

mill creek

GENERATING STATION

March 2008



overview...

NorthWestern Energy is evaluating a natural-gas fired electric generation project to provide regulating resources for its transmission and supply functions. The following information is intended to provide readers with information about the project and the company will continue to update this information as more details become available. ■



Generation Station Project

NorthWestern Energy owns and operates approximately 7,000 miles of high voltage transmission lines in the State of Montana; however, NorthWestern lacks regulating resources within its transmission control area. Regulating resources encompass several kinds of electrical production activities that are intended to balance loads and resources of the entire system every minute of every day. Currently NorthWestern Energy contracts for these resources from outside its control area, but due to rising regional demand these resources are becoming harder to obtain and, therefore, much more expensive.

NorthWestern Energy is evaluating the construction of a 120-220 megawatt natural gas fired electric generation project to provide regulating resources for its transmission and supply functions. The project would be located adjacent to its Mill Creek Substation east of Anaconda, Montana. The location was chosen because of its close proximity to electric and natural gas transmission, water supply and transportation. The company has hired the Shaw Group/Stone & Webster as its independent engineering firm.

Current Status

With the site selection process complete as of January 2008, the company is moving to complete the preliminary engineering and design phase of the project. This includes the preparation and completion of a request for proposal (RFP) to obtain competitive pricing for turbine generators from manufacturers who build this kind of equipment. Following evaluation of the proposals, the company and its independent engineering firm will complete the economic, performance and environmental analysis to determine if the project remains viable and beneficial. This determination is expected to be made in the second quarter of 2008.

Process

Assuming the project is determined to be cost-effective and beneficial, the company will seek an Air Quality Permit from the Montana Department of Environmental Quality (MDEQ) and submit an application for approval from the Montana Public Service Commission (MPSC). Both regulatory approvals are necessary prior to construction.

Frequently Asked Questions

- Q. Why did the company announce the proposed project location before it had additional information about the size of the project and type of turbine generators?
- A. The site selection is necessary before the company can proceed with obtaining accurate information from manufacturers regarding heat rate, performance and environmental attributes of different generator technologies. Because we would be providing this information to manufacturers through the RFP process, we chose to inform all stakeholders of our progress in keeping with our commitment to provide open lines of communication.

Q. Why are regulating resources so important to NorthWestern Energy?

- A. Regulating resources are critical to all electric utilities that operate control areas. The physical properties of electricity require a certain amount of generating capacity to ensure electric supply and load are balanced at all times. Because electrical demand fluctuates on a moment-by-moment basis, the system must be able to respond in kind. If the system is out of balance – generation levels may either be too high or too low resulting in potential reliability problems.

Q. How does this project correspond to future wind development in the state?

- A. Wind power, due to its very nature, is extremely variable and inconsistent. No one can be completely sure of if or when the wind will blow and how much energy it will produce at any given point in time. Therefore, transmission control area operators require higher amounts of regulating reserves for integrating wind power than they need for traditional generation and load, which tend to be more predictable and controllable. In order for NorthWestern Energy to allow additional wind power that it is required to integrate onto its electrical grid, it must have adequate regulating resources to balance its system.

Q. Why does the company need regulatory approval from the MPSC before building this project?

- A. This project is intended to be placed into rates. Historically, utilities would build first and ask approval later, but changing financial expectations have made this process impractical. No entity will take on the risk of building or financing a major project without reasonable assurance that the entity will be able to pay for it once it is built. NorthWestern will be asking the MPSC to approve the project in advance of construction along with a proposed cost, but it is not a “blank check” approval. NorthWestern Energy would be liable for any construction costs above and beyond what is approved in rates. The energy from this plant will be determined on a cost of service basis and reviewed annually by the MPSC and other stakeholders for prudence, as are all of our other supply costs.

Q. I live near the Mill Creek area and I have concerns over how this project will affect me. Where and when can I get more information?

- A. NorthWestern Energy is committed to providing information to residents and stakeholders about this project as it becomes available. We encourage you to periodically check our Website for details or send us an email requesting an update. This project will go through a public comment and review process through the Montana Department of Environmental Quality if we decide to proceed. NorthWestern will seek all of the necessary environmental permits and we encourage you to participate fully so that you remain informed. NorthWestern will provide that information through its Website or you can seek additional information through the MDEQ.

contact

Customer Contact Center (888) 467-2669
7 a.m. - 6 p.m. M-F

MT PSC (406) 444-6199
www.psc.state.mt.us

MT Consumer Counsel (406) 444-2771
www.mt.gov
(State Agencies/Legislative Services/
Staff Offices/Consumer Counsel)

Please refer to our Web site frequently for project updates and more information.

NorthWestern
Energy