Issue	Sch	Account	Issue	Discussion
1.	Entire Filing	Entire Filing	**Complete ASC Filing** Did NorthWestern's ASC filing contain sufficient documentation supporting the allocation of costs from its FERC Form 1 filing to the Montana jurisdiction?	NW did not provide a detailed allocation of its costs into the individual Appendix 1 Accounts for its retail service territories. BPA reserves the right to raise additional issues on MW filing after receipt of this information. RESPONSE: See supporting documentation provided February 27, 2009.
2.	Sch-1	Account 303	**Generic Direct Analysis Issue** Should BPA adopt a common functionalization for similar types of software assets?	Inconsistency between how the IOUs functionalize certain types of software, i.e. metering, customer information systems, work management, etc. RESPONSE: BPA should maintain consistency in the functionalization of these common types of programs, with costs greater than an identified threshold value, amongst utilities when calculating ASC. In our initial Appendix 1 filings the IOUs have not functionalized certain software the same, we are all in agreement that given a determination by BPA on the proper functionalization of these items the IOUs will support a consistent treatment.
3.	Sch-1	Account 182.3 and Account 254	**Generic Direct Analysis Issue** Should BPA adopt a common functionalization for similar types of regulatory assets and liabilities?	Inconsistency in the way the IOUs functionalize deferred pension, pay and other labor related assets and liabilities. PGE, Avista and NW use the Labor Ratio. IPC uses PTD. PSE and PAC functionalize these assets to Distribution. RESPONSE: BPA should maintain consistency in the functionalization of deferred pension, pay and other labor related assets and liabilities amongst utilities when calculating ASC. All of the IOUs agree that it is appropriate for purposes of determining a utility's ASC to functionalize these accounts by the LABOR ratio.
4.	Sch-1 and Sch-3	Accounts 182.3, 186, 253, and 254	**Generic Direct Analysis Issue** Should BPA require that matching assets and liabilities in these accounts require a common functionalization? For example, should pension costs in Accounts 182.3 and 254 have the same	Direct analysis is required in the functionalization of Other Regulatory Assets (Account 182.3), Miscellaneous Deferred Debits (Account 186), Other Deferred Credits (Account 253), and Other Regulatory Liabilities (Account 254). Direct analysis should include a consistent functionalization for assets in

			functionalization? Should the functionalization of the amortization match the functionalization of the corresponding assets and liabilities?	either Account 182.3 or 186 and offsetting liabilities in either Account 253 or 254. Direct analysis also requires showing how the assets and liabilities flow through the Income Statement. RESPONSE: The IOUs agree that BPA should require that accounts that have a corresponding asset and liability account have the same functionalization.

Issue	Sch	Account	Issue	Discussion
5.	**Sch-2**	**Rate of Return**	**Return on Equity** Is use of a ROE from a 2001 MPSC rate order for Montana Power Company a reasonable proxy for NW ROE?	NW did not have a rate order from the Montana Public Service Commission (MPSC) since it purchased the Montana Power Company service territory. NW submitted a rate of return from a 2001 MPSC order for Montana Power Company. The income tax adjusted rate of return based on the 2001 MPSC order for Montana Power Company and submitted by NW is 11.009% RESPONSE: The Stipulation approved by the MPSC in the most recent revenue requirement filing (Docket No. D2007.7.82) is silent on NWE's capital structure and rate of return. However, the monthly and annual supply tracker filings, as well as various analyses, continue to be based on the last MPSC authorized rate of return. For this reason, NWE believes use of this return reflects current regulatory treatment and is appropriate for inclusion in the Appendix 1 filing.
6.	**Sch-3**	**565**	**Transmission of Electricity by Others - Wheeling** Did NW correctly functionalize Account 565 Transmission of Electricity by Others - Wheeling?	NW functionalized a portion of Account 565 to Distribution. The 2008 ASCM specifies that Account 565 must be functionalized to Transmission. RESPONSE: NWE incorrectly included an allocation reflecting separation of transmission and distribution lines. Upon further analysis, NWE agrees that 100% of the costs in Account 565 should be functionalized to Transmission.

