

NorthWestern Energy
Docket D2008.5.45 and D2009.5.62
Electric Supply Deferred Cost Account Balance
and
Projected Electric Supply Cost

Montana Public Service Commission (PSC)
Set 1 (001-032)

Data Requests Service Date July 27, 2009

PSC-024

Regarding: Operating reserve requirements, RFPs

Witness: Fine

- a. Regarding the resource acquisitions you describe on p. 4 of your testimony, please compare and contrast the operating reserve requirements imposed on NWE Energy Supply by the Colstrip 4 resource and the three multi-year market products. Specifically, what is the quantity of any operating reserves NWE must procure for each resource and what authority (i.e., law, rule, contract/agreement) governs whether Energy Supply must procure operating reserves?
- b. Please provide a list of recipients for the October 2008 and May 2009 RFPs.
- c. Please provide copies of the October 2008 and May 2009 RFPs.
- d. Please provide copies of the contracts that underlie the multi-year market products procured in the October 2008 and May 2009 RFPs.
- e. Please provide the 18-month contract for firm energy and describe the procurement process that led to the contract.

RESPONSE:

- a. Energy Supply obtains for Colstrip 4, 16 megawatts of operating reserves calculated as 7% times 222 megawatts. The three multi-year market contracts are firm contracts, and, as such, are supplied to Energy Supply with reserves included. The North American Electric Reliability Corporation (NERC) and the Western Electricity Coordinating Council (WECC) impose reserve requirements on balancing authorities who, in turn, impose reserve requirements on load serving entities (including Energy Supply). Please refer to WECC Standard BAL-STD-002-0-Operating Reserves at :

<http://www.nerc.com/files/BAL-STD-002-0.pdf>
- b. See attached.
- c. See attached.

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PSC-024 (con't)

- d. The commercial terms of each deal are contained in the attached confirmations. The underlying contracts are industry standard master agreements.
- e. See attached. During the 2009 RFP, NWE conducted discussions with one of the respondents regarding available energy from a resource located adjacent to the NWE transmission system. At the conclusion of the RFP, NWE entered into bilateral negotiations with this entity and procured energy for an 18-month term.

Dkt. No. D2008.5.45/D2009.5.62

PSC Set 1 – 024(b)

Attachment 1

**NWE 2009 Electric RFP
Recipient List**

'Kevin.Holland@shell.com';
'Meredith.Aitken@powerex.com';
'SsMayo@pplweb.com';
'r.drake@rainbowenergy.com';
'Wade_Kram@cargill.com';
'Arlin.Travis@morganstanley.com';
'todd.torgerson@db.com';
'patricia.smith@credit-suisse.com';
'holli.krebs@jpmorgan.com';
'brent.chamberlin@citi.com';
'Gerald.Balboa@bp.com';
'andre.templeman@macquarie.com';
'greeves@calpine.com';
'DuncanW_Anderson@TransAlta.com';
'Greg.Wolfe@barcap.com';
'Roy.Alvarez@RBSSempra.com';
'nbresnan@coloradoenergy.com';
'gregori@mcn.net';
'mstrength@lspower.com'

Dkt. No. D2008.5.45/D2009.5.62

PSC Set 1 – 024(c)

Attachment 1



REQUEST FOR PROPOSALS - FIRM ELECTRICITY

October 1, 2008

By this Request for Proposal (RFP), NorthWestern Energy (NWE) invites proposals to provide firm electricity products ("Firm Supply") to NWE for the purposes of providing reliable service to NWE's retail customers. This RFP is a request for proposals and no legal obligation will arise between NWE and any respondent absent a definitive final agreement executed by each party.

NWE will evaluate the proposals based on the following criteria:

a) **Compliance with Requirements**

The respondents must satisfy the specific requirements listed in this RFP document. Proposals not meeting the requirements of this RFP shall not be considered.

b.) **Price of Service**

NWE will accept proposals that rely on any reasonable basis for the Firm Supply described in this RFP. However, the respondent should provide a clear description of its pricing basis. Respondents are strongly encouraged to follow the suggested pricing concepts outlined in the "Requirements" section below.

c) **Ability to Perform Service**

The respondent must provide documentation to support its ability to timely provide the Firm Supply in a manner consistent with the requirements described in this RFP. This documentation should include reference lists from parties that have obtained Firm Supply as described herein, or similar services in the past from the respondent.

I. Requirements:

A. Firm Supply

Firm Supply is defined as firm base load energy with Contingency (Operating) Reserves available 7 x 24 throughout the term. When submitting its offer, respondents must consider that if (when) NERC enacts BAL-002, or a similar standard for reliability, the Buyer and Seller must adhere to the Balancing Authority's ("BA") rules regarding who is responsible for providing contingency reserves.

B. Volume

NWE seeks Firm Supply in a total amount of 50 to 100 MW. Respondent must offer the Firm Supply in 25 MW blocks within the 50 to 100 MW range.

C. Term

NWE seeks offers for a term of 5, 7, or 10 years commencing July 1, 2010.

D. Delivery Points

NWE seeks offers which will deliver Firm Supply to: (1) Any available interconnection point on the NWE Energy transmission system where NWE can take delivery pursuant to its existing Network Transmission Agreement; or (2) at the Mid Columbia trading hub.

E. Pricing

NWE will consider both fixed or index offers, but NWE prefers fixed price offers. Those respondents electing to submit index based offers must identify with particularity the index to be utilized.

F. Contract

NWE intends to utilize industry standard agreements such as the WSPP, EEI Master Agreement or other similar standard agreements with the successful respondent(s). Respondents may submit, provided the terms allow, their offer pursuant to an existing master agreement between itself and NWE.

