



transmission perspective. Faced with hundreds of millions of dollars in unanticipated costs, NorthWestern therefore has three principal options: (a) close Colstrip in the immediate future and engage in an emergency program to construct additional baseload capacity; (b) install the controls required by the Proposed Rule and attempt to recoup the Proposed Rule Costs through rate increases; or (c) postpone or abandon existing planned capital projects to free up resources to address the unanticipated Proposed Rule Costs without raising rates. These scenarios are discussed in the following sections.

8. **Cost and safety hazards of closing Colstrip prior to 2036 without constructing replacement thermal baseload capacity**

Although the Proposed Rule came as a surprise to NorthWestern, NorthWestern closely examined Colstrip closure scenarios as part of the 2023 IRP process. This included scenarios involving closures in 2025, 2030, and 2035. The 2025 and 2030 closure scenarios resulted in materially higher total costs, amounting to \$1.1 billion in higher costs (25% increase over the base case) for a 2025 closure, and \$540 million higher costs (12.1% increase over the base case) for a 2035 closure. See 2023 IRP, Exhibit B-1, Section 8.9. Moreover, these scenarios rely on substantial purchases of power at market rates, in excess of \$50 million each year commencing with Colstrip's closure. *Id.* As explained in Sections 4 and 5, there is substantial uncertainty whether such large market purchases can even be consistently executed and delivered, especially during peak load events. Consequently, the 2025 and 2035 closure scenarios are accompanied by worrisome grid stability and service interruption hazards.

These risks are sufficiently high that NorthWestern would need to closely examine embarking on an emergency program to construct replacement thermal capacity. On the timeframes contemplated by the Proposed Rule, the only thermal capacity that could feasibly implemented is natural gas fired capacity. The net effect would be to replace relatively short-lived (approx. 10-20 year life) coal-fired thermal capacity with new, long-lived (30+ year) natural gas capacity. Although natural gas has a lower carbon and MATS profile than coal, this tradeoff would clearly appear to be inconsistent with the long term objectives of E.O. 13990.

9. **Rate consequences of the Proposed Rule Costs and impracticality of rate recovery**

NorthWestern currently plans to invest over \$2.4 billion in capital outlays over the next five years. Many of these investments are required by law. Others are intended to improve system reliability, better utilization of renewables, or other projects (e.g., wildfire mitigation) with demonstrable and significant environmental benefits.