

EXECUTIVE SUMMARY

Consistent with Montana Public Service Commission (MPSC or Commission) Guidelines, NorthWestern completes an Electric Supply Resource Procurement Plan (Plan) every two years. The 2009 Plan has been developed to comply with the Commission's filing requirements and to meet NorthWestern's planning needs.

In this 2009 Plan NorthWestern has:

- Identified and where applicable quantified planning and acquisition risks;
- Developed resource requirements for the planning period, including capacity, energy, heavy and light load requirements;
- Calculated requirements to meet Montana Renewable Portfolio Standard (RPS);
- Provide the cost basis to aid the Commission in the determination of avoided costs;
- Identify and resolve issues associated with the addition of more wind power into the portfolio; and
- Set forth a three year Action Plan for meeting loads in a manner consistent with relevant statutes and Administrative Rules

It is also important to note what this 2009 Plan is not intended to accomplish, namely:

- Specify each and every resource that NorthWestern will acquire over the planning horizon;
- Identify specific sites for resource development; and
- Set forth future definitive resource costs for future acquisitions of generation.

The 2009 Plan explains NorthWestern's electricity supply requirements for serving its electric customers through 2029. This supply requirement is compared to the resources that NorthWestern currently owns or has under contract for this planning period. The difference between the supply requirement and resources currently owned or under contract is referred to as the resource need. To provide for this need the Plan considers risks, uncertainties, operating characteristics, as well as the capital and operating costs of potential new generation resources.

These resources are analyzed in various groupings (portfolios) in combination with existing resources, DSM, and market purchases. Costs, risks, and uncertainties are then compared across portfolios. Several key portfolio risks are identified and evaluated in the stochastic¹ modeling portion of this Plan, including the effects of a carbon tax and natural gas and electric price volatility.

While answers continue to be further refined regarding the operating attributes, costs, and portfolio affects from adding large increments of additional wind to the supply portfolio, NorthWestern proposes to add 50-75MW of new wind resource additions to the supply portfolio. This proposal is based on the experience of integrating the wind power that currently supplies approximately 8% of the annual portfolio energy needs and should be sufficient for NWE to meet the Montana Renewable Portfolio Standards through 2015.

Given that market purchases are assumed to be a key part of the immediate term acquisition strategy, this Plan has been developed with recognition that there are many regional issues that can significantly affect the planning and resource acquisition environment of NorthWestern. One such issue is the forecasted lack of new baseload generation development in the Pacific Northwest coupled with the ongoing need by utilities to meet load growth, planning margin, RPS requirements, and plant retirements. Chapter 1 discusses the background under which NorthWestern has developed this Plan and employed proven methods and strategies to meet its energy supply obligations. Successful planning necessarily includes the recognition and incorporation of the experience and skills that its staff has acquired over many years of providing supply service. NorthWestern relies and builds upon this institutional knowledge as an investor owned utility actively engaged as an energy market participant, a resource owner, and good corporate citizen.

¹ Stochastic analyses employ a range of market price inputs to analyze costs and risks associated with an uncertain future. Results produce a range of potential outcomes for each scenario and portfolio.