G. Credit

NWE will negotiate credit terms. NWE will not grant any credit to a respondent that does not meet its internal creditworthiness standards. NWE will consider a letter of

credit or some other acceptable form of collateral in the event a respondent does not meet NWE's creditworthiness standards. Respondents should indicate how credit will be addressed in their offers.

II. RFP Responses

1. Response Development and Presentation

On the attached offer sheets, or as a separate attachment, respondents should provide special conditions or qualifications including but not limited to:

- a) Definition of Terms used in the response
- b) Description of Firm Supply to be provided
- c) Scheduling and Tagging Provisions.
- d) Pricing
- e) Non-Price Terms and Conditions
- f) Administrative Matters as Appropriate at the Proposal level
- h) Contact Person (mailing address, fax, phone, e-mail).
- i) Respondents submitting offers must hold open the offer until the Award Notification date (Oct 24). At that time verbal, telephonically recorded confirmations will be made pending final written agreements.

Responses that fail to meet the foregoing criteria and the minimum requirements set out in Section II shall be deemed incomplete and rejected from consideration.

2. Responses

It is expected that potential suppliers will respond by e-mail on or before the deadline to Kevin Markovich at the email address provided below.

Offers may be made on any or all blocks. NWE will select the combination of offers that provides the highest value to NWE.

3. Deadline to Respond

All offers are due by 5:00 pm Mountain time on Tuesday, October 21, 2008. All offers must remain open until 12:00 pm Mountain time on Friday, October 24,

2008. Verbal confirmations of selected offers will occur prior to 12:00 pm on October 24, 2008.

4. Commencement

The delivery of Firm Supply will commence on July 1, 2010 or agreed upon by the parties.

III. Proposed Timeline

This is an estimate only and may vary for a variety of reasons.

The proposed procurement and selection process will be carried out in accordance with the following schedule:

<u>Activity</u>	<u>Date</u>
RFP Issued	10/01/2008
Submission Deadline	10/21/2008
Award Notification	10/24/2008

NWE Reserves the right to modify all or part of this proposed schedule at any time during the RFP process.

IV. Selection

NWE reserves the right, in its sole discretion: (1) to select some or none of the proposals; (2) to modify, revise, amend, or otherwise change the requirements of this RFP and (2) to withdraw, in whole or in part, without notice, this RFP. This is an RFP and no binding legal obligation will be entered into unless and until the successful bidder and NWE negotiate and execute a definitive agreement.

V. Confidentiality

Because NWE is a regulated entity, NWE may be required to release RFP information to the appropriate regulatory authorities and other intervening parties during the course of future regulatory proceedings. NWE will not seek protection on behalf of any Respondent the confidentiality of any bid.

VI. Contact

Questions regarding this RFP should be directed to:

Kevin Markovich
Kevin.Markovich@northwestern.com
Phone: 406-497-3336
Cell: 406-490-3284
Fax: 406-497-2629

Credit questions should be directed to:

Dennis Heinz
Dennis.Heinz@northwestern.com
Phone: 605-353-7517
Cell: 605-354-2163
Fax: 605-353-7569

NorthWestern[™] Energy

OFFER SHEET 2008 Firm Electricity RFP 5 Year Product Commencing July 1, 2010

Counterparty Name: _____

Contact Name: _____

Phone number: _____

Volume	Fixed Price (\$/per MWh)	Index Price (Including discount, premium and named Index)	Delivery Point
25 MW			

Special Conditions:
(Attach sheet if necessary)

Contingencies – These Proposed Terms/Conditions are for discussion purposes only, and not an offer or commitment of NWE Energy or any of its affiliates to enter into any transaction. The prices and terms are subject to change and further review and approval, until execution of a definitive agreement containing all appropriate provisions, including those related to dispute resolution, credit, and governing law. Neither party is obligated to enter into a transaction or definitive agreement with the other party, and each party may cease discussions for any reason at any time.

NorthWestern[™] Energy

OFFER SHEET 2008 Firm Electricity RFP 7 Year Product Commencing July 1, 2010

Counterparty Name: _____

Contact Name: _____

Phone number: _____

Volume	Fixed Price (\$/per MWh)	Index Price (Including discount, premium and named Index)	Delivery Point
25 MW			

Special Conditions:
(Attach sheet if necessary)

Contingencies – These Proposed Terms/Conditions are for discussion purposes only, and not an offer or commitment of NWE Energy or any of its affiliates to enter into any transaction. The prices and terms are subject to change and further review and approval, until execution of a definitive agreement containing all appropriate provisions, including those related to dispute resolution, credit, and governing law. Neither party is obligated to enter into a transaction or definitive agreement with the other party, and each party may cease discussions for any reason at any time.

Dkt. No. D2008.5.45/D2009.5.62

PSC Set 1 – 024(c)

Attachment 2



REQUEST FOR PROPOSALS - FIRM ELECTRICITY

May 1, 2009

By this Request for Proposal (RFP), NorthWestern Energy (NWE) invites proposals to provide firm electricity products ("Firm Supply") to NWE for the purposes of providing reliable service to NWE's retail customers. This RFP is a request for proposals and no legal obligation will arise between NWE and any respondent absent a definitive final agreement executed by each party.

