ASK THE EXPERTS

NORTHWESTERN ENERGY RATE CASE

Join this webinar about NorthWestern's rate case featuring experts Amanda Levin of NRDC, Michael Goggin of Grid Strategies, and Becky Xilu Li and Christian Fong of RMI.

APRIL 8, NOON

This event is sponsored by Montana Environmental Information Center, Human Resource Council, and NW Energy Coalition.

MEIC

HUMAN RESOURCE COUNCIL

NW Energy Coalition

Northwestern Energy Rate Case

Issue Areas & Recommendations from Direct and Cross-Intervenor Testimony for MEIC, Human Resource Council District XI, Northwest Energy Coalition, and the Natural Resources Defense Council

Our Direct Testimony: Issue Areas

- **Michael Goggin (YCGS and Colstrip)**
  - Identifies issues in the selection of YCGS and availability of lower-risk alternatives.
  - Recommends rejection of the Reliability Compliance Balancing Account (RCBA); Commission should require a more detailed evaluation of its need and alternatives before approving retrofit costs.
- **Ron Binz (YCGS and Colstrip)**
  - Recommends rejection of the RCBA; Commission should require NWE to consider potential closure in 2027 or 2032 in upcoming planning processes and develop strategies for an equitable transition for key stakeholders.
- **Chelsea Hotaling (YCGS)**
  - Assesses alternative portfolios to YCGS that could have more cost-effectively provided the equivalent capacity; Commission should cap cost recovery for YCGS to what would have been incurred for these prudent resources.
- **Roger Colton (Energy Affordability)**
  - Reviews the existing unaffordability of electricity rates for many low- and moderate-income customers and the insufficiency of existing low-income programs to address high energy burdens, which imposes unnecessary costs on all ratepayers.
  - Provides recommendations to improve affordability for low-income households, including changes in the current discount rate programs and supplemental programs to support these households.
- **Nick Fitzmaurice (Climate Risks)**
  - Details NWE's failure to account for the risks of climate change in its operation and investment decisions.
  - Recommends the Company's Return on Equity (ROE) not be increased above it current, approved 9.65% ROE.

Cross-Intervenor Testimony: Recommendations

1. **Reduce the amount of money the utility can recover from customers for Yellowstone County Generating Station**. At a minimum, the Commission should disallow cost recovery for all cost overruns, litigation, and delays that Northwestern has incurred building YCGS.

2. **Open a dedicated docket to discuss the future of the Colstrip coal plant.** Supporting the testimonies of the Northern Cheyenne Tribe, we uplift their request for a separate docket to have a transparent, open, and inclusive space to discuss transition issues related to Colstrip.

3. **Reject the Company's proposal to recover environmental upgrade costs without adequate prudency review.** Witnesses for the Montana Consumer Counsel, Large Consumer Group, Federal Executive Agencies, Renewable NW, and the Joint Parties are aligned in their opposition to the RCBA and it should be rejected.

4. **Ensure that retail customers are not overpaying the Company for transmission and generation investments**. The Company's current FERC revenue credit methodology and use of averaging has resulted in retail customers overpaying. We identify three vital changes to ensure all credits flow to retail customers.

5. **Reject proposals from large customer groups that would shift costs from larger to smaller customers.** These groups propose changes to how generation, distribution, and customer service costs are allocated. This would increase the portion of costs borne by residential customers and lower costs allocated to the largest customers.

Questions?

