



May 5, 2016

Dear Members of the Montana Legislature:

Attached is an [independent analysis](#) of the high cost to Montana's ratepayers or taxpayers of the acquisition of Colstrip Units 1 and 2, and perhaps some of Unit 3, by either NorthWestern Energy Corporation or the State of Montana. IEEFA, which conducts research and analyses on global financial and economic issues related to energy and the environment, conducted this analysis after recent press stories indicated an interest by some state officials in investigating the feasibility of having NorthWestern Energy or the State itself own or assist in the continued operation of the two older Colstrip units.

[Our analysis](#) shows that, due to unavoidable market forces, Colstrip Units 1 and 2 have become increasingly uneconomic for the owners to run, and that this situation will only get worse in the coming years. In fact, if NorthWestern Energy were to buy part or all of Colstrip Units 1 and 2, its customers would have to pay at least an extra \$207 million to \$414 million in electric bills over the cost of buying power from the market through 2022 (or the state would have to subsidize this amount). These numbers would be much higher (between \$405 million and \$810 million) if the analysis is extended to 2030.

Moreover, as stark as the numbers above are, they actually substantially understate the high cost of power from Colstrip Units 1 and 2. They reflect only the fixed and variable operating maintenance costs of producing power at Colstrip and, therefore, do not include significant annual capital expenditures, debt and equity costs, and environmental remediation and decommissioning costs.

This analysis builds upon IEEFA's previous studies of the economic and financial viability of the continued operation of Colstrip Units 1 and 2, linked below, as well as our testimony in the recent Montana Public Service Commission case in which the Commission agreed that NorthWestern Energy, and not its ratepayers, should be liable for the increased replacement power costs incurred during Colstrip Unit 4's extended 2013-2014 outage.

- [Study Concludes That Colstrip 1 and 2 Are Financially Unviable; Cautions Against Further Expenditures](#)
- [IEEFA Analysis: Financial Condition of Montana's Colstrip 1 and 2 Worse Than Previously Known](#)

Please let us know if you have any questions about any of [IEEFA's Colstrip analyses](#) or if you want any additional information.

Respectfully,

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