



their accredited capacity is very close to their nameplate capacity. As a result, the regional portfolio is shifting away from high-accredited to low-accredited generation sources. A difficult situation is expected to get worse and grave reliability concerns are no longer just the province of states like California and Texas that have had well publicized blackouts.

Equally importantly in terms of timing and supply, 185 MW of NorthWestern's current market contract capacity will be expiring by mid-2024. Given the retirements of facilities throughout the region, NorthWestern does not have confidence it will be able to renew or replace these contracts when they expire, especially under as favorable of terms. To the extent any can be replaced, market conditions indicate that they will be at much higher costs, which will be passed directly on to customers.

Montana's decision to deregulate its electricity sector, and the concurrent decision by Montana Power Company to sell all of its electricity generation portfolio, coupled with subsequent plant closures, has placed NorthWestern in a critically tenuous position of not being able to reliably serve its customers' needs during periods of peak loads, such as hot summer and most critically, cold winter days. This is in spite of NorthWestern acquiring a substantial amount of generation since 2011, none of which has been carbon-emitting. In NorthWestern's 2017 and 2019 Electricity Supply Resource Plan (and in the 2020 supplement), NorthWestern identified significant deficiencies and risks to customers due to our portfolio's reliance on market purchases, much of which originates from out of state, plus a lack of reserve margin to reliably serve our customers. These Plans empirically and analytically set forth particular capacity vulnerabilities that need to be addressed in order to continue to provide reliable service to our customers. In particular, NorthWestern identified a need to have resources available to serve 20-hour, 10-hour, and 5-hour periods in the future when there will be capacity portfolio deficits.

Notably, NorthWestern at that time did not identify a need for new baseload capacity. As stated in the 2019 ERPP, "NorthWestern's resource portfolio generally generates enough energy to serve average load, but is significantly short both peaking and flexible capacity." A key reason that NorthWestern did not plan for new baseload capacity was that it had made substantial investments in Colstrip to comply with the 2012 MATS Rule and regional haze requirements. NorthWestern knew that Colstrip would be able to achieve Clean Air Act statutory and health-based standards over the medium-to-long term. NorthWestern had contemporaneous public assurances from EPA to that effect. And NorthWestern knew that there were no significant pollution control technology advancements in the offing that would change control performance. Consequently, the 2019 ERPP and 2020 Supplement focused investment on the identified peaking and flexible capacity needs, as well as improving transmission capabilities.

Based on those identified needs, NorthWestern issued a Request for Proposals (RFP) in January 2020. This RFP was explicitly for any type of generation that was able to provide