Grid Strategies

Treatment of Yellowstone County Generating Station and Colstrip in NorthWestern Rate Case

April 8, 2025

Michael Goggin

Outline

Outline of my testimony to the Montana Commission in Docket No. 2024.05.053:

- NorthWestern's own projections show it will have a large capacity surplus, debunking its claimed need for both YCGS and Colstrip

- Alternatives could better provide the capacity and energy provided by YCGS and Colstrip with a portfolio of resources, including:
  - Extending NorthWestern's existing contracts with generators and regional capacity resources
  - Building new renewable and storage resources that are in advanced stages of NorthWestern's interconnection queue
  - Signing new contracts with regional capacity resources

- NorthWestern forced YCGS to be selected over more economic alternatives with a flawed capacity duration analysis that discounted renewable and storage resources

- Colstrip and NorthWestern gas generators have failed to perform during periods of peak need

- Renewable and storage resources can provide flexibility and other reliability services as well or better than YCGS and Colstrip

My Recommendations to the Commission

-The Commission should reject NorthWestern's proposed Colstrip Reliability Compliance Balancing Account and require it to present more detailed analyses of its need and alternatives before allowing cost recovery for Colstrip retrofits. NorthWestern's proposed Balancing Account does not allow the Commission the opportunity to evaluate the prudence of the Colstrip retrofits in lieu of acquiring capacity, if necessary, from alternative sources. Based on available information, Colstrip is not needed for reliability, and significantly more cost-effective alternatives are available to replace Colstrip's capacity.

-The Commission should cap NorthWestern's proposed recovery of costs related to YCGS at the cost of the more economic alternative resources NorthWestern should have procured instead.

NorthWestern's capacity surplus

- NorthWestern has a large capacity surplus with both YCGS and Colstrip (Row 1)
- If NorthWestern's existing and planned share of Colstrip retire (Row 3), simply extending existing contracts would meet most of the capacity need (Row 4)
- New contracts with Montana resources or regional capacity resources could meet the remaining need many times over

Summer (accredited MW)	2026	2027	2028	2029	2030	2031
1. Capacity surplus above reserve margin, from NorthWestern	628	668	538	534	530	525
2. +14 MW to correct solar hybrid credit	642	682	552	548	544	539
3. Minus Colstrip	-161	-120	-251	-255	-259	-264
4. With extension of existing contracts	-98	-33	-64	-68	-72	-76

Winter (accredited MW)	2026	2027	2028	2029	2030	2031
1. Capacity surplus above reserve margin, from NorthWestern	582	501	440	440	437	434
2. +5 MW to correct solar hybrid credit	587	505	445	445	441	439
3. Minus Colstrip	-223	-305	-365	-365	-369	-371
4. With extension of existing contracts	-158	-105	-165	-165	-169	-171

NorthWestern can select from more than 10,000 MW of Montana resources in advanced development

-11,871 MW of proposed generating resources in NorthWestern's interconnection queue

-11,293 MW of those resources have proposed in-service dates prior to July 2027, when NorthWestern claims that Colstrip could retire due to environmental regulations.

