

for cooling. The availability or unavailability of other resources can also be a significant factor. For example, the amount of rain during a season or snow during a preceding winter impacts the generation of our hydroelectric facilities. Similarly, there are periods when more or less wind power is generated. Unfortunately, in Montana this extreme weather typically occurs with high pressure systems, meaning our wind generates very little to zero power during these critical conditions. Those instances when there is both high demand for electricity, due to the extreme temperatures, and less available renewable generation can be particularly challenging from both a reliability and customer affordability perspective. Thus, NorthWestern is forced to rely on a market that has significant price volatility, as a reflection of the scarcity of on-demand generation. There is also increasing concern regarding the scarcity of firm transmission during these extreme weather events.

43. There are significant disadvantages to being reliant on market purchases to manage peak demand periods, especially considering the declining availability of capacity resources in the region.

44. As an initial matter, prices for electricity tend to increase when there is greater demand. Typically, NorthWestern's periods of high 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 customers, which impacts their household and business finances and the broader Montana economy. Importantly, the costs of electricity obtained through power purchase contracts are