

# 2007 Electric Supply Resource Procurement Plan

## TABLE OF CONTENTS

### Volume 1

<u>Subject</u>	<u>Page</u>
Preface.....	1
Executive Summary.....	3
<b>Chapter 1 Background</b>	
• NorthWestern's Planning Process.....	9
• Development of 2007 Plan.....	11
• Recent Actions that Affect the Portfolio.....	12
• Pacific Northwest Landscape.....	14
<b>Chapter 2 Status of Portfolio</b>	
• Existing Resources.....	19
• NWE Portfolio Changes Since 2005 Plan.....	21
• Other Portfolio Activity.....	30
<b>Chapter 3 Energy Efficiency</b>	
• DSM Evaluation.....	36
• DSM Programs and Expected Savings.....	37
• Demand Response.....	40
• Lost Transmission & Distribution Revenue.....	42
<b>Chapter 4 Environmental Issues</b>	
• Carbon Dioxide.....	45
• Other Environmental Emissions.....	53
<b>Chapter 5 Description of Resources</b>	
• Resource Descriptions.....	56
<b>Chapter 6 Forecasts and Resource Inputs</b>	
• Load Forecast.....	69
• Load Resource Balance.....	74
• Market Price Forecasts.....	75
• Parameters of Resources Modeled.....	81
<b>Chapter 7 Portfolio Modeling</b>	
• Update on Portfolio Modeling.....	91

- Intrinsic Portfolios..... 93
- Intrinsic Results..... 97
- Intrinsic Analysis Conclusions..... 101

**Chapter 8 Risk and Uncertainty Analyses**

- Stochastic Analysis ..... 102
- Efficiency Frontier ..... 102
- Stochastic Results..... 109

**Chapter 9 Conclusions and Action Plan**

- Plan Conclusions ..... 114
- Action Plan ..... 119

**Appendices**

- Appendix 1. NorthWestern Electric Supply Hedging Strategy ..... 120
- Appendix 2. Abbreviations..... 125

**2007 Electric Supply Resource Procurement Plan**  
**Volume 1**  
**Listing of Figures and Tables**

<b>Figure</b>	<b>Page</b>
1-1 Resource Procurement Planning Process.....	9
2-1 Two Year Quarterly Load Resource Balance .....	29
3-1 DSM Supply Curves.....	38
3-2 Residential Time of Use Pilot Analysis Results .....	41
4-1 Global CO2 Emissions .....	45
4-2 2005 CO2 Emissions by Sector and Fuel Type.....	46
4-3 CO2 Tax Projections Expected/Low.....	50
4-4 CO2 Tax Projections High.....	51
6-1 Base Case Load Forecast.....	70
6-2 Monthly Forecast of Supply Load.....	71
6-3 Residential Annual Usage per Customer .....	72
6-4 Secondary Annual Usage per Customer .....	72
6-5 7 Year Load Resource Balance .....	74
6-6 Annual Electricity Price Forecast.....	78
6-7 Monthly Natural Gas Price Forecast .....	78
7-1 Intrinsic Modeling Scenarios .....	97
8-1 Medium Scenario Efficiency Frontier.....	103
8-2 Low Carbon Scenario Efficiency Frontier .....	104
8-3 High Carbon Scenario Efficiency Frontier .....	104
8-4 Low Market Scenario Efficiency Frontier .....	105
8-5 High Market Scenario Efficiency Frontier .....	105
8-6 Medium No Coal Scenario .....	107
8-7 Low Carbon No Coal Scenario.....	107
8-8 High Carbon No Coal Scenario .....	108
8-9 Low Market No Coal Scenario .....	108
8-10 High Market No Coal Scenario.....	109
8-11 Risk Var 90 for Stochastic Results .....	112

<b>Table</b>	<b>Page</b>
1 Preferred Portfolios and Resource Combinations in MW's .....	5
1-1 PNUCC 2007 Northwest Regional Forecast .....	16
2-1 Auction Quantities Proposed.....	23
2-2 Auction Results .....	24
2-3 Auction Quantities Start, End and Prices .....	24
2-4 PPL Contract Summary .....	26
2-5 Electric Supply Energy Added after 2005 Plan.....	28
2-6 Fixed Price Supply Added after 2005 Plan.....	28
2-7 Community Renewable Energy Obligation.....	32
2-8 Renewable Energy Required to Meet RPS .....	34
2-9 Renewable Energy Credit Revenue .....	35
4-1 Carbon Emissions Cost Adders .....	49
4-2 Carbon Emission Rates New Resource .....	52
4-3 Coal Unit Emissions .....	54
6-1 Wholesale Electricity Price Forecasts .....	79
6-2 Natural Gas Price Forecasts .....	79
6-3 Carbon Tax Adders .....	80
6-4 Resource Construction Cost .....	82
6-5 Resource Cost Summaries .....	85
6-6 Annualized Levelized Resource Fixed Costs .....	86
6-7 Dollar Impact of Carbon Adders Low Adder .....	88
6-8 Dollar Impact of Carbon Adders Medium Adder.....	89
6-9 Dollar Impact of Carbon Adders High Adder .....	90
7-1 Intrinsic Modeling Scenarios .....	95, 96
7-2 20 Year Levelized Portfolio Costs .....	98
7-3 Weighted Average 20 Year Level Costs .....	100
8-1 Lowest Cost Portfolios .....	110