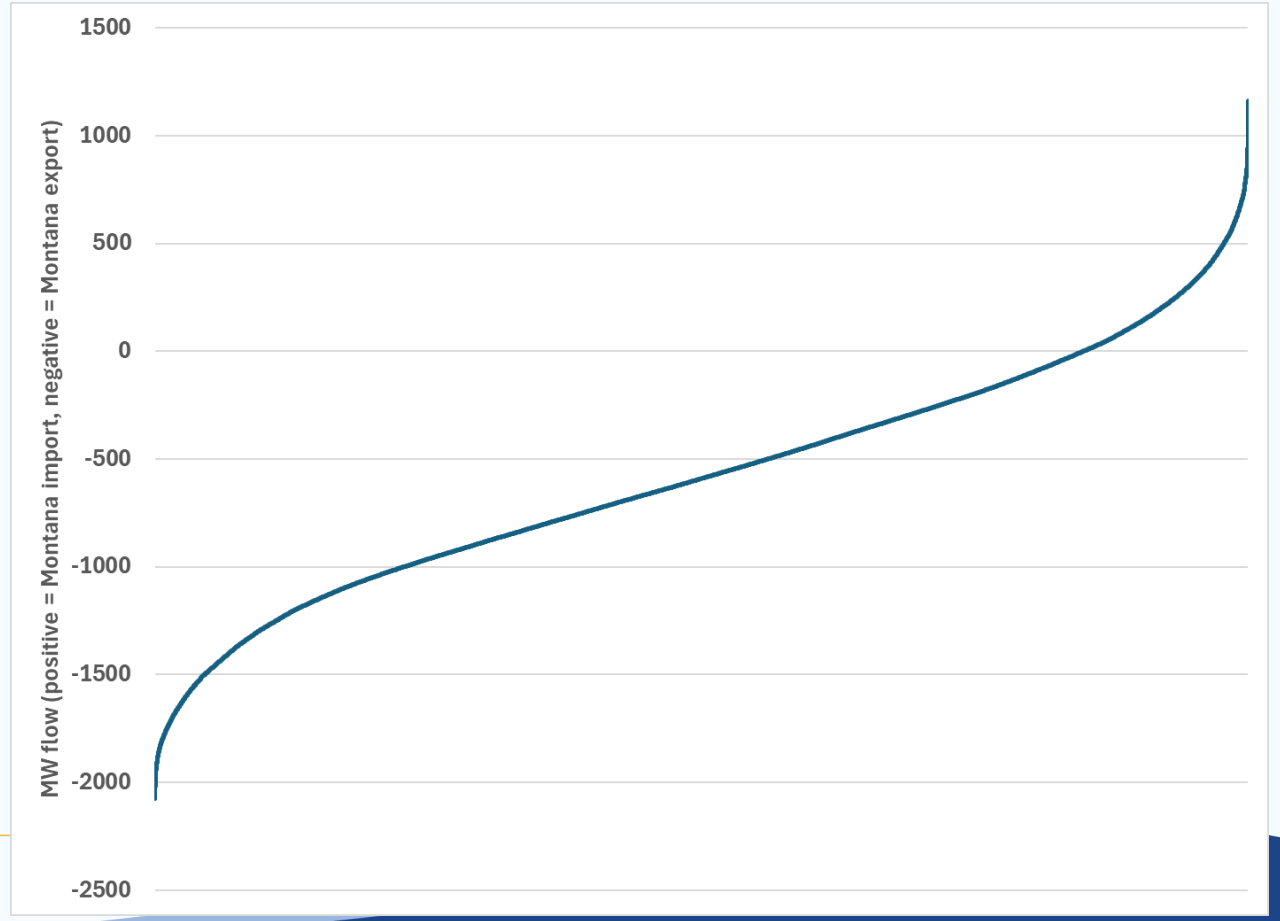
- -772 MW of those resources are listed in NorthWestern's queue as being under construction
- -2,470 MW of those resources have signed an interconnection agreement
- -5,400 MW of those resources have completed the Facilities Study, the last study in the queue

Regional capacity resources

-NorthWestern indicates it chose not to procure at least 350 MW of capacity offers received between 2018 and 2024, even though these contracts offered attractive prices. This includes an offer for 200 MW of capacity from Powerex, but NorthWestern only “selected 60 MW to match our need,” leaving the other 140 MW of offered capacity uncontracted.

-Import flows from the Pacific Northwest to Montana, shown as positive numbers below, are always well below the 1,350 MW physical import limit.

-Changes to EPA rules may result in an even larger regional capacity surplus.



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NorthWestern forced in YCGS using its discredited “duration” method

-NorthWestern used a discredited method that ignores how supply from renewables and imports reduce long-duration peak demand events, instead of industry standard Effective Load Carrying Capability (ELCC) method

