

Montana Public Service Commission — News Release

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PSC Approves NorthWestern Purchase of 40 MW Wind Farm

The Montana Public Service Commission voted today to approve NorthWestern Energy Corp.'s application for pre-approval to build and operate the 40-megawatt Spion Kop Wind Project near Geysler, Montana.

The Commission voted 3-2 (Commissioners Gutsche, Kavulla, and Vincent voting aye; Commissioners Gallagher and Molnar voting nay) to approve the application.

Montana law allows utilities to obtain pre-approval for significant generating projects they hope to build or acquire. The application for Spion Kop was not opposed by any party of record in the proceeding. The expected cost of electricity from the project is \$55.42 per megawatt-hour, compared to an average cost of the current portfolio of \$60.87 per MWh and a market price since 2000 of \$64.37 per MWh.

“This project provides cheaper electricity than the price of power on the market for the last decade, and it’s cheaper than our forecast price of electricity going forward. It’s a long-term opportunity to provide power at a reasonable price,” said Travis Kavulla (R., Great Falls), chairman of the Commission, who represents Judith Basin County, where the wind farm will be constructed. “Even if the state had no renewable energy standard, this project would still be cost-competitive and I would still vote to approve it.”

Vice-Chair Gail Gutsche (D., Missoula) said, “With this approval, we are one step closer to meeting the renewable energy standard established by the legislature that 15% of NorthWestern’s portfolio come from clean and green energy.” With Spion Kop, NorthWestern is in compliance with the state’s Renewable Portfolio Standard into 2017.

The Commission also voted 4-1 to put in place a performance standard ensuring that ratepayers are not at risk to pay for a shortfall in production if the asset significantly underperforms its energy-output expectations. Commissioner Gutsche dissented from that vote, saying she did not believe wind should be treated differently than other generating assets.

The Spion Kop project qualifies for a \$22 per megawatt-hour production tax credit in its first 10 years of commercial operation. “Without the tax credit, it would not be cost-competitive,” said Kavulla. “But just like people deduct their home loans’ mortgage interest from their taxes, we all live in a world that the federal government has made for us through tax policy, and we’d be imprudent not to take advantage of it.”

Gallagher, dissenting, said that preapproval of the wind project shifts unnecessary risk and costs to the ratepayers.