NWE will evaluate the proposals based on the following criteria:

a) Compliance with Requirements

The respondents must satisfy the specific requirements listed in this RFP document. Proposals not meeting the requirements of this RFP shall not be considered.

b.) Price of Service

NWE will only accept proposals that rely on a fixed dollar value or fixed price per Megawatt hour (MWh) over the entire term of the contract.

c) Ability to Perform Service

The respondent must provide documentation to support its ability to timely provide the Firm Supply in a manner consistent with the requirements described in this RFP. This documentation should include reference lists from parties that have obtained Firm Supply as described herein, or similar services in the past from the respondent.

I. Requirements:

A. Firm Supply

Firm Supply is defined as firm energy with Contingency (Operating) Reserves. When submitting its offer, respondents must consider that if (when) NERC enacts BAL-002, or a similar standard for reliability, the Buyer and Seller must adhere to the Balancing Authority's ("BA") rules regarding who is responsible for providing contingency reserves.

B. Volume and Term

NWE seeks Firm Supply proposals for the following volumes and terms:

Product #1: 7/1/2010 through 6/30/2017: 25 MW for each "On-peak" hour

Product #2: 7/1/2010 through 6/30/2017: 25 MW for every hour (7x24)

Product #3: 7/1/2013 through 6/30/2017: 25 MW for each "On-peak" hour

Product #4: 7/1/2013 through 6/30/2017: 25 MW for every hour (7x24)

"On-peak" hours are Hour Ending ("HE") 0700 through HE 2200 PPT, Monday through Saturday, excluding NERC holidays.

C. Delivery Points

NWE seeks offers which will deliver Firm Supply to: (1) Any available interconnection point on the NWE Energy transmission system where NWE can take delivery pursuant to its existing Network Transmission Agreement; or (2) at the Mid Columbia trading hub.

D. Pricing

NWE will only consider fixed price offers.

E. Contract

NWE intends to utilize industry standard agreements such as the WSPP, EEI, ISDA, or other similar standard agreements with the successful respondent(s). Respondents may submit, provided the terms allow, their offer pursuant to an existing master agreement between itself and NWE. If there is not an acceptable enabling

agreement between NWE and the selected counterparty(s) at the time of selection, the transaction will be telephonically confirmed and recorded, and each party must agree that work will commence immediately on putting an EEI or ISDA agreement in place within 30 days. Long form written confirmations will not be signed by NWE prior to execution of an EEI or ISDA.

F. Credit

Each respondent will be required to provide a minimum of \$15 million in open credit specific to any commitments entered into under this RFP. \$15 million is the total amount of credit that must be provided, regardless of how many of the products are chosen with any single respondent. NWE will negotiate other credit terms and conditions as necessary. NWE will not grant any credit to a respondent that does not meet its internal creditworthiness standards. NWE will, in its sole discretion, consider a letter of credit or some other acceptable form of collateral in the event a respondent does not meet NWE's creditworthiness standards. Respondents should indicate how credit will be addressed in their offers.

II. RFP Responses

1. Response Development and Presentation

On the attached offer sheets, or as a separate attachment, respondents should provide special conditions or qualifications including but not limited to:

- a) Definition of Terms used in the response
- b) Description of Firm Supply to be provided
- c) Scheduling and Tagging Provisions.
- d) Pricing
- e) Non-Price Terms and Conditions
- f) Administrative Matters as Appropriate at the Proposal level
- h) Contact Person (mailing address, fax, phone, e-mail).
- i) Respondents submitting offers must hold open the offer until the Award Notification date (May 21). At that time verbal, telephonically recorded confirmations will be made pending final written agreements.

Responses that fail to meet the foregoing criteria and the minimum requirements set out in Section II shall be deemed incomplete and rejected from consideration.

2. Responses

It is expected that potential suppliers will respond by e-mail on or before the deadline to Kevin Markovich at the email address provided below.

Offers may be made on any or all products. NWE will select the combination of offers that provides the highest value to NWE.

3. Deadline to Respond

All offers are due by 3:00 pm Mountain time on Wednesday, May 20, 2009. All offers must remain valid until 8:00 am Mountain time on Thursday, May 21, 2009. Verbal confirmations of selected offers will occur prior to 8:00 am on May 21, 2009.

III. **Proposed Timeline**

This is an estimate only and may vary for a variety of reasons.

The proposed procurement and selection process will be carried out in accordance with the following schedule:

<u>Activity</u>	<u>Date</u>
RFP Issued	5/01/2009
Submission Deadline	5/20/2009
Award Notification	5/21/2009

NWE Reserves the right to modify all or part of this proposed schedule at any time during the RFP process.

IV. **Selection**

NWE reserves the right, in its sole discretion: (1) to select some or none of the proposals; (2) to modify, revise, amend, or otherwise change the requirements of this RFP and (2) to withdraw, in whole or in part, without notice, this RFP. This is an RFP and no binding legal obligation will be entered into unless and until the successful bidder and NWE negotiate and execute a definitive agreement.

V. Confidentiality

Because NWE is a regulated entity, NWE may be required to release RFP information to the appropriate regulatory authorities and other intervening parties during the course of future regulatory proceedings. NWE will not seek protection on behalf of any Respondent for the information contained in any bid.

