Please find below NorthWestern Energy's response to the October 28, 2008 letter regarding the Upper Midwest Transmission Development Initiative (UMTDI). NorthWestern Energy has set forth below the questions posed and its response to each set of questions.

The following questions were posed by the UMTDI in its October 28, 2008 letter to stakeholders in the five state region.

1. How much renewable energy should the upper Midwest states plan for, over what time-frame, and in what increments?

NWE: Unless the goal is to provide for a net export of renewable energy from the 5 state region, this will likely be determined by the combined RPS or REO (renewable portfolio standards or renewable energy objectives) goals of the 5 states. Improved economic viability would also influence the result.

The amount of renewable energy, principally wind, over a specific time frame and in what increments is driven by whether or not the five state region will be a net exporter of such energy; the cost, time frame, and revised regulatory system to build the transmission necessary to transport the energy to the load centers within and without the five state area, the need for continued or additional investment or production tax credits for renewable energy, and whether or not state regulatory systems will allow for timely recovery of costs, sufficient recovery, and adequate return on investment.

2. What voltages, how many miles of new or upgraded transmission and how much related infrastructure is needed in the upper Midwest region to meet our states' renewable electricity goals, ensure regional reliability and promote economic dispatch?

NWE: This will depend on specific renewable resource project(s) location and size(s) combined with the location of the intended end-use load customer. Once those are identified, coordinated transmission system planning can proceed.

3. Where are the greatest potential renewable resources located in the upper Midwest? Where are the most accessible potential renewable resources located in the upper Midwest? Where are the markets for that energy? What are the likely and most appropriate means to deliver renewable generation to load?

NWE: As shown in various studies (RGOS, etc), wind resources tend to be in the western portion of the five states with load growth in the eastern portion plus export markets located to the south and east of the five state region. The likely means of delivery is by conventional transmission.

4. Once potential generation sites are determined along with development timeframes what are the estimated costs of constructing an economically and operationally optimal network of needed transmission additions or upgrades? Over what timeframe?

NWE: No reasonable estimates of costs or timeframes is possible until specifics of the projects (location, etc.) are known. Also, if there is a national RPS, that amount of renewable energy and the time frame for attainment would need to be factored into any analysis of the transmission. The time frame for construction and completion must meet the timeframe for attaining the RPS.

5. What options exist to control or mitigate the costs of transmission construction?

NWE: Utilize existing ROW with multiple circuits and/or increased voltages and upgraded conductors. Also, coordinate renewable resource projects to combine transmission paths where feasible. In addition, a uniform siting protocol for the five state region would help reduce costs.

6. How should the costs of needed transmission construction be apportioned across the region? For example, should producers and/or sellers of the energy interconnected to a particular transmission line be apportioned a certain percentage for delivering their product over that line? Should energy buyers/users of energy delivered by a specific powerline bear a cost allocation percentage for that line? Should States through which a transmission line crosses but does not necessarily provide energy pay a portion of the costs of the transmission line?

NWE: The revenue requirements of a particular portion of the transmission system should be provided by the "user" as is currently the practice in the region. This could be either the seller or purchaser of energy depending on contractual agreements. In the event that a state invests in the transmission system as an economic development tool, then perhaps a portion of the revenue requirements could be justified to flow from the taxpayer if supported by a solid business model (e.g. - tax revenue increase, etc.). Also, if the plan is to be a net exporter region, the costs may need to be spread among users, generators, and beneficiaries of the system in the five state region as well as the ultimate load centers. There is a need for a national transmission policy that would provide guidance on, among other things, cost allocation and siting.

7. What benefits from transmission additions can be demonstrated, how are they measured, and what is the business case for investments in these facilities?

NWE: Increased reliability and reduced energy costs can be demonstrated but the business case depends on specific project details. Again, regulatory treatment of how investment for transmission build out can be recovered and allowed rate of return on those investments will play heavily into the business case decision points for these types of facilities investments.

Thank you for the opportunity to participate in this Initiative and NorthWestern Energy looks forward to being actively involved in the workshops that will be set up do develop the draft report to the Governors.

NorthWestern Energy

Thomas J. Knapp
Knapp Law Firm
Washington, DC
301-717-3129 Office
thomas.j.knapp@gmail.com