7.	**Sch-3**	**930.2**	**Miscellaneous General Expenses** Did Northwestern Functionalize correctly Account 930.2 Miscellaneous General Expenses?	NorthWestern functionalized a portion of Account 930.2 to PROD. The 2008 ASCM functionalization for Account 930.2 is DIST. RESPONSE: See supporting documentation provided February 27, 2009.
8.	**Sch-3B**	**456.1**	**Revenues from Transmission of Electricity by Others** Did NW correctly functionalize Account 456.1 Revenues from Transmission of Electricity by Others?	NW functionalized a portion of Account 456.1 to Distribution. The 2008 ASCM specifies that Account 456.1 must be functionalized to Transmission. RESPONSE: According to Attachment A of the 2008 ASC Methodology "…if a Utility…has not received an order from its Regulatory Body separating its line between transmission and distribution, then it must perform a Direct Analysis on its transmission costs and wheeling revenues. The Direct Analysis must allocate transmission costs and wheeling revenues so that only the costs and revenues of transmission lines rated at 115kV or above are included as transmission." Because NWE does not have an order addressing separation of transmission and distribution lines, the Appendix 1 filing prepared by NWE included an allocation to transmission and distribution. Within the template, allocations related to plant and O&M expenses were incorporated. In the initial ASC filing, NWE also included a similar allocation for revenue. NWE agrees that only the transmission-related revenue is appropriate for Account 456.1 and that the existing template does not allow for an allocation. However, there is no suggested location in the model for the distribution-related revenue resulting from the separation analysis. Therefore, NWE would propose that the Total revenue in Account 456.1 reflect the net amount with the distribution-related revenue already adjusted out. This net amount would then be allocated 100% to transmission.
9.	**3-YR PP & OSS**	**555, 447**	**Purchased Power Expense, Sales for Resale, and Price Spread** Did NorthWestern record correctly the information contained on 3-year purchased power and sales for resale worksheet?	The information contained on NorthWestern's Purchased Power and Sales for Resale worksheet is identical for the years 2005, 2006 and 2007. RESPONSE: See revised worksheet and supporting documentation provided February 27, 2009.
10.	**Sch-3B, 3-YR**	**555, 447**	**Generic Issue - Purchased Power Expense, Sales for Resale, and Price Spread**	

	PP & OSS		How should book-outs and trading adjustments be treated for calculations of purchased power expense and sales for resale revenue and the price spread calculation? Should the treatment be consistent across utilities?	NW did not summarize book-outs in its FERC Form 1 filing. Most utilities do not summarize bookouts as a line item in their Form1. The inclusion or exclusion of summarized book-outs in purchased power and sales for resale affects the price spread calculation. RESPONSE: The IOUs support a consistent reporting of purchase power expenses and sales for resale among the exchanging utilities for the determination of price spread. If Bonneville determines the amounts used to calculate each company's price spread and reported in the FERC Form 1 should be without bookouts the IOUs agree to report and calculate accordingly.

Issue	Sch	Account	Issue	Discussion
11.	**ASC Forecast Model**		**Generic Issue - New Plant Additions - Natural Gas Prices** What is the appropriate natural gas price to be used for estimating the annual fuel costs for new gas burning plants?	Forecasted natural gas prices vary significantly between utilities forecasting natural gas burning new additions. None of the utilities reported long term firm natural gas supply contracts, so it is assumed that the differences are a result of different natural gas price forecasting techniques. RESPONSE: The IOUs propose that it is reasonable to use a third party gas price forecast in the determination of an exchanging utility's ASC. The IOUs believe that the third party gas price forecast that BPA uses would be appropriate or another publicly available gas price forecast. In addition, if a given exchanging utility desires to use a different gas price for their new resource it is understood that they will have to supply all necessary data in support of their alternative gas price forecast.
12.	**ASC Forecast Model**		**Generic Issue - New Plant Additions - Capacity Factor** Should BPA use common representative capacity factors in the ASC Forecast model for estimating the operating costs and expected energy output for new plant additions?	Projected capacity factors vary significantly between utilities for similar types of new resources. RESPONSE: The IOUs propose that they will use a capacity factor within the range of capacity factors listed below for new resources coming online during the rate period. Resource Type Capacity Factor

				Combined Cycle CT 45% to 75% Simple Cycle CT 1% to 30% Wind 25% to 45% Geothermal greater than 90% Again, it is understood that if a utility chooses to use capacity factor outside the above range for a given new resource that utility will have to supply complete justification for such capacity factor.