VI. Contacts

Questions regarding this RFP should be directed to:

Kevin Markovich
Kevin.Markovich@northwestern.com
Phone: 406-497-3336
Cell: 406-490-3284
Fax: 406-497-2629

Credit questions should be directed to:

Dennis Heinz
Dennis.Heinz@northwestern.com
Phone: 605-353-7517
Cell: 605-354-2163
Fax: 605-353-7569

NorthWestern[™] Energy

OFFER SHEET 2009 Firm Electricity RFP Product #1 7 Year "On-Peak" Product Commencing July 1, 2010

Counterparty Name: _____

Contact Name: _____

Phone number: _____

Volume	Fixed Price (\$/per MWh)	Delivery Point
25 MW		

Special Conditions:
(Attach sheet if necessary)

Contingencies – These Proposed Terms/Conditions are for discussion purposes only, and not an offer or commitment of NWE Energy or any of its affiliates to enter into any transaction. The prices and terms are subject to change and further review and approval, until execution of a definitive agreement containing all appropriate provisions, including those related to dispute resolution, credit, and governing law. Neither party is obligated to enter into a transaction or definitive agreement with the other party, and each party may cease discussions for any reason at any time.

NorthWestern[™] Energy

OFFER SHEET 2009 Firm Electricity RFP Product #2

7 Year "Flat" (7x24) Product Commencing July 1, 2010

Counterparty Name: _____

Contact Name: _____

Phone number: _____

Volume	Fixed Price (\$/per MWh)	Delivery Point
25 MW		

Special Conditions:
(Attach sheet if necessary)

Contingencies – These Proposed Terms/Conditions are for discussion purposes only, and not an offer or commitment of NWE Energy or any of its affiliates to enter into any transaction. The prices and terms are subject to change and further review and approval, until execution of a definitive agreement containing all appropriate provisions, including those related to dispute resolution, credit, and governing law. Neither party is obligated to enter into a transaction or definitive agreement with the other party, and each party may cease discussions for any reason at any time.

NorthWestern[™] Energy

OFFER SHEET 2009 Firm Electricity RFP Product #3 4 Year "On-Peak" Product Commencing July 1, 2013

Counterparty Name: _____

Contact Name: _____

Phone number: _____

Volume	Fixed Price (\$/per MWh)	Delivery Point
25 MW		

Special Conditions:
(Attach sheet if necessary)

Contingencies – These Proposed Terms/Conditions are for discussion purposes only, and not an offer or commitment of NWE Energy or any of its affiliates to enter into any transaction. The prices and terms are subject to change and further review and approval, until execution of a definitive agreement containing all appropriate provisions, including those related to dispute resolution, credit, and governing law. Neither party is obligated to enter into a transaction or definitive agreement with the other party, and each party may cease discussions for any reason at any time.

NorthWestern[™] Energy

OFFER SHEET 2009 Firm Electricity RFP Product #4 4 Year "Flat" (7x24) Product Commencing July 1, 2013

Counterparty Name: _____

Contact Name: _____

Phone number: _____

Volume	Fixed Price (\$/per MWh)	Delivery Point
25 MW		

Special Conditions:
(Attach sheet if necessary)

Contingencies – These Proposed Terms/Conditions are for discussion purposes only, and not an offer or commitment of NWE Energy or any of its affiliates to enter into any transaction. The prices and terms are subject to change and further review and approval, until execution of a definitive agreement containing all appropriate provisions, including those related to dispute resolution, credit, and governing law. Neither party is obligated to enter into a transaction or definitive agreement with the other party, and each party may cease discussions for any reason at any time.

Dkt. No. D2008.5.45/D2009.5.62

PSC Set 1 – 024(d)

Attachment 1

Citigroup Energy Inc.
2800 Post Oak Blvd.
Suite 500
Houston, TX 77056



POWER CONFIRMATION

Date: October 24, 2008

To: Northwestern Corporation dba Northwestern Energy
Attn: Kevin Markovich
Email: kevin.markovich@northwestern.com
Tel: 406-497-3336
Fax: 406-497-2629

From: Citigroup Energy Inc.
Attn: Melissa Rodriguez
Email: CEIConfirms@Citigroup.com
Tel: 1-713-752-5418
Fax: 1-646-291-3383

Re: Physical Power Transaction

Transaction Reference Number: 1955965

The purpose of this communication is to set forth the terms and conditions of the above-referenced transaction entered into on the Trade Date specified below (the "Transaction") between Citigroup Energy Inc. ("Citi"), and Northwestern Corporation dba Northwestern Energy ("Counterparty"). This communication constitutes a "Confirmation" as referred to in the Agreement specified below.

U.S. Federal law requires Citi to obtain, verify and record customer identification information.

This Confirmation evidences a complete and binding agreement between the Parties as to the terms of the Transaction to which this Confirmation relates. Until we execute and deliver the Agreement (as defined in Section 2 hereof), this Confirmation shall be deemed to incorporate in their entirety (except as hereinafter modified or amended) the pre-printed form of the 2002 ISDA Master Agreement (the "ISDA Form") and the pre-printed North American Power Annex to the ISDA Form ("Power Annex"). This document constitutes a "Confirmation" as referred to in the ISDA Form and the transaction described above constitutes a "Transaction" as referred to in the ISDA Form.

The 2000 ISDA Definitions ("Definitions"), as published by the International Swaps and Derivatives Association, Inc. ("ISDA") are incorporated herein and made a part hereof for all purposes. The definitions and provisions contained in the 2005 ISDA Commodity Definitions as published by ISDA, and otherwise as amended, supplemented or modified from time to time (the "Commodity Definitions") are also incorporated herein and made a part hereof for all purposes. Additionally, the parties agree that the definitions and provisions contained in Annexes 1 to 16 and Section 6 of the 2002 Master Agreement Protocol published by ISDA are incorporated herein and made a part hereof.

