





# Capacity, reliability reasons NorthWestern will acquire 25% share of Colstrip while cutting carbon

Montana is quickly reaching a point where there may not be enough energy during critical peak-demand times, due to a decreasing supply and growing demand for electricity. That's why NorthWestern Energy announced in December that we will file an application for pre-approval with the Montana Public Service Commission to acquire Puget Sound Energy's 25% interest, 185 megawatts of generation, in Colstrip Unit 4.

In addition, NorthWestern Energy is committing to reduce the carbon intensity of our energy generation in Montana by 90% by 2045.

"Nothing is more important to the people of NorthWestern than safely providing Montanans with the affordable and reliable energy we all need while also protecting our environment," said NorthWestern Energy President and CEO Bob Rowe. "We take that dual responsibility seriously, and right now our state faces an urgent capacity shortage – energy that's available 24 hours a day, 365 days a year, regardless of the weather."

Purchasing a larger share of Colstrip Unit 4 will help secure more reliable and affordable energy, while giving us the time to continue to cut our carbon intensity.

"NorthWestern Energy will continue working to make our energy supply more sustainable," Bob said. "This helps give us the time to continue transitioning to an even cleaner energy future without putting either our customers' safety or their ability to pay their energy bills at risk."

Today, more than 60% of the energy produced by NorthWestern Energy for Montana comes from renewable and carbon-free sources, including hydro, wind and solar. With the added Colstrip ownership, our portfolio will still be twice as clean (56% carbon free) as the total U.S. electric power industry (28% carbon free).

Over the last decade, we have already reduced the carbon intensity of our energy generation in Montana by more than 50%. In the last five years alone, we have invested more than \$1 billion in clean energy projects, including hydro, wind and solar facilities.

In late January or early February, NorthWestern Energy will file an application for pre-approval with the Montana Public Service Commission to acquire Puget Sound Energy's 25% interest for \$1. In addition, NorthWestern Energy will seek approval to sell 90 megawatts to Puget Sound Energy for roughly 5 years. NorthWestern Energy proposes zero net effect on customer bills while setting aside the benefits from the transaction – estimated to be \$4 million annually – to address environmental remediation and decommissioning costs associated with NorthWestern Energy's existing ownership. Puget Sound Energy remains responsible for its presale 25% ownership share of all costs for remediation of existing environmental conditions and decommissioning regardless of when Colstrip Unit 4 retires.

If the sale is approved, NorthWestern Energy will own 55% of Colstrip Unit 4 and will have greater influence over its operations. This is an important step in allowing

Montana to have a voice in the eventual operating life of Colstrip Unit 4.

"Even with projected operating and maintenance costs factored in, purchasing more of Colstrip Unit 4 for only \$1 is by far the most affordable way to help close the gap in the capacity shortage facing our customers," said John Hines, NorthWestern Energy Vice President of Supply and Montana Government Affairs. "No other option – buying additional energy from the market or building a plant that would generate this amount of energy over multiple days when it is needed the most – can achieve the same results."

As a point of comparison, building a natural gas plant that provides the equivalent capacity would cost approximately \$240 million. A wind-plus-battery-storage combination could cost several billion dollars and still not provide equivalent capacity. Solar by itself is not currently a viable option in Montana in the winter to address this type of sustained peak capacity need.

If NorthWestern Energy would have had an additional 95 megawatts of power from Colstrip Unit 4 in our portfolio last winter, this would have saved our customers about \$4 million over just four days during a particular cold blast Montana experienced last March and more than \$8 million at the full 185 megawatts.

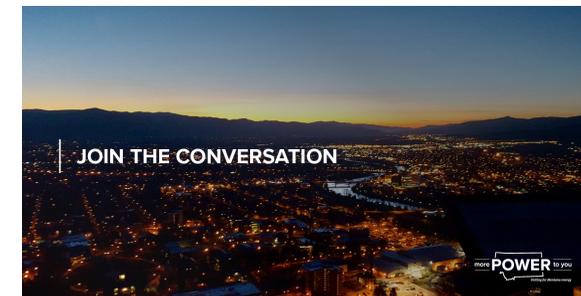
Acquiring a greater stake in Colstrip Unit 4 does not solve our capacity shortage, but it will meet about 25% of the overall capacity needed today while Montana

transitions to using more carbon-free energy sources in the future.

Our vision for the future builds on the progress we have already made. Today, the foundation of our energy generation is our hydro system, which is 100% carbon-free and is available 24 hours a day, 7 days a week. Wind generation is a close second and continues to grow. While utility-scale solar energy is not a significant portion of our energy mix today, we expect it to evolve along with advances in energy storage technology.

We are committed to working with our customers, communities and the state of Montana to develop an energy future that is affordable, reliable, environmentally responsible and capable of meeting the needs of all our customers.

For more information on the Colstrip Unit 4 acquisition and our carbon reduction plan, visit [northwesternenergy.com/Colstrip](http://northwesternenergy.com/Colstrip)



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