



As the chart shows, NorthWestern relies more heavily on market purchases to meet its electric needs during peak periods than any other utility in the Pacific Northwest. There are significant disadvantages to being reliant on market purchases to manage peak demand periods.

As an initial matter, prices for electricity tend to increase when there is greater demand. Typically, NorthWestern's periods of peak demand coincide with those of other utilities in the region. At the same time market prices are increasing during the critical weather events, especially winter, the available wind and solar generation frequently diminishes, sometimes to near zero. The same weather patterns that impact Montana also frequently impact other states in the region. As a result, the demand for electricity is high during such periods, which drives up the prices. Those higher prices increase our costs and ultimately lead to higher bills for our customers, which impacts their household and business finances and the broader Montana economy. Importantly the costs of electricity obtained through power purchase contracts are substantially passed directly through to consumers. NorthWestern's lower income and smaller business customers tend to be most sensitive to the impacts of increased electric costs.

In addition to pricing, there is also the question of availability. Simply put, it is not prudent to assume that there will always be sufficient out-of-state power that can be both purchased and transmitted to Montana. The limitations of the transmission system and how those impact NorthWestern's ability to bring electricity into Montana to serve customers are discussed in more detail in Section 5. This section further discusses the availability of electricity to purchase, setting aside the increasing uncertainty of whether it can be transmitted to Montana.

In recent years, several large power plants in Montana and adjacent states have closed. J.E. Corette, with a nameplate capacity of 163 megawatts (MWs), was closed in 2015. Colstrip Units 1 and 2, each with nameplate capacities of 307 MWs, ceased operation in early 2020. That same year, the Boardman plant in Oregon, 601 MWs, and Unit 1 of the Centralia plant in Washington, 730 MWs, both closed. Idaho Power ended its participation in Unit 1 of the Valmy facility, 254 MWs, in 2019 and the operations there completely halted in 2021.

In addition to those significant retirements that have already taken place, more retirements are anticipated in the near future. In particular, Unit 2 of the Centralia plant, 670 MWs, is scheduled to cease operation in 2025, as is North Valmy Unit 2, which is 289 MWs.

In summary, there is much less reliable electrical generation available in Montana and the Pacific Northwest (the market) than in the past, and the closures scheduled for 2025 are expected to result in the loss of an additional 959 MWs of nameplate capacity by the end of that year. Importantly, these losses of nameplate capacity are all for facilities for which