1. Each Party will make each payment specified in this Confirmation as being payable by it, not later than the due date for value on that date in the place of the account specified below or otherwise specified in writing, in freely transferable funds and in the manner customary for payments in the required currency.
2. The Parties agree to negotiate and finalize an agreement in the form of the ISDA Form and, as applicable, a CSA (as hereinafter defined), and Power Annex with such modifications as the Parties will in good faith agree (collectively, the "Agreement") and, upon the execution by the Parties of the Agreement, the Parties agree that this Confirmation will supplement, form part of, and be subject to the Agreement. All provisions



Citigroup Energy Inc.
2800 Post Oak Blvd.
Suite 500
Houston, TX 77056



contained in, or incorporated by reference in, the Agreement upon its execution will govern this Confirmation except as expressly modified herein. If CEI and the Counterparty fail to execute and deliver or to negotiate in good faith the Agreement on or before January 31, 2009, unless such time is otherwise extended by the mutual agreement of the Parties, an Additional Termination Event shall have occurred and be deemed to be continuing with respect to both CEI and Counterparty, in which event each of CEI and Counterparty will be deemed to be an Affected Party.

3. The terms of the particular Transaction to which this Confirmation relates are as follows:

Trade Date: October 24, 2008 ✓
Buyer: Northwestern Corporation dba Northwestern Energy ✓
Seller: Citigroup Energy Inc. ✓
Commodity/Product: Firm Energy with Liquidated Damages ✓
Quantity: 25 MW per hour ✓
Total Quantity: 2,191,800 MWH ✓
Term: July 01, 2010 to and including June 30, 2020 ✓
Delivery Period: All deliveries are made during the defined hour periods, Hour Ending (HE) 0100 through (HE) 2400 (24 hours each day), Monday through Sunday and NERC Holidays, Pacific Prevailing Time (PPT). ✓
Contract Price: USD 62.40 per MWH ✓
Delivery Point: Mid Columbia ✓
Calculation Agent: Citigroup Energy Inc.
Scheduling: All scheduling will be completed on or before the time specified by either rule or convention applicable to the market at the delivery point.

4. Credit Provisions.

- (a) The "Cross Default" provisions of Section 5(a)(vi) of the ISDA will apply to CEI and will apply and Counterparty.
- (1) Section 5(a)(vi) is amended by deleting in the seventh line thereof ", or becoming capable at such time of being declared,".
- (2) Section 5(a)(vi) is amended by inserting the following at the end thereof: "provided, however, that notwithstanding the foregoing, an Event of Default shall not occur under either (1) or (2) above if (a) the event or condition referred to in (1) or the failure to pay



Citigroup Energy Inc.
2800 Post Oak Blvd.
Suite 500
Houston, TX 77056



referred to in (2) is a failure to pay caused by an error or omission of an administrative or operational nature; (b) funds were available to such party to enable it to make the relevant payment when due; and (c) such relevant payment is made within three Business Days following the error or failure being discovered."

(3) "Specified Indebtedness" shall have the meaning set forth in Section 14 of this Agreement; *provided, however*, that such term shall include any Specified Transaction.

(4) "Threshold Amount" means:

(i) with respect to Party A, 2% of the stockholders' equity of Party A's Credit Support Provider; and

(ii) with respect to Counterparty, \$50,000,000.

Threshold Amount includes the U.S. Dollar equivalent on the date of any default, event of default or other similar condition or event of any obligation stated in any other currency.

For purposes of the above, stockholders' equity shall be determined by reference to the relevant party's most recent consolidated (quarterly, in the case of a U.S. incorporated party) balance sheet and shall include, in the case of a U.S. incorporated party, legal capital, paid-in capital, retained earnings and cumulative translation adjustments. Such balance sheet shall be prepared in accordance with accounting principles that are generally accepted in such party's country of organization.

(b) Credit Support Provider: The Credit Support Provider of Party A shall be Citigroup Inc., which shall provide, within five (5) Business Days of the trade date herewith, an unconditional guarantee of the obligations of Party A hereunder in a form acceptable to Party B, which guarantee shall be in the amount of U.S. \$30,000,000.

(c) Credit Support Annex Provisions.

The terms and provisions of the ISDA Credit Support Annex as published by the International Swaps and Derivatives Association, Inc., is incorporated herein for all purposes (the "CSA"). For purposes of the CSA and Paragraph 13 thereto, the following shall be applicable:

"Threshold" shall mean, with respect to Party A, the lesser of (1) the amount set forth below opposite the lower of the Credit Ratings in effect on any Valuation Date for Party A's Credit Support Provider or (2) zero if on any Valuation Date an Event of Default or Potential Event of Default with respect to such party has occurred and is continuing.

<u>Threshold</u>	<u>S&P Credit Rating</u>	<u>Moody's Credit Rating</u>
U.S. \$20,000,000	AA- and above	Aa3 and above
U.S. \$15,000,000	A+ and A	A1 and A2
U.S. \$ 5,000,000	A-, BBB+ and BBB	A3, Baa1 and Baa2



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Houston, TX 77056



Zero

Below BBB

Below Baa2

"Threshold" shall mean, with respect to Party B, the lesser of (1) the amount set forth below opposite the lower of the Credit Ratings in effect on any Valuation Date for Party B or (2) zero if on any Valuation Date an Event of Default or Potential Event of Default with respect to such party has occurred and is continuing.