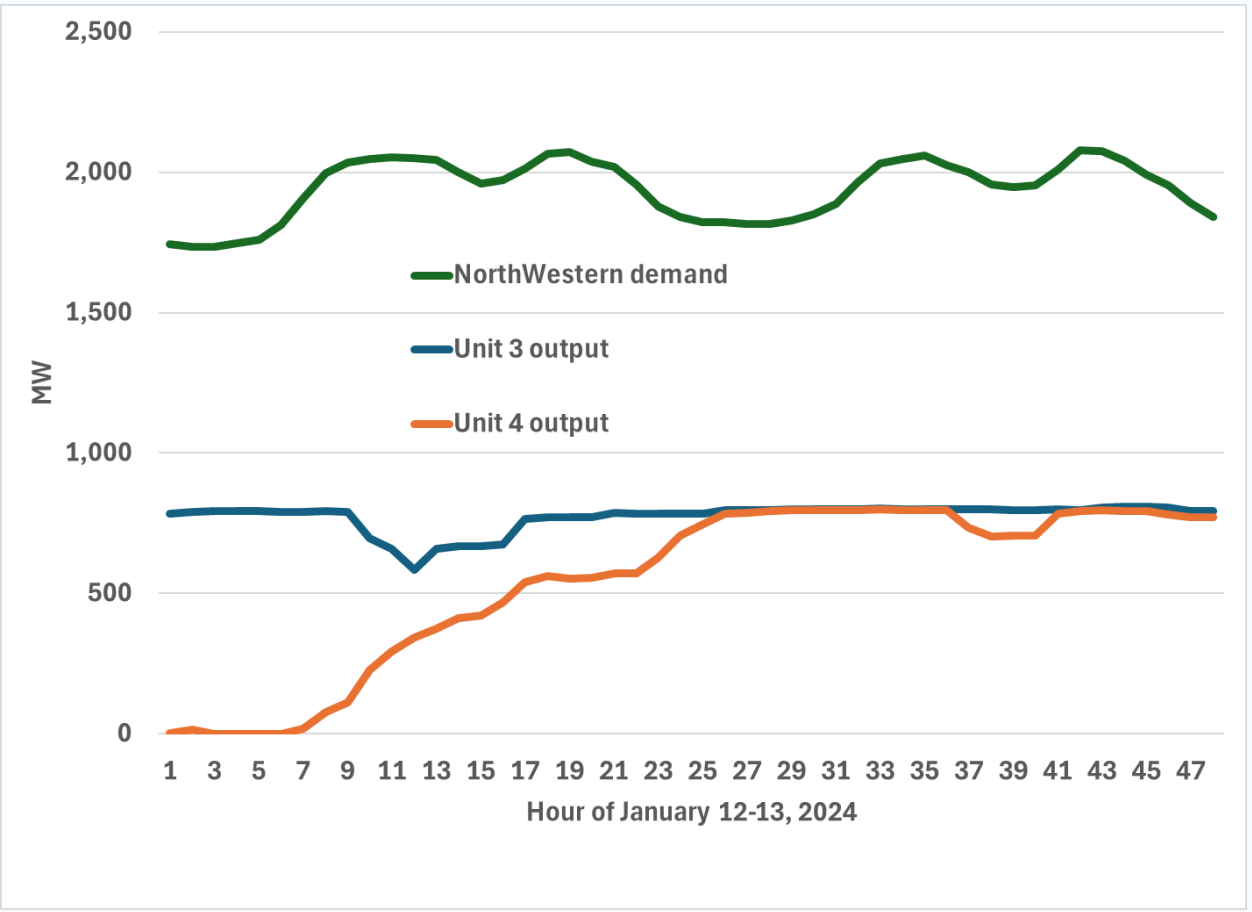
-NorthWestern’s method also uses linear scaling that assumes 4-hour batteries offer only 20% capacity value for meeting 20-hour duration (4 divided by 20). Yet ELCC analysis E3 presented in NorthWestern’s testimony from its withdrawn YCGS 2021 pre-approval case shows that:

