



Montana Public Service Commission

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NorthWestern[™]
Energy

Delivering a Bright Future



who we are...



- ⇒ **Our Vision:** Enriching lives through a safe, sustainable energy future
- ⇒ **Our Mission:** Working together to deliver safe, reliable and innovative energy solutions

- ⇒ **Our Values:**

Ssafety

Excellence

Respect

Value

Integrity

Community

Environment

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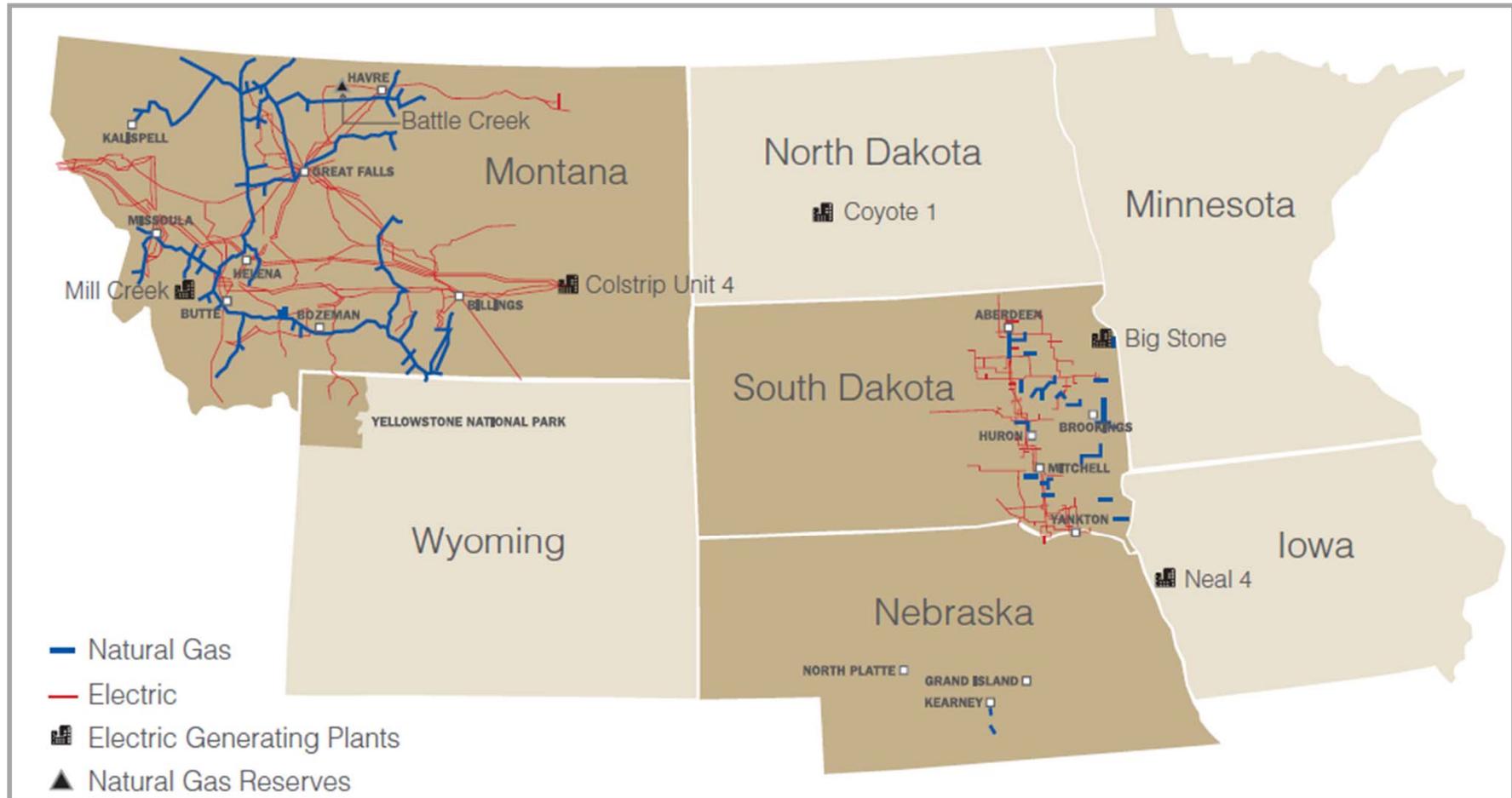
House Bill 25...

