

NorthWestern Energy (NWMT) TRM/CBM Statements

TRM (Transmission Reliability Margin)

The following table provides TRM currently held out on the NorthWestern Energy System.

PATH	TRM (MW)	TIME PERIOD ¹
BPAT.NWMT to NWMT.SYSTEM	40/50	Jan -Dec
AVAT.NWMT - NWMT.SYSTEM	5/0	Jan -Dec
NWMT.SYSTEM – AVAT.NWMT	5/0	Jan -Dec
AVAT.NWMT - NWMT.SYSTEM	10	Jan-Dec

GRANT PUD 10 MW AVAT.NWMT to NWMT.SYSTEM held out by Yearly TSN
#BURKE100

SAS1 Start 1-1-2009 Stop 1-1-2011

The following three TSN's are Profiled to achieve 2.5 months regulation from May 1 through July 15 as AVA is Hydro is reduced.

PWX *Profiled TSN* 40 MW Jan 1 to May 1, then 50 MW May 1 to July 16
BPAT.NWMT to NWMT.SYSTEM held out by Monthly TSN #
BPAT001 Type: SAS1

AVA *Profiled TSN* 5 MW Jan 1 to May 1, then 0 MW May 1 to July 16
AVAT.NWMT to NWMT.SYSTEM held out by TSN # HTSPMF1
Type: SAS1

AVA *Profiled TSN* 5 MW Jan 1 to May 1, then 0 MW May 1 to July 16
NWMT.SYSTEM to AVAT.NWMT held out by TSN # SYSHS1
Type: SAS1

The following table provides TRM held out on the NorthWestern Energy System due to Seasonal Path Nomograms

PATH	TRM (MW)	TIME PERIOD¹
BPAT.NWMT to NWMT.SYSTEM	29	Nov-March
BPAT.NWMT to NWMT.SYSTEM	0.0	April-May
BPAT.NWMT to NWMT.SYSTEM	221	June-Oct
MTSE to NWMT.SYSTEM	138	Nov-March
MTSE to NWMT.SYSTEM	116	April-May
MTSE to NWMT.SYSTEM	335	June-Oct

TRM will be held out each year until changed as a result of system reliability needs and/or as path studies dictate.

Discussion

Regulating Reserve (Load Following)

Because NorthWestern Energy does not own any generation², it must acquire its regulating reserve (load following) resources from third parties. NorthWestern Transmission utilizes TRM to set aside transmission on its system (AMPS Line) to meet its load following obligations. These load following set-asides are implemented via OASIS reservations on the AMPS line to reflect the delivery of load following services required for reliability purposes. Because the full capacity of the load following service may be needed at anytime during any hour for reliability purposes, the capacity is not released for non-firm use.

To maintain a reliable system in accordance with NERC and WECC requirements, NWMT may, at times, deliver power to its regulating reserve service provider. These real-time deliveries generally require export capability on the NorthWestern Energy system. To promote the efficient use of its transmission system, instead of holding out firm capacity as TRM, NWMT uses available hourly ATC for these deliveries.

Operation of Nomograms

NorthWestern Energy also utilizes TRM on its YTP (Yellowtail) to NWMT.SYSTEM path and BPAT.NWMT to NWMT.SYSTEM path to reflect the difference between firm and non-firm transmission in its firm and non-firm ATC calculations for the path. The difference between firm and non-firm transmission on this path is determined from the operating nomogram for the path defined through the Western Electricity Coordinating Council path rating process. The TRM amounts shown in the above table represent the

² NorthWestern owns approximately 220 MW of Colstrip Unit #4 through a lease-buyback arrangement, the output of which is committed to long-term power sales.

amounts of additional transmission that can be sold non-firm. If this non-firm transmission is sold during pre-schedule, the transmission may be curtailed in real time based on system conditions. These TRM numbers are subject to change due to changes in the nomogram and operating conditions in real time.

System Balancing

To maintain a reliable system in accordance with NERC and WECC requirements, NWMT must deliver power to, or receive power from, its system balancing provider to keep its control area/balancing authority in balance. These real-time deliveries/receipts require import and export capability on the NorthWestern Energy system. However, because the amounts vary significantly each hour, instead of continuously holding out some set capacity at each of its interfaces for this TRM, and to promote the efficient use of its transmission system, NWMT uses available hourly ATC for its system balancing needs rather than holding out TRM.

Contingency Reserves and Reserve Sharing

NorthWestern does not hold out any TRM for contingency reserves or reserve sharing energy (the Northwest Power Pool (NWPP) reserve program) because of the NWPP agreement. The parties to this agreement have developed transmission bubbles (“bubbles”) and have agreed to operate such that, for the delivery of contingency reserves and reserve sharing energy within the various NWPP bubbles, transmission reservations are not required and therefore there are not ATC impacts. The other transmission providers that NorthWestern interfaces with in its NWPP bubble are BPA (the Bonneville Power Administration) and Avista Corp. As a result, contingency reserves and reserve sharing energy that is delivered to or from other than the BPA and Avista interfaces do require transmission reservations. Additionally, because there are currently no internal constraints on its system, NorthWestern does not hold out TRM for reserves that are sourced and delivered within its control area and as a result does not require transmission reservations for reserves delivered within its control area.

NorthWestern Energy will make available all underlying documentation, including work papers and load flow base cases, used to determine TRM, to any transmission customer and LSE within its control area, subject to a confidentiality agreement if necessary. Transmission customers should contact either Marc Donaldson, Manager – Electric Transmission Marketing at (406) 497- 4101 or Casey Johnston, Director, Transmission Marketing at (406) 497- 4575 to request TRM related documentation.

CBM (Capacity Benefit Margin)

Because of Retail Access in Montana and the fact that NorthWestern Energy does not own any generation to serve its native load, there currently is not any CBM set aside on any of NorthWestern’s transmission paths. Potential generation deficiencies are

currently handled through Contingency Reserves. Should the generation situation change in Montana, or if any of the LSEs in NorthWestern Energy's Control Area request CBM be set aside (e.g., for load growth), these requests must be made on the OASIS via a Transmission Service Request, which will allow unused (i.e., unscheduled/un-tagged) CBM to be released for non-firm use. Such requests should include language in the Comments Section of the Transmission Service Request describing that the request is for a CBM set-aside. Requests for CBM will be evaluated on a case-by-case basis based on the transmission availability. NorthWestern Energy will also reevaluate its own need for CBM annually. Such reevaluation will take into account any changes in system conditions that might affect the need for CBM. When other LSE's requests for CBM are accepted, or if NorthWestern's annual reevaluation of CBM results in CBM set-asides, this document will be updated to reflect the appropriate CBM values.