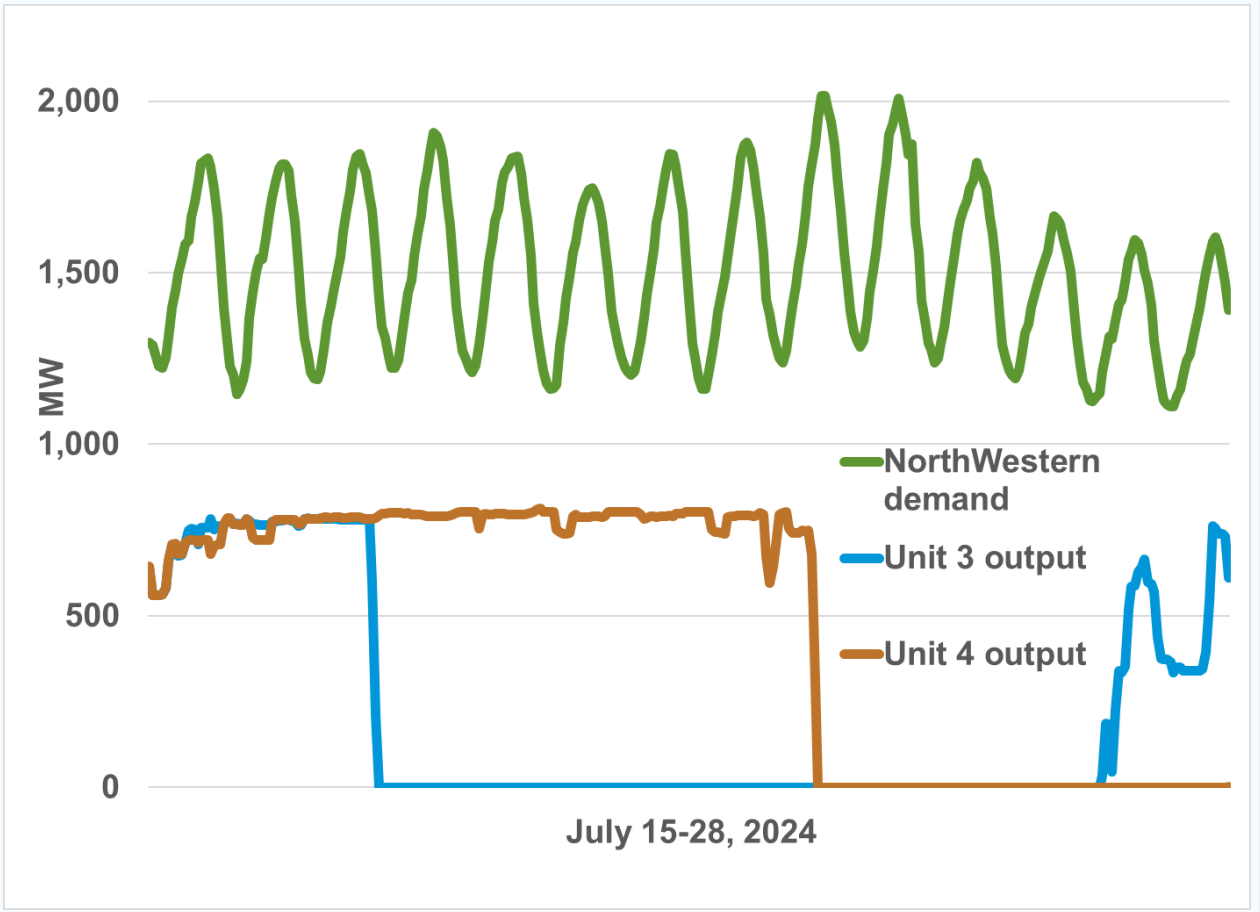
100 MW of 4-hour batteries offer 100% capacity value

