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July 18, 2013

Christopher M. Fecke-Stoudt, P.E.
Consulting Engineer
K.R. Saline and Associates, PLC
160 N. Pasadena, Suite 101
Mesa, Arizona 85201
(480) 610-8741

Re: Formal Data Request #2 dated June 3, 2013

Dear Mr. Fecke-Stoudt,

Thank you for your request letter of June 3, 2013 and the prerequisite signed Confidentiality Agreement. According to NorthWestern Energy's (NWE) Attachment K of our OATT Section 2.5 Information Exchange:

> "2.5.5 Confidentiality: Individual customer data will be treated as confidential and will be aggregated with other customer data for planning and reporting purposes. The data received will be used to develop the Transmission Provider's LTP and for reporting purposes. Market sensitive and commercial specific data, identified as such by the Transmission Customer or stakeholder, shall be handled as such and administered in accordance with the Standard of Conduct for Transmission Providers as well as Confidential Energy Infrastructure Information."

The Local Area Transmission Plan is an evaluation of the electric transmission system to ensure that system reliability is maintained into the future. Reliability, by definition, examines the adequacy and security of the electric transmission system.

Your letter of comments and questions regarding the local area transmission plan listed six areas. The remainder of this letter will repeat your six areas of comments and questions, followed by NWE's response.

1. From the September 27, 2012 meeting notes it was asked if, "a decision matrix evaluating potential mitigation actions." would be developed for the current planning cycle. Based upon the description this seems to be a different document than the *Highest Priority System Problems/Decision Matrix* spreadsheet that is available already. If different and available, could you please provide this matrix for the current study cycle and previous study cycle mitigation action matrices?

   NWE Response: Yes, it is a different document. You are referring to the *Decision Rule Matrix* Template outlined in Table 11 on page 62 of the *2010/2011 Local Area Transmission Plan*. That template remains unchanged for the 2012/2013 planning cycle. This template was only used when it was necessary to compare different mitigation options that successfully solved the same system problem.

2. The 2010/2011 local transmission plan states that four alternative mitigations were considered to the preferred Columbus–Rapelje to Chrome Junction 100 kV line and that no single other alternative alleviated all reliability violations (Columbus–Rapelje to Chrome Junction 161 kV line aside). Were combinations of the other alternatives considered (e.g. 50 to 100 kV conversion plus SVD or shunt capacitor banks) and/or evaluated?

   NWE Response: Not during the 2010/2011 planning cycle. Combinations of line conversion alternatives were considered in 2012 but were judged more costly and provided little potential for future growth.

3. Did NWE receive any stakeholder alternatives to the preferred Columbus - Rapelje to Chrome Junction 100 kV line? If so, please describe each stakeholder alternative and indicate whether NWE evaluated it. And, if NWE did evaluate the stakeholder alternative, please provide the results of that evaluation or evaluations.

   NWE Response: NWE was asked by a stakeholder if we had considered static and dynamic VAR support in the area. NWE had already considered this alternative and rejected it as described in the local area plan.

4. Please describe the relevant assumptions and provide details of the generation alternative(s) considered by NWE (i.e., unit size, make & model, fuel type, fuel source, operating characteristics, location, water requirements, etc.). Also, please explain any transmission requirements, including interconnection and/or line additions. If natural gas was the assumed fuel for NWE's generation alternative(s), please provide a map (or other source of information, if a map is not available) that depicts the physical location of natural gas pipelines in the Stillwater and Carbon counties and NWE's assumed point of access for the unit's gas supply.

   NWE's Response: NWE did not reach the level of detail you are requesting before this alternative was rejected. A NWE natural gas transmission pipeline does pass through the Absarokee area to the southeast towards Red Lodge; NWE considered a 35MW gas fired generator in this area near Absarokee. This alternative would still have required construction of a 100kV transmission line from the gas plant to Chrome Junction, approximately 15 miles. This alternative was rejected because firm gas delivery could not be provided for the generator, and this alternative was judged to be less cost effective than the preferred alternative.

5. According to the results I have reviewed, the load has grown by 6 MW or 46% (from 13 MW to 19 MW) since 2011 in the Columbus area.[1] To what is this growth attributed? (e.g.. residential, well pumping, commercial, etc). Is this growth attributed to the Stillwater 8 MW shown in the load interconnection queue?[2] Are the load interconnection studies available for review?

   NWE's Response: The figures you refer to do not directly illustrate load growth; it illustrates the amount of load affected by the worsening system problem noted. The larger number is due to a combination of overall system growth and other large customer forecasted growth. It is not directly related to load shown in the interconnection queue. Load interconnection studies are not available for review.

6. Please describe the generation assumptions for 2010/2011 local transmission plan study work. Also, please describe how the assumed output for the hydro units in the Red Lodge loop area for study purposes compared to actual historical output during the relevant time periods. Did NWE assume an economic merit order generation dispatch

for all study cases? If not, please describe any and all exceptions and explain the rationale for not following an economic merit order generation dispatch.[3]

NWE's Response: NWE does not own the generation in the Red Lodge area. Customer owned generation is dispatched at seasonal/historical operating levels and per designations and contractual obligations. The assumptions, output and generation information pertaining to the *2010/2011 Local Area Transmission Plan* can be found in the base cases provided to you pursuant to your Request #1 Letter and NWE's response to item #1 of that request.

Sincerely,

Don Bauer, Manager
T&D Planning and Capacity West

Don Bauer

[1]See Decision Matrix from May 20, 2011 and May 21, 2013 and compare Columbus area 100 and kV project details

[2] http://www.oatioasis.com/woa/docs/NWMT/NWMTdocs/GenConnect.html

[3] It is understood that NEW does not own any generating resources, we are interested in the generating assumptions.