<u>Threshold</u>	<u>S&P Credit Rating</u>	<u>Moody's Credit Rating</u>
U.S. \$30,000,000	AA- and above	Aa3 and above
U.S. \$25,000,000	A- to A+	A3 to A1
U.S. \$20,000,000	BBB+	Baa1
U.S. \$15,000,000	BBB and BBB-	Baa2 and Baa3
Zero	Below BBB-	Below Baa3

- (d) "Minimum Transfer Amount" as of any date shall mean US \$100,000.
- (e) Rounding. The Delivery Amounts will be rounded up and Return Amounts will be rounded down to the nearest integral multiple of US \$100,000.
- (f) "Eligible Collateral" shall mean a Letter of Credit, and/or cash in the form of United States Dollars ("Cash").
- (g) "Letters of Credit" shall mean a letter of credit issued by a major commercial US bank or the U.S. branch office of a foreign bank, with a capital surplus of no less than USD 10 billion and a senior unsecured debt rating of at least "A-" or better as specified by S&P and "A3" or better as specified by Moody's, which Letter of Credit shall be substantially similar to the form Letter of Credit attached to this Confirmation as Exhibit A.
- (h) "Letter of Credit Valuation" shall be 100% unless a Letter of Credit Default shall have occurred with respect to such Letter of Credit, in which case the Valuation Percentage shall be Zero (0).
- (i) "Letter of Credit Default" means with respect to a Letter of Credit, the occurrence of any of the following events: (a) the issuer of such Letter of Credit shall fail to maintain a Credit Rating of at least (i) "A-" by S&P and "A3" by Moody's, if such issuer is rated by both S&P and Moody's; (ii) "A-" by S&P, if such issuer is rated only by S&P, or (iii) "A3" by Moody's, if such issuer is rated only by Moody's; (b) the issuer of the Letter of Credit shall fail to comply with or perform its obligations under such Letter of Credit; (c) the issuer of such Letter of Credit shall disaffirm, disclaim, repudiate or reject, in whole or in part, or challenge the validity of, such Letter of Credit; (d) twenty (20) or fewer Business Days remain prior to the expiration of such Letter of Credit and the issuer of such Letter of Credit has indicated its intention not to renew such Letter of Credit or Party B has failed to provide a replacement Letter of Credit to Party A; (e) such Letter of Credit shall expire or terminate, or shall fail or cease to be in full force and effect at any time during the term of the Agreement, in any such case without replacement; or (f) a Bankruptcy with respect to the issuer of such Letter of Credit has occurred.



Citigroup Energy Inc.
2800 Post Oak Blvd.
Suite 500
Houston, TX 77056



- (j) "Notification Time" means 1:00 p.m. (New York time) on any Valuation Date.
- (k) "Valuation Date" means, each Local Business Day.
- (l) "Valuation Time" means, the close of business on the Local Business Day immediately preceding the Valuation Date.
- (m) "The "Interest Rate" will be the overnight ask rate in effect for such day, as set forth opposite the caption "O/N" under the heading "USD" on Telerate Page 4659 or any successor page thereto on or about 11:00 a.m., New York time, on such day and if no successor page is quoted, as agreed by the parties."

5. Additional Provisions:

- (a) The parties make the following elections with respect to Clause (j) of the Power Annex:

- (c)(i) and (c)(ii) Accelerated Payment Damages.

- (d)(ii) Timeliness of Payment

- Option A

- Option B

- (h)(i) Wholesale Power Tariffs:

- CEI Electric Tariff. Tariff/Date/Docket: FERC/12-19-03/ER04-208-000

- Counterparty Electric Tariff. Tariff/Date/Docket:

- (h)(iii) Applicability of FERC Standard of Review and Certain Covenants and Waivers

- (b) **Additional Representations.** In connection with this Confirmation, the Transaction to which this Confirmation relates and any other documentation relating to the Agreement, each party to this Confirmation represents and acknowledges to the other party that:

- (i) it is not relying on any advice, statements or recommendations (whether written or oral) of the other party regarding such Transaction, other than the written representations expressly made by that other party in the Agreement and in this Confirmation in respect of such Transaction;

- (ii) it has the capacity to evaluate (internally or through independent professional advice) such Transaction (including decisions regarding the appropriateness or suitability of such Transaction) and has made its own decision to enter into such Transaction;

- (iii) it understands the terms, conditions and risks of such Transaction and is willing to accept those terms and conditions and to assume (financially and otherwise) those risks;

- (iv) it is entering into such Transaction as principal and not as an agent for any other party;



Citigroup Energy Inc.
2800 Post Oak Blvd.
Suite 500
Houston, TX 77056



- (v) it acknowledges and agrees that the other party is not acting as a fiduciary or advisor to it in connection with such Transaction; and
- (vi) in the case of Counterparty only, it is entering into such Transaction for the purposes of managing its borrowings or investments, hedging its underlying assets or liabilities or in connection with a line of business, and not for purposes of speculation.
- (c) **Tax Representations.** The following provisions shall be applicable to Sections 3(e) and 3(f) of the ISDA Form:

- (i) **Payer Representations.** For the purpose of Section 3(e) of the ISDA Form, Party A will make the following representation and Party B will make the following representation:

It is not required by any applicable law, as modified by the practice of any relevant governmental revenue authority, of any Relevant Jurisdiction to make any deduction or withholding for or on account of any Tax from any payment (other than interest under Section 9(h) of the ISDA Form) to be made by it to the other party under this Agreement. In making this representation, it may rely on (i) the accuracy of any representations made by the other party pursuant to Section 3(f) of the ISDA Form, (ii) the satisfaction of the agreement contained in Section 4(a)(i) or 4(a)(iii) of the ISDA Form and the accuracy and effectiveness of any document provided by the other party pursuant to Section 4(a)(i) or 4(a)(iii) of the ISDA Form and (iii) the satisfaction of the agreement of the other party contained in Section 4(d) of the ISDA Form, except that it will not be a breach of this representation where reliance is placed on clause (ii) above and the other party does not deliver a form or documents under Section 4(a)(iii) of the ISDA Form by reason of material prejudice to its legal or commercial position.