200 MW of 4-hour batteries offer 91% capacity value

500 MW of 4-hour batteries offer 53% capacity value

Colstrip routinely fails during peak demand

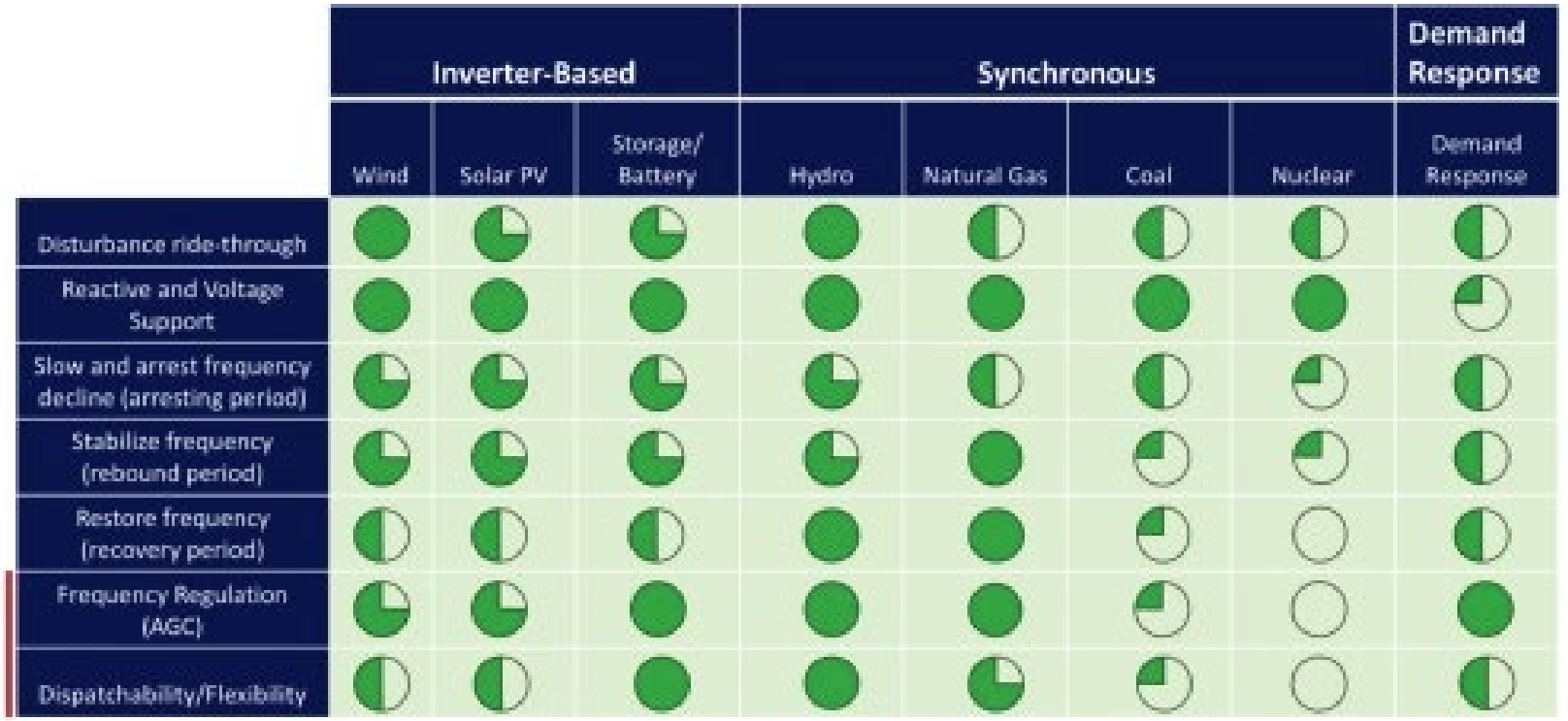




NorthWestern does not need Colstrip or YCGS for flexibility or other reliability services

-As shown below, wind, solar, and batteries can work with hydropower and other resources to provide all needed reliability services, including voltage support on the Colstrip Transmission System

-Western Energy Imbalance Market reduces the need for flexibility and provides flexibility at low cost



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Questions?

