



**New Transmission Development Benefits Montana's Economy
Dave Gates – Vice President Wholesale Operations**

One of the most exciting parts of this region's economy is the development of "clean and green" energy resources, including the wind farms that are already producing power or are planned. They're providing investment, revenue for landowners, jobs, and tax payments to support schools and essential public services. The energy sector has helped buffer Montana from the national recession. This very positive development depends on the construction of new transmission.

Public Service Commissioner Brad Molnar (who represents Billings and Southeast Montana) recently expressed in the Great Falls Tribune and elsewhere his strong opposition to building new electric transmission in Montana. As a utility regulated by Commissioner Molnar and the PSC, NorthWestern is very reluctant to exacerbate his increasingly negative view of the company, as well as of nearly any and all new transmission development in Montana. However, we must address the many errors throughout his column.

NWE is actively engaged in new transmission development that is necessary to enable new renewable energy development in Montana, particularly in central and north-central Montana where the wind resources are plentiful. We are working on three projects that could increase transmission export capacity by approximately 2,000 MW. A good summary of all of the proposed projects can be found on the Montana Department of Economic Development's web site: <http://commerce.mt.gov/energy>.

NorthWestern's customers are currently exposed to regional market-based prices. They have been ever since supply deregulation and MPC's sale of the dams and thermal plants to PPL. Those regional market prices are directly tied to the California and western markets. This is neither a new or future phenomenon related to new transmission development as suggested by Commissioner Molnar; it is today's reality. The best way to reduce this market exposure is for the utility to own its own generation dedicated to serve retail customers. That's just what we're doing. We are rebuilding a supply of cost-based, "rate-regulated" electricity to protect our customers from the fluctuations of regional market prices.

We have proposed these new transmission lines because of the requests we have received from electric generators wanting to connect to the regional grid. These requests are made through a federally regulated process that requires the company to provide non-discriminatory access to its system. Because these interconnection requests exceed the capacity on the existing system, federal regulations also require the company to accommodate these requests through appropriate expansion efforts to enable new customers and generators access to the system.

Of the 4,800 megawatts of new generation now waiting to access the system, approximately 3,000 is wind generation and the rest is natural gas, hydro, and miscellaneous, but includes no coal. True, any entity can ship power on our lines – we can't discriminate – but there's no need to build new transmission for existing power generation because it's already being shipped through the system today. New transmission is needed for new generators, and the demand in the western United States is overwhelmingly for wind to help meet state renewable requirements.

The cost of these new transmission lines will be recovered from the energy developers, under long-term contracts, who actually use and benefit from the lines. That point was clearly outlined in our filings at the Federal Energy Regulatory Commission (FERC). Commissioner Molnar has been seeking assistance from county commissions to write letters to FERC asking the agency to support efforts to protect Montana consumers. We agree with Commissioner Molnar about protecting retail customers, and we are working with FERC to make sure that the necessary protections are in place. However, the letters that Commissioner Molnar has requested are in connection with a case that the FERC closed months ago.

As to the representations he made as to who has signed up we are bound by confidentiality and not at liberty to disclose who currently has reservations on MSTI and there are no public documents that name the entities. We can say that the reservations are held by other utilities, generators and marketers. We will be updating the reservation process in early 2010.

The numbers in the Commissioner's article are inaccurate. Montana currently has approximately 6,000 MW of installed generation not the 1,900 that he quoted. NWE's retail customers' peak demand is roughly 1,200 MW, not the 1,850 MW cited. In fact, NorthWestern's retail customers' usage would equal only 20% of the energy generated in the state, if it all came from in-state, which it does not. NorthWestern operates a "Balancing Area" in Montana and provides services to other customers (cooperatives, industrial customers, other utilities, etc) and that number is approximately 1,900 MW.

Finally, Commissioner Molnar incorrectly claims that we have asked the government to pay for MSTI with a billion dollar stimulus grant. We have not made any such request, nor would we. MSTI is a billion dollar project that will be financed with 50-percent debt (borrowed) and 50-percent equity (cash). In the event government financing became an option, and assuming it is the least cost approach when the time comes, we will take look at it to lower the overall cost of the project – but that would be a loan to be paid back with interest.

New transmission projects will enable development of Montana's great renewable resources, including in the Great Falls region. This will be good for local economies across Montana. These new energy sources need a pathway to market, which is the key reason to construct new transmission.

Dave Gates is the Vice President of Wholesale Operations for NorthWestern Energy and oversees all activities relates to electricity and natural gas supply and transmission. More information about NorthWestern's new transmission projects may be found at www.northwesternenergy.com and www.msti500kv.com.