

NorthWestern and the Clean Power Plan

The U.S. Environmental Protection Agency recently published its final rule regarding the agency's Clean Power Plan, which is intended to reduce emissions of greenhouse gases. Specifically, the Plan requires states, including Montana, to develop plans to reduce carbon emissions from new and existing electric generation facilities and meet the Plan's targets by 2030. The Plan requires a 47 percent reduction in carbon dioxide emissions in Montana by 2030. That's the greatest reduction target among the lower 48 states, according to a nationwide analysis.

NorthWestern asked the University of Montana's Bureau of Business and Economic Research to study the potential impacts of the Clean Power Plan across Montana. The BBER study looks at the closure of the Colstrip generating facilities in southeast Montana as a likely scenario for complying with the federal rule. The study conclusions outline the likely losses of jobs and population, declines in the local and state tax base, the impact on businesses statewide and the impact of closure on electric reliability and affordability. The study notes that the EPA rule "is the most significant economic event to occur in Montana in more than 30 years."

Why did NorthWestern fund the BBER study?

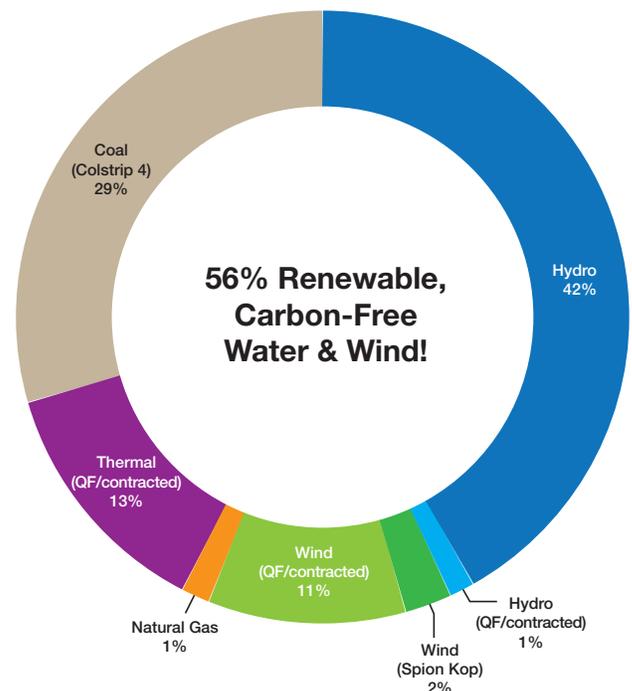
"NorthWestern Energy and its customers are deeply invested in Montana," noted Bob Rowe, the company's president and CEO. "We wanted to develop an in-depth understanding of the impact of the emissions rules across Montana as we continue to work with elected officials, state agencies and other stakeholders to develop a plan that makes economic sense for Montana. It's important to get a broad view of the possible impacts, so we turned to the experienced, respected economic researchers at the Bureau to help provide that perspective."

How could customers be affected? A remarkable 60 percent of the power delivered to our retail customers is carbon-free. Our 354,000 Montana electric customers have already made big investments in renewable hydro and wind generation.

In addition, NorthWestern Energy owns a 30 percent stake in Colstrip Unit 4, the newest of the coal-fired electric

