Proposed Rule Costs would constitute significant increase in capital commitments, weighted toward the earlier part of the five years and could imperil NorthWestern's ability to make those critical investments.

Any rate increases to cover Proposed Rule Costs would be on top of other recent rate increases funding the existing capital and operational budgets. Presently pending before the MPSC is a 28% residential electricity rate settlement, driven in material part by NorthWestern's investments in carbon free and reduced-emissions projects. Proposed Rule Costs did not factor into the settlement. NorthWestern believes it is uncertain that the MPSC would approve cost recovery for such a large new increase on top of other recent increases, and may not approve any portion of it.

As a result, the most likely outcome of the Proposed Rule and Proposed Rule Costs would be to force NorthWestern to evaluate postponing or abandoning previously approved capital projects.

10. Consequences of diverting capital to comply with the Proposed Rule

As should be clear from the preceding discussion, it is unlikely that NorthWestern could feasibly comply with the Proposed Rule by either building replacement thermal capacity or by attempting to recoup the Proposed Rule Costs through rate increases, and early closure of Colstrip likely poses unacceptably high market and grid stability risks. This leaves a re-allocation of previously committed capital outlays as the most likely compliance scenario.

As discussed, a large fraction of the planned investments are focused on improving grid reliability, and upgrading existing renewables. Other projects (e.g. wildfire mitigation) have clear environmental benefits. NorthWestern had intended to perform a more detailed examination of potential capital program consequences of the Proposed Rule, had it been granted the requested extension of time to comment. Because that request was denied, NorthWestern can only hypothesize in more general terms.

The adverse net environmental consequences of capital reallocations from the subjects identified above should be obvious. The collective effect would be reduced utilization of renewables, slowing NorthWestern's progress toward its Net Zero 2050 objectives. Perversely, a very plausible scenario under the Proposed Rule, if implemented in its current form, would be to *extend* the life of Colstrip, and result in NorthWestern utilizing Colstrip *more heavily* than in the absence of the Proposed Rule. NorthWestern has not had the opportunity to fully calculate the emissions consequences, but there is a significant likelihood that, as applied to Colstrip, the Proposed Rule would have the effect of *increasing* net carbon and HAPS emissions over Colstrip's remaining life than if Colstrip is exempted from the Proposed Rule. Such a result would certainly be contrary to the objectives of E.O. 13990.