Energy Reinvestments in the Intermountain West Can Save Ratepayers Hundreds of Millions

April 8, 2025

Becky Li, Christian Fong
RMI

RMI's study shows that:

$1.17 billion in savings

- A managed phaseout of the Colstrip coal-fired generation units to a portfolio of new, low-cost resources would save Montana ratepayers up to $1.17 billion over the next 30 years

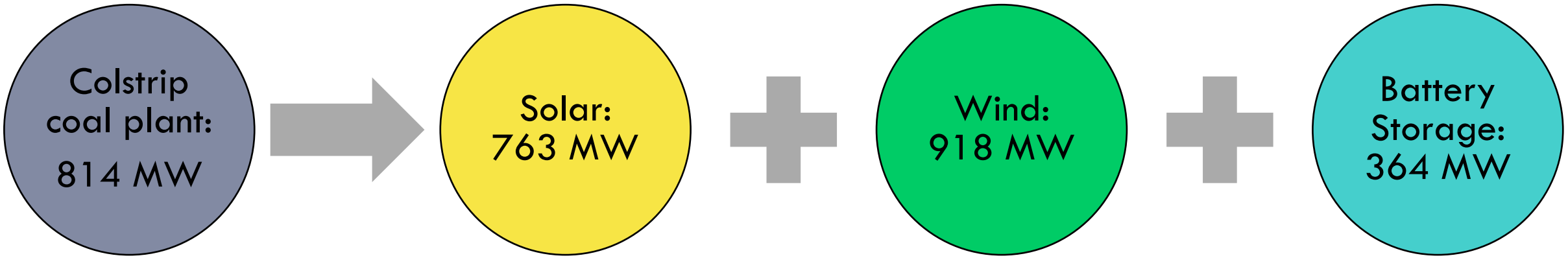
Healthier communities and reliable energy

- This reinvestment comes with reduced health risks for local communities and can meet the same capacity needs as the coal plant