- (ii) **Payee Representations.** For the purpose of Section 3(f) of the ISDA Form, CEI and Counterparty make the representations specified below, if any:

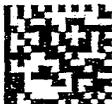
The following representation will apply to CEI:

It is a corporation organized under the laws of the State of Delaware and its U.S. taxpayer identification number is 27-0069874. It is "exempt" within the meaning of Treasury Regulation sections 1.6041-3(p) and 1.6049-4(c) from information reporting on Form 1099 and backup withholding.

The following representation will apply to Counterparty:

It is a corporation created or organized in the United States or under the laws of the United States and its U.S. taxpayer identification number is _____. It is "exempt" within the meaning of Treasury Regulation sections 1.6041-3(p) and 1.6049-4(c) from information reporting on Form 1099 and backup withholding.

- (d) **Waiver of Right to Trial by Jury.** Each party hereby irrevocably waives, to the fullest extent permitted by applicable law, any right it may have to a trial by jury in respect of any suit, action or proceeding relating to this Agreement. ✓
- (e) **Netting of Payments.** For Scheduled Settlement Dates, with regard to payments due on that date, Multiple Transaction Payment Netting will apply to the following groups of Transactions, each of which shall be treated separately for purposes of payment netting: Power Transactions (other



Citigroup Energy Inc.
2800 Post Oak Blvd.
Suite 500
Houston, TX 77056



than options on physical power); Gas Transactions (other than options on physical Gas); options on physical power; options on physical gas; and financially-settled Transactions in Commodities (to the extent operationally feasible). If a party wishes to net payments across any of these groups of Transactions and/or payments with respect to other types of Transactions on a particular date, either party may notify the other in writing, not less than one Local Business Day in advance of one or more Scheduled Settlement Dates, that with regard to payments due on that date, Multiple Transaction Payment Netting will apply. Except to the extent that such advance written notice shall have been given, Multiple Transaction Payment Netting will not apply for purposes of Section 2(c) of this Agreement with respect to such other Transactions.

(f) **Set-Off.** Section 6 of the Agreement is amended by the deletion of paragraph (f) in its entirety and the addition of the following:

(f) **Set-Off.** Without affecting the provisions of this Agreement requiring the calculation of certain net payment amounts, all payments under this Agreement will be made without set-off or counterclaim; provided, however, that upon the designation of any Early Termination Date, in addition to and not in limitation of any other right or remedy (including right to set off, counterclaim or otherwise withhold payment or any recourse to any Credit Support Document) under applicable law, the Non-defaulting Party or non-Affected Party (in either case, "X") may without prior notice to any person set off any sum or obligation (whether or not arising under this Agreement and whether matured or unmatured, whether or not contingent and irrespective of the currency, place of payment or booking office of the sum or obligation) owed by the Defaulting Party or Affected Party (in either case, "Y") to X or any Affiliate of X against any sum or obligation (whether or not arising under this Agreement, whether matured or unmatured, whether or not contingent and irrespective of the currency, place of payment or booking office of the sum or obligation) owed by X or any Affiliate of X to Y and, for this purpose, may convert one currency into another at a market rate determined by X. If any sum or obligation is unascertained, X may in good faith estimate that obligation and set off in respect of the estimate, subject to X or Y, as the case may be, accounting to the other when the obligation is ascertained

(g) **Severability.** Except as otherwise provided in Sections 5(b)(i) or 5(b)(ii) of the ISDA Form in the event that any one or more of the provisions contained in this Confirmation should be held invalid, illegal, or unenforceable in any jurisdiction, the validity, legality and enforceability of the remaining provisions contained herein shall not in any way be affected or impaired thereby. The parties shall endeavor, in good faith negotiations, to replace the invalid, illegal or unenforceable provisions with valid provisions, the economic effect of which comes as close as possible to that of the invalid, illegal or unenforceable provisions.

(h) **Limitation of Liability.** No party shall be required to pay or be liable to the other party for any consequential, indirect or punitive damages, opportunity costs or lost profits.

(i) **Governing Law.** THIS CONFIRMATION AND THE TRANSACTION ENTERED INTO HEREUNDER WILL BE GOVERNED BY AND CONSTRUED IN ACCORDANCE WITH THE LAWS OF THE STATE OF NEW YORK. THE PARTIES HERETO IRREVOCABLY SUBMIT TO THE EXCLUSIVE JURISDICTION OF THE COURTS OF THE STATE OF NEW YORK AND THE UNITED STATES COURT FOR THE SOUTHERN DISTRICT OF NEW YORK IN CONNECTION WITH ALL MATTERS RELATING HERETO AND WAIVE ANY OBJECTION TO THE LAYING OF VENUE IN, AND ANY CLAIM OF INVCONVENIENT FORUM WITH RESPECT TO THESE COURTS. NOTWITHSTANDING THE FOREGOING, NOTHING IN THIS PROVISION SHALL PROHIBIT A PARTY FROM BRINGING AN ACTION TO ENFORCE A MONEY JUDGEMENT IN ANY OTHER JURISDICTION.