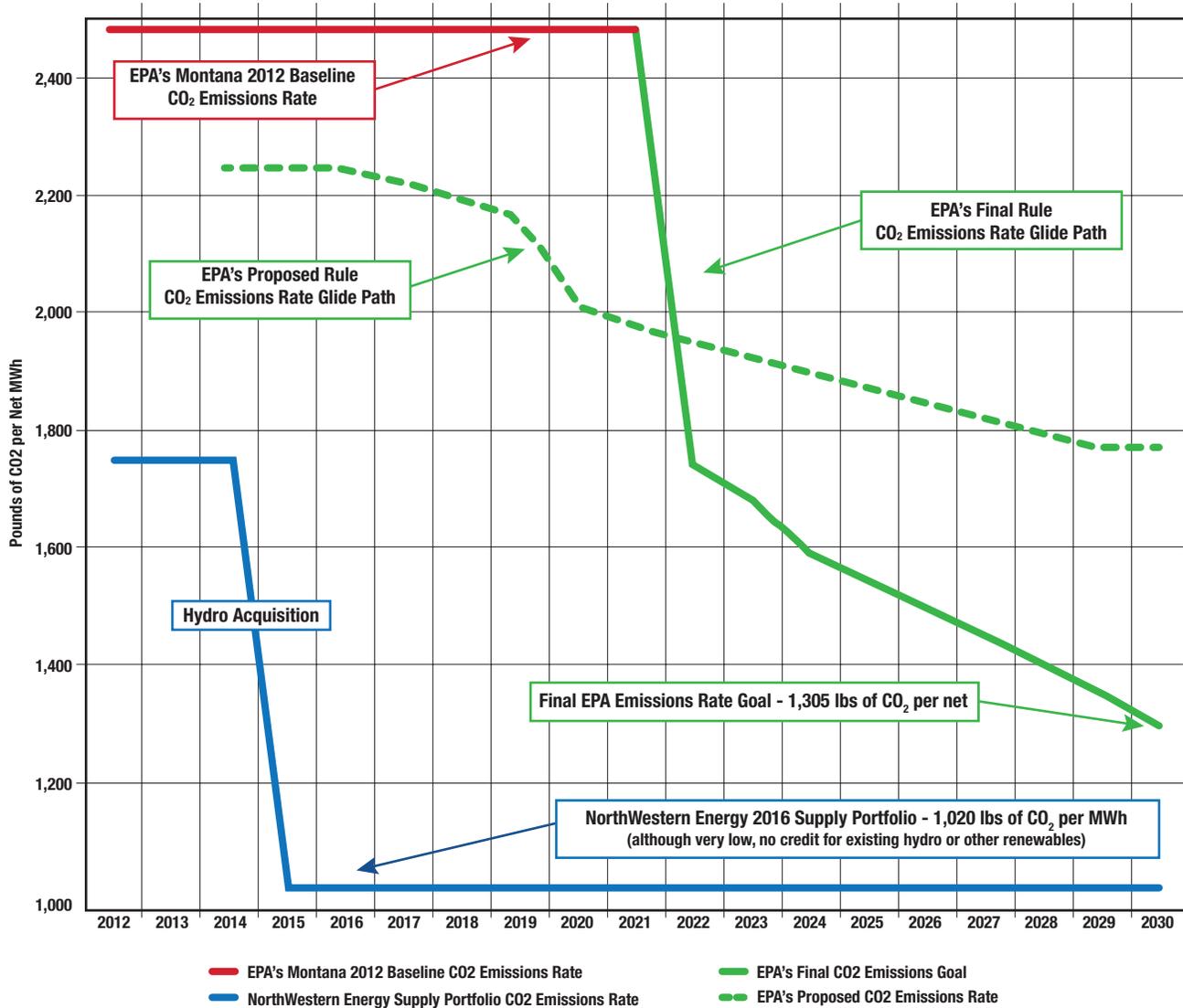
generating units at Colstrip. The electricity produced at Unit 4 represents about 25 percent of what the utility needs to provide its customers with reliable, affordable electric power. Closing Colstrip would likely lead to higher utility rates to obtain power that serves the specific need for almost-always available power that is now met by Colstrip. It would also create significant issues with the transmission grid that serves Montana; and our customers would lose millions of dollars of transmission revenue that is directly credited to keep their bills lower. Finally, we are concerned that Montana's largest employers, who purchase their own power, will have to pay more for power than they otherwise would.

Don't the dams and wind turbines help? With the purchase of 11 Montana hydroelectric facilities late in 2014, nearly 60 percent of the electricity NorthWestern provides to its Montana customers is generated by those hydro facilities and a variety of owned and contracted wind generation. The NorthWestern portfolio is already lower carbon than the EPA target for 2030. The problems are, first that the target is statewide (not just NorthWestern), and most of Montana's coal-fired generation is exported; and, second, that the hydro system and other, prior carbon-free generation don't count to meet the EPA's target.



“As the Clean Power Plan stands now, that clean, emissions-free generation doesn’t count in helping the state meet the EPA targets for 2030,” noted John Hines, NWE’s vice president, Supply. “In our eyes, that’s inequitable and damages the state’s ability to produce a plan that can avoid a great deal of economic upheaval and unintended consequences while continuing to improve upon the carbon emissions from our electricity portfolio that already has very low total emissions.”

How can the impact of the Clean Power Plan be softened? Giving Montana credit for the significant investments in renewable energy already made by NorthWestern and other utilities would be a big step. The proposed rules had a longer glide path to a higher endpoint. The final rule is more of a cliff that drops off to a lower endpoint.



NWE’s Portfolio CO₂ emissions will decrease 41% by 2016, well ahead of the EPA 2030 statewide target