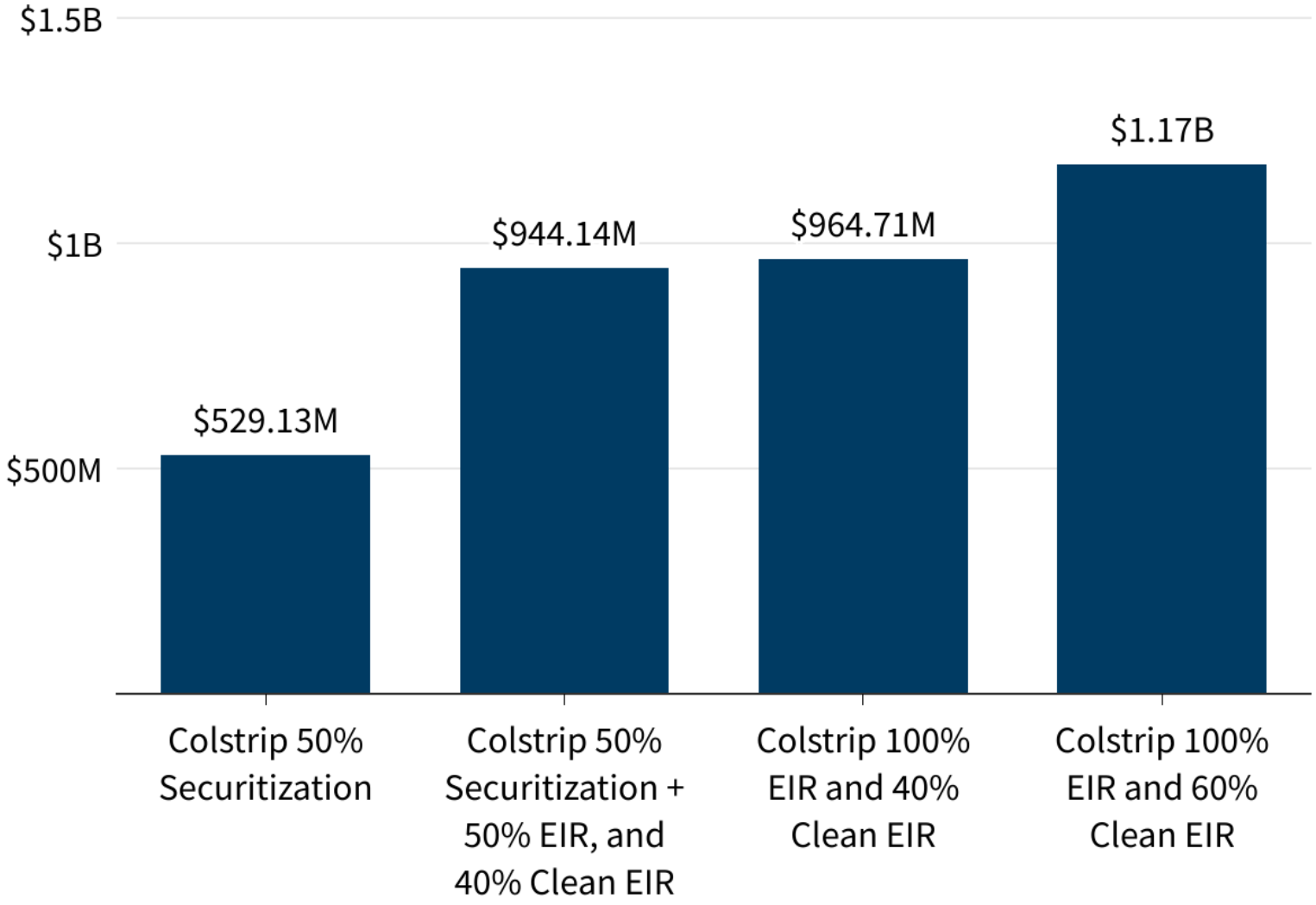
Opportunities for the utility and regulator

- Northwestern and the Montana PSC can act immediately to seize the economic, reliability, and community benefits of reinvestment

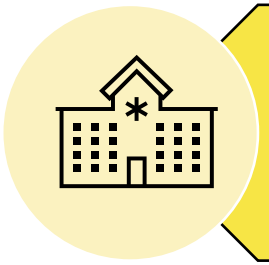
A robust clean energy portfolio could provide healthier energy while still maintaining capacity benefits



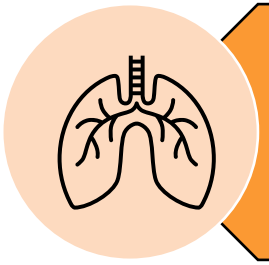
A managed phase out of coal to new, low-cost resources could save ratepayers at least $500 million



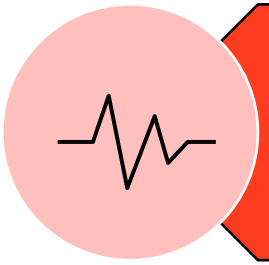
Furthermore, the Colstrip coal plant has caused $2.1 billion in adverse health impacts over the past decade



188 emergency room visits



90,000 cases of asthma



151 premature deaths

*Inclusive of other impacts such as cardiovascular impacts, respiratory impacts, and work and school day losses

If Northwestern and the Montana PSC want to explore these cost savings for ratepayers:

Northwestern Energy	Montana PSC
• Engage key stakeholders to leverage policy and financial incentives • Assess the impacts of managed phaseout and reinvestment	• Emphasize the need for a thorough impact evaluation • Direct the utility to incorporate EIR and/or securitization in its IRP • Look to precedents from other commissions, such as in North Carolina and South Carolina

Questions?

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Read our full analysis here:

https://rmi.org/wp-content/uploads/2025/01/Energy_Reinvestments_Case_Study_West.pdf