

## Chapter 10 ACTION PLAN

### 2009 Action Plan Discussion

A significant part of the 2009 Plan's value for ratepayers and NorthWestern is a function of how successful NorthWestern is in implementing this Plan's key conclusions. The Action Plan provides discrete tasks that NorthWestern will undertake during the next three years, unless superseded by the 2011 Plan, that will help NorthWestern implement these conclusions. NorthWestern, together with the ETAC and other interested stakeholders, should focus on the actives outlined below:

- 1) Obtain operational knowledge of Mill Creek Generation Station and the ability of that plant to provide within-hour ancillary services and support integration of intermittent renewable resources. Particular attention should be paid to quantifying the financial value of these services, which may include supporting regional efforts to develop a functional market for within-hour services.
- 2) Continue efforts to reduce regulation requirements for wind resources in the supply portfolio
  - a. Integrate knowledge gained from the Wind Integration Working Group analyses in planning and operational decisions.
  - b. Look for opportunities to cost-effectively increase the geographic diversity of the overall wind portfolio.
  - c. Compare operational values or costs of owned versus contracted wind resources when completing the 2009 RFI.
- 3) Prioritize the acquisition of DSM resource.
  - a. Additional staffing and analyzing the effects on DSM acquisition.
  - b. Fully implement the DSM plan using the 6 aMW target to achieve 84 aMW of energy savings over 15 years.
  - c. Complete the RFP process aimed at selecting more outside services firms to develop commercial DSM projects.

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- d. Continue efforts to align the business case of DSM with the public policy of acquiring DSM including continuation of work on decoupling initiatives.
- 4) Manage future portfolio resource requirements and take actions to fill the requirements resulting from declining volumes associated with the 7 year PPL contract.
    - a. Meet future resource requirements through both short and medium term PPAs by locking in current low forward market prices and, where appropriate, through equity acquisitions of generating resources, which will rebuild the long-term owned portfolio of the utility.
    - b. Issue in 2010 a competitive solicitation for heavy load power for 3- to 10-year terms with delivery beginning in July 2012.
    - c. Conduct a detailed evaluation of developing gas-fired resources to meet future heavy load resource needs of the portfolio.
      - i. Assess electric and gas transmission infrastructure planning to identify preferred sites.
      - ii. Evaluate turbine technology and identify preferred technology and manufacturers.
      - iii. This evaluation should also include the feasibility of site banking such a resource.
      - iv. Determine if the resource has economic application for integration of wind power.
    - d. Although not analyzed as part of the portfolio analysis, the recent rebuilding of NorthWestern's in-house scheduling and trading function capability supports serious consideration of off-system contracts and resources, particularly those at tradable regional hubs, such as the Mid-Columbia. NorthWestern currently enjoys an ability to purchase discounted local (inside Montana) spot energy due to the incremental cost of transmission wheeling to owner's from selling their power out of state. This benefit arises from the combination of two conditions. One is the amount of energy generating projects inside Montana that are exported for use elsewhere and the second is the fact that NorthWestern is net short energy within the state and is typically
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a buyer of this output. As NorthWestern fills the resource needs of the overall portfolio, effort should be made to preserve the second condition; the ability to purchase discounted in-state generation in the spot markets. There are different ways to do this while acquiring additional long-term resources, but one approach is to seek regional resources to mitigate long-term supply risk. The NorthWestern scheduling and trading staff would typically then sell the out-of-state resources in the daily/hourly markets while simultaneously purchasing in-state generation at a lower price. For instances where in-state generation is not available at a discount to the other regions, the scheduling and trading staff can secure transmission into the state if needed.

- 5) Continue meeting the renewable portfolio standard with the objective of meeting this goal through the acquisition of output (energy plus RECs) from on-system resources.
  - a. Continue exploring and expanding the renewable portfolio through diversifying the type of renewable resources.
  - b. Acquire renewable projects through competitive solicitations.
  - c. Gain an understanding of the financial markets associated with tradeable renewable energy credits for both purchasing – to partially offset acquiring eligible renewable resources to meet the RPS – and for selling – to build excess renewable generation to create customer value.
  - d. Coordinate QF and non-QF renewable resource additions
- 6) Monitor developing technologies including: a) carbon capture and sequestration; b) renewable development such as geothermal, pumped storage, small hydro, biomass and others; and c) wind forecasting and wind-related operational initiatives.
- 7) Seek regulatory approval of additional hedging mechanisms for managing the electric supply portfolio, including the use of financial hedges.
- 8) During the next year develop internal capabilities to optimize supply generation assets and to provide utility wide imbalance functions.
- 9) Monitor carbon legislation to help understand the most cost-effective resource options while considering the risk of committing to resource acquisitions with and without associated carbon emissions.