



November 11, 2025

Will Rosquist
Regulatory Division Administrator
Montana Public Service Commission
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via email: wrosquist@mt.gov

Re: Acquisition of additional Colstrip shares

Mr. Rosquist,

NorthWestern Corporation d/b/a NorthWestern Energy (the “Montana Utility”) respectfully submits this response to your letter dated November 5, 2025, requesting clarification regarding the acquisition of Puget Sound Energy’s 370 megawatts of the Colstrip Generating Station (the “Puget Share”). Your inquiry raises important questions about the regulatory treatment of the transaction and the implications for Montana Utility customers.

As explained in greater detail below, the Montana Utility does not currently own and is not acquiring the Puget Share at this time, and thus will not be seeking Commission review of the transaction. Directly transferring the Puget Share to NorthWestern Colstrip 370Pu LLC (“Colstrip 370Pu”), a non-utility subsidiary of NorthWestern Energy Group, Inc. (“NorthWestern Group”), ensures local operational control of Colstrip to secure its long-term viability while shielding customers from costs or liabilities tied to the Puget Share, mitigating the financial impacts on NorthWestern Group, and maintaining flexibility for future integration.

As noted in your letter, the Montana Utility entered into the agreement to acquire the Puget Share (the “Puget Agreement”). However, the NorthWestern Group Board approved assignment of the Puget Agreement from the Montana Utility to Colstrip 370Pu on October 29, 2025, for the mutual benefit of customers and the companies.¹ As a result, Colstrip 370Pu will acquire the Puget Share of Colstrip on January 1, 2026, and the Montana Utility will not acquire, hold, or operate the Puget Share at closing. As a result, this transaction is not analogous to

¹ The Puget Agreement contains a clause permitting assignment to affiliates of the Montana Utility.



cases cited in your letter and not covered by any relevant statutes. Therefore, there is no basis for the Commission to assert jurisdiction over the transaction.

The intent is for Colstrip 370Pu to sell energy at wholesale pursuant to FERC jurisdiction until such time as Montana Utility customer load requires the addition and Commission authorizes cost recovery of the Puget Share. To that end, Colstrip 370Pu entered into a 21 month contract with Mercuria Energy America, LLC for the sale of all of the output of the Puget Share. As FERC has exclusive jurisdiction over wholesale energy transactions, Colstrip 370Pu filed for FERC approval of the contract on October 31, 2025.

Neither the Puget Share nor the Puget Agreement has ever been used to serve Montana customers, placed in rate base, or recovered through Montana rates. The transfer of ownership will occur directly between Puget Sound Energy and Colstrip 370Pu, which is not a regulated public utility. Colstrip 370Pu operates outside the Montana Utility's ring-fencing and is not subject to Commission jurisdiction. This structure is consistent with the Commission's 2023 order authorizing corporate restructuring, which established ring-fencing around the Montana Utility and noted merchant generation must occur in a subsidiary outside the utility. *See* Order 7854b, Dkt. No. 2022.06.064, para. 49. Additionally, as the Puget Share purchase price is zero, neither the acquisition of the Puget Share nor the assignment of the Puget Agreement triggers the notice provision in that order. *See* Order 7854b, para. 27 (requiring notice to the Commission if the Montana Utility sells or transfers "utility assets having a net book value of over \$10 million, any part of which is included" for rate recovery). As a result, the assignment of the Puget Agreement does not require notification to the Commission and is not subject to Commission review.

The original decision to acquire the Puget Share was driven by a desire to obtain majority ownership of the Colstrip Plant which will provide enhanced control over the operations and ultimate retirement of the facility. This enhanced control is vital to ensuring the viability of the Montana Utility's existing share and the soon to be acquired share of the plant currently owned by Avista (the "Avista Share"), both of which are needed for reliability. By consolidating ownership within entities affiliated with NorthWestern Group, the company reduces the risk that regulatory or legislative decisions outside of Montana will affect the availability or performance of this critical resource.

As noted in your letter, at the time of executing the Puget Agreement, the Montana Utility anticipated acquiring the Puget Share and therefore included it in capacity forecasts submitted to the Western Power Pool and the Commission. These filings reflected the intended transfer of the Puget Share at the time, not a determination of capacity need. The capacity forecasts submitted in April 2024



demonstrated long capacity balances through Winter 2034–35, even before the addition of the Puget Share. Subsequent analysis during the planning cycle for the 2026 Integrated Resource Plan (IRP) confirmed the Montana Utility can meet its Western Resource Adequacy Program (WRAP) obligations and peak demand requirements without the Puget Share.

