the federal mandate implies that NorthWestern's lack of control of QF projects is materially different with respect to cost recovery risk than NorthWestern's lack of control over the prices and quantities of items listed in Category I.

PSC-008

Regarding: Exhibit __ (JS-2)
Witness: Schwartzberger

- a. Please confirm or deny with explanation that NorthWestern is applying a 90/10 share to the difference between Category 1 Actual Costs and Base Costs rather than to the difference between Category 1 Actual Costs and Recovered Costs.
- b. If confirmed, please explain why NorthWestern prefers to apply the sharing rate to the former difference rather than the latter.
- c. Please confirm or deny with explanation that the difference between actual cost less recovered cost and actual cost less base cost equals $\{\text{Base rate} * (\text{Base Volume} - \text{Actual Volume})\}$.
- d. Would the application of the sharing rate to actual costs less recovered costs rather than actual costs less base costs affect NorthWestern's power cost recovery risk? Please explain.