- **Enacted May 2007**
- **Significant advantage to NWE's customers**
- **NWE's share of Colstrip Unit #4 rate based January 2009**

NWE generation mission statement...

Develop and operate safe, reliable, competitive, and cost-effective electric power generation (supply) resources that are environmentally compatible and which, as part of NWE's portfolio, will help to stabilize electric supply rates over time. NWE will identify and evaluate potential generation resources necessary for inclusion in a robust electric portfolio, including renewable resources that will help to lessen the reliance on market purchases. Resources will be evaluated with stakeholders in an open and collaborative manner that reflects NWE's commitment for safety, honesty and integrity, and concern for the environment.

NWE fossil generation assets...



NWE's coal fired generation assets...

- **Colstrip Unit 4 (1985)**
 - » Colstrip, MT
 - » 30% ownership (agreement with PPL to share 3 & 4 shares equally results in a 15% share of Units 3 & 4)
 - » 222MW
 - » Powder River Basin (Sub-bituminous)
- **Big Stone (1975)**
 - » Big Stone, SD
 - » 23% ownership
 - » 111 MW
 - » Powder River Basin (Sub-bituminous)
- **Coyote (1981)**
 - » Beulah, ND
 - » 10% ownership
 - » 43 MW
 - » Mine mouth (Lignite)
- **Neal 4 (1979)**
 - » Sioux City, IA
 - » 8.681%
 - » 56 MW
 - » Powder River Basin (Sub-bituminous)

support a mix of generation assets...

- **Mix of generation assets promotes risk diversity in the portfolio**
 - » **Fossil fired generation risk**
 - ◆ Fuel price risk
 - ◆ Environmental risk
 - » **Wind / Solar risk**
 - ◆ Generation availability risk
 - ◆ Governmental Program risk
 - ◆ Environmental risk
 - » **Hydro risk**
 - ◆ Generation availability risk
 - ◆ Environmental risk

overview of compliance rules...

Plant / Unit	Fuel	Capacity (MWs)	Ownership Share (MW)	Compliance Rules													
				PM2.5	Ozone	S02	NOx	NAAQS	NAAQS	NAAQS	NAAQS	Clean Air / T x Rule	Regional Haze / BART	Utility MACT	316 (b)	CCR	Effluent Guidelines
Joint Owned Facilities ⁽¹⁾																	
Colstrip 3 & 4	Coal	1480	222	0*	0*	0*	0*	NA	c*	c*	0*	c*	NA	NA			
Big Stone	Coal	475	111	0*	0*	0*	0*	NA	M**	s*	0*	m*	NA	NA			
Neal # 4	Coal	640	56	0*	0*	M**	0*	M**	M**	M**	s**	m*	m*	NA			
Coyote I	Coal	427	42.7	0*	0*	0*	0*	NA	s**	s*	0*	m*	0*	NA			

UE - Currently under evaluation
 NA - Does not apply to facility
 0 - Compliance Required, no impact expected \$0
 m - Compliance Required, minimal impact expected < \$1M
 s - Compliance Required, some impact expected \$1M-10M
 c - Compliance Required, considerable impact expected +\$10M - \$75M
 M - Compliance Required, Major impact expected +\$75M

Same Project at Neal provides for compliance across indicated rules
 Scope of Project includes installation of Dry Scrubber, Baghouse, SNCR and ACI

* - estimated impact
 ** - identified budgeted impact

(1) Note: Impact estimates (\$'s) are for entire facility, not just NWE's share

importance of coal to NWE supply costs in MT...

- **Direct Impact**
 - » Raising the cost to produce coal fired energy increases need for recovery in rate base.
- **Additionally, NWE supply costs are generally a function of the clearing price of electricity**
 - » NWE purchases a large % of supply through power purchase agreements
 - » price is set or predicted by the highest price resource needed to be on-line.
 - » Coal fired plants could leap frog other resources.
 - » Situation worsened if resources are shut down by reducing supply capacity (high priced resources come on line sooner increasing the price)

environmental stewardship...

- **NWE supports improvement of a clean, healthy environment**
- **Significant challenges exist and will increase as efforts to comply with regulations unfold, including:**
 - » **Compressed time frame for compliance**
 - » **Technology**
 - » **Individual utility compliance plans on reliability**
 - » **Plant Availability**
 - » **Engineering, permitting, procurement and construction resources**
 - » **Generation portfolio**
 - » **Customer rates – Affordable, reliable power**
- **Actively engaged in Ownership Committees**
- **Recommend extending compliance deadline**