



August 1, 2017

Will Rosquist
Administrator, Regulatory Division
Montana Public Service Commission
1701 Prospect Avenue
PO Box 202601
Helena, MT 59620-2601

RE: Docket No. N2015.11.91 – NorthWestern Energy's December 2015
Electricity Supply Resource Procurement Plan ("2015 Plan") Status Report

Dear Mr. Rosquist,

Paragraph 19 of the Montana Public Service Commission's ("Commission") Comments in Response to NorthWestern Energy's 2015 Electricity Supply Procurement Plan (dated February 2, 2017) requested that NorthWestern Energy ("NorthWestern" or "Company") provide written status reports every six months on its progress toward working with stakeholders to validate the conclusions in its 2015 Plan. This letter serves as NorthWestern's first such status report. Paragraph 19 reads, in full:

Rather than proceeding immediately to acquire new resources, NorthWestern should pursue a rigorous stakeholder process to validate the conclusions in the 2015 Plan. To enable NorthWestern to undertake such a process, the Commission will extend the deadline for NorthWestern to file its next plan to December 15, 2018. Active engagement with its technical advisory committee for a two-year period and a commitment to devote sufficient resources to the planning process may lead to a better planning process, higher-quality modeling and analysis, and greater confidence in planning results. NorthWestern should provide the Commission with written status reports every six months, and the Commission will hold this docket open to receive them. The Commission may notice receipt of such status reports and invite public comment on their contents. Additionally, the Commission will hold a technical conference on capacity planning in the second quarter of this year.

In keeping with the Commission's advice, NorthWestern has been working closely with its Electric Technical Advisory Committee ("ETAC") on resource planning issues. Since the Commission issued its Comments, NorthWestern has arranged and facilitated six regular ETAC meetings as well as two ETAC workshops focused on Ascend Analytics'

("Ascend") PowerSimm™ modeling software. Another PowerSimm workshop is scheduled for August 16, 2017, and the next regular ETAC meeting is scheduled for September 14, 2017. Additional ETAC meetings will be scheduled.

During the regular meetings, which have occurred monthly on average, NorthWestern has informed ETAC about regulatory and other developments that impact resource acquisitions and the planning process. For example, NorthWestern has provided updates on the following issues:

- The Flexible Capacity Request for Proposals process that was initiated in response to the urgent capacity needs identified in the 2015 Plan;
- The status of Qualifying Facilities contract requests;
- The upcoming Variable Energy Resource Integration Study and the Load Variability Study; and
- The ongoing efforts toward securing up to 45 additional megawatts of power from Community Renewable Energy Projects.

In addition, NorthWestern has provided ETAC with draft outlines and timelines for the upcoming 2018 Plan and explained the methodology it uses to forecast natural gas and electricity prices. NorthWestern has also brought in internal subject matter experts to discuss relevant and timely topics such as Demand Side Management resource acquisition, Hydro system upgrade study work, the evolving impacts of Reliability Based Control on the Company's operations and planning activities, and the changing power market dynamics in the West due to increasing penetration of renewable resources, especially solar PV in California. ETAC members also toured the trading floor in Butte and met the Company's marketing staff.

In response to requests by the Commission, ETAC, and others to enhance the transparency of the software used in its planning and modeling activities, NorthWestern conducted two technical workshops on PowerSimm, led by staff from Ascend. The staff introduced PowerSimm's features and capabilities and also discussed the modeling concepts, theories, and assumptions behind the software as well as current market trends relevant to resource planning. A subset of ETAC members participated in these workshops, although the workshops were open to all ETAC members.

To enhance the ETAC process and to improve stakeholder involvement, NorthWestern hired a professional facilitator to lead the meetings and encourage participation. NorthWestern also followed up on recommendations to expand ETAC's membership, with the goal of obtaining expert advice from an even wider, more diverse representation of groups with an interest in the outcome of NorthWestern's planning process. NorthWestern is pleased that a new member has recently joined ETAC, representing the consumer at large. The Company is also pursuing additional candidates and may be welcoming even more new ETAC members in the near future.

To provide more detail on the amount of ground covered by ETAC in the past six months, a link to the ETAC webpage is provided below. That page includes links to the agendas, presentations, reference handouts, and post-meeting provides. NorthWestern maintains the website as a publicly available resource for ETAC members and others to easily access all of the materials covered during ETAC meetings. The ETAC webpage can be found at the following link:

<http://www.northwesternenergy.com/our-company/regulatory-environment/etac>

Going forward, NorthWestern will continue to hold regular ETAC meetings and will encourage communication and information sharing between meetings to help members stay abreast of evolving issues. The role of ETAC will become increasingly important in 2018, as NorthWestern ramps up its modeling efforts for the next electricity supply resource procurement plan. NorthWestern will seek ETAC's informed and expert input on important modeling assumptions and parameters. NorthWestern appreciates the continued involvement of the Commission staff and other ETAC stakeholders in the planning process and looks forward to continuing to keep the Commission informed about ETAC's progress.

Sincerely,



John Bushnell
Manager, Energy Supply Planning &
Regulatory

cc: Montana Consumer Counsel