By contrast, the 2023 IRP identified the acquisition of Avista’s 222 megawatt share of Colstrip (the “Avista Share”) as necessary to support anticipated load growth and maintain reliability. The Avista Share will enter the Montana Utility’s portfolio on January 1, 2026, serving Montana Utility customers and creating excess capacity that allows market sales.² The Montana Utility has filed updated capacity forecasts with WPP removing the Puget Share, and will file updates with the Commission as required once they are finally accepted by WPP. As a result, contrary to the statement in your letter, the Puget Share is not necessary to meet WRAP obligations, serve peak demands or ensure adequate and reliable service by the Montana Utility in 2026.

Holding the Puget Share in Colstrip 370Pu preserves the ability to transfer the resource into the Montana Utility portfolio when customer need is demonstrated and cost recovery of the associated operations and maintenance (O&M) costs is determined. While the O&M for the Avista Share is not yet in rates either, the need for that share is clear, and the Montana Utility has submitted a filing to address these costs until they are incorporated in rates in future proceedings. Acquisition of the Puget Share, while fundamental to protecting our customers interests in the existing share owned by the Montana Utility, also exposes NorthWestern to a heightened risk of unrecoverable expenses and potential disallowances. A utility is not required to provide benefits to customers or acquire and operate assets without a reasonable opportunity to recover the associated costs.

Holding the Puget Share outside the Montana Utility relieves customers of responsibility for any costs or liabilities associated with the asset prior to it being required to meet utility load, while allowing the company an opportunity to offset O&M costs through wholesale sales. This structure aligns with the Commission’s 2023 restructuring order, which established ring-fencing requirements to insulate ratepayers from financial risks tied to merchant generation. It also complies with NorthWestern’s obligations to its shareholders and honors its commitment to preserve the long-term viability of the Colstrip Plant.

² The Montana Utility will also assign the Avista share to a wholly owned subsidiary, NorthWestern Colstrip 222Av, LLC (“Colstrip 222Av”) to preserve certain contractual rights. Colstrip 222Av is a direct subsidiary of the Montana Utility and will be on the utility side of the Montana ringfencing and that share will be reported and operated as a utility generation asset and will be subject to Commission jurisdiction.



Acquiring the Puget Share in Colstrip 370Pu also provides flexibility for future utility integration if and when customer need is demonstrated, while maintaining a vital local generation resource at no additional cost to customers. The flexibility to serve Montana load from outside the Montana Utility is growing in importance in the face of base load generation retirements in other jurisdictions and lack of regulatory certainty regarding service to new large loads. While prospective large load customers and the Montana Utility have a strong desire to develop large customer bundled service, significant analysis is required before such customers can be added to the Montana Utility's load, and there is no certainty that the Commission will agree with the Montana Utility's approach to serving those customers. Additionally, existing large customers currently receiving energy supply on a choice basis have expressed a strong interest in the long-term viability of the Colstrip Plant to meet ongoing needs in the state for reliable base load generation. Acquiring the Puget Share in Colstrip 370Pu outside the Montana Utility's ring-fencing, in Colstrip 370Pu, provides maximum flexibility to deploy this resource in a way that assists existing large loads and facilitates economic development without impacting current utility customers. This approach supports the continued operation of Colstrip as a reliable baseload resource for Montana and reinforces NorthWestern's commitment to maintaining local control over critical energy infrastructure in the face of shifting external regulatory pressures.

In summary, the structure of this transaction reflects a deliberate approach to balancing long-term reliability, customer protection, and regulatory clarity. The Montana Utility has determined that the Puget Share is not currently needed to meet customer demand and has taken steps to ensure its acquisition does not impose financial risk on customers. Assigning the Puget Agreement to Colstrip 370Pu insulates customers from costs and liabilities, maintains flexibility for future utility integration when justified by resource need, and secures operational control of Colstrip to support its continued reliability.

We appreciate your engagement on this matter and remain available to provide more information or clarification as needed.

Regards,

Michael Green

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