Dkt. No. D2008.5.45/D2009.5.62

PSC Set 1 – 024(d)

Attachment 2

JUL. 13. 2009 2:51PM

PPL BUTTE 4065330207

D2008.5.45/D2009.5.62 NO. 7359 P. 2/7
PSC Set 1 (001-032)
PSC 024(d)
Attachment 2
Page 1 of 6

To: POWER Confirmations Page 1 of 6

2009-07-10 17:08:13 (GMT)

16513058138 From: Dawn Petritz

JUL. 8. 2009 10:48AM

PPL BUTTE 4065330207

NO. 7346 P. 2

**CONFIRMATION LETTER NO. 5 - FIRM (LD) to the
MASTER POWER PURCHASE AND SALE AGREEMENT
Dated as of October 15, 2001 (as amended)**

This confirmation letter shall confirm the Transaction agreed to on May 21, 2009, between NORTHWESTERN CORPORATION, doing business as NORTHWESTERN ENERGY ("Party A"), and PPL ENERGYPLUS, LLC ("Party B") regarding the sale/purchase of the Product under the terms and conditions as follows:

Seller: PPL EnergyPlus, LLC ✓

Buyer: NorthWestern Corporation, doing business as NorthWestern Energy

Product: Firm (LD) ✓

Contract Term: From execution and delivery of this Confirmation through June 30, 2017 ✓

Contract Quantity: 25 MWh/hr ✓

Delivery Period: July 1, 2010 through June 30, 2017 ✓

Delivery Hours: "On-Peak" hours, defined as Hour Ending (HE) 0700 through HE 2200 Pacific Prevailing Time (PPT), Monday through Saturday, excluding Sundays and NERC Holidays.

Delivery Points: The Delivery Points provisions of Confirmation Letter No. 3 dated July 5, 2006 between Buyer and Seller are hereby incorporated by reference into this Confirmation Letter as though set forth in full herein. Without limiting the foregoing, at all times while Confirmation Letter No. 3 is in effect, the Primary Delivery Points, the Delivery Point Maximum Quantity for each Primary Delivery Point and the Alternate Delivery Points at any time under this Transaction will be identical to the Primary Delivery Points, Delivery Point Maximum Quantities and Alternate Delivery Points at such time under Confirmation Letter No. 3.

Contract Price: \$60.30/MWh ✓

Special Condition #1:

The Parties agree that the Credit and Collateral Requirements set forth in the Master Agreement (as subsequently amended) shall be applicable to this Transaction, except as specifically modified for purposes of this Transaction and as set forth below. In the event of any inconsistency between the provisions of the Master Agreement and the provisions of this Confirmation regarding the Credit and Collateral Requirements, the provisions set forth in this Confirmation shall control.

The provisions of Special Condition #1 of Confirmation Letter No. 3 dated July 5, 2006 between Buyer and Seller are hereby amended as follows and, as so amended, are hereby incorporated by reference into this Confirmation Letter as though set forth in full herein:

JUL. 13. 2009 2:51PM PPL BUTTE 4065330207

D2008.5.45/D2009.5.62 NO. 7359 P. 3/7
PSC Set 1 (001-032)
PSC 024(d)
Attachment 2
Page 2 of 6

To: Power Confirmations Page 2 of 6

2009-07-10 17:05:13 (GMT)

19513058138 From: Dawn Pelritz

JUL. 8. 2009 10:49AM PPL BUTTE 4065330207

NO. 7346 P. 3

(a) Amendment of Definition of "Collateral Threshold". The definition of "Collateral Threshold" in Special Condition #1 of Confirmation Letter No. 3 between the Parties is hereby amended and restated to read in its entirety as follows:

"'Collateral Threshold' shall mean, with respect to each Party at any time, the applicable collateral threshold, if any, set forth for such Party in Schedule 2 to Confirmation Letter No. 3; provided, however, that at any time during the Delivery Period that Confirmation Letter No. 5 between the Parties is in effect, 'Collateral Threshold' for purposes of this Confirmation shall mean, with respect to each Party, the applicable collateral threshold set forth for such party in Schedule 1 to Confirmation Letter No. 5."

(b) Amendment of Definition of "Exposure Amount". The definition of "Exposure Amount" in Special Condition #1 of Confirmation Letter No. 3 between the Parties is hereby amended and restated to read in its entirety as follows:

"'Exposure Amount' shall mean (i) the net aggregate sum of the Mark-to-Market Amount (as defined below) under Confirmation Letter No. 3 and the Mark-to-Market Amount under Confirmation Letter No. 5, less (ii) any and all amounts due from Party A to Party B under this Agreement, plus (iii) any and all amounts due from Party B to Party A under this Agreement."

(c) Amendment of Definition of "Mark-to-Market Amount". Clause (b)(ii) of the definition of "Mark-to-Market Amount" in Special Condition #1 of Confirmation Letter No. 3 between the Parties is hereby amended to replace "13,600,800 MWh" with "the total quantity of the Product (measured in MWh) required to be delivered to Party A hereunder".

(d) Amendment of Schedule 2. At any and all times while Confirmation Letter No. 5 between the Parties is in effect, Schedule 1 to such Confirmation Letter No. 5 shall supersede and replace in its entirety Schedule 2 to Confirmation Letter No. 3 between the Parties.

Special Condition #2:

Confidentiality: This Confirmation shall be subject to the provisions of Section 10.11 of the Master Agreement; provided, however, that notwithstanding the foregoing, each Party will be entitled, without the consent of the other Party, to disclose such confidential information as and to the extent required by any regulatory authority having jurisdiction over such Party.

Special Condition #3:

Contingency Reserves: Buyer and Seller will adhere to the NERC and WECC rules regarding responsibility for providing contingency reserves (both spinning and non-spinning, with at least half required to be spinning), as in effect from time to time during the Contract Term; provided, however, that Seller will not at any time during the Contract Term be obligated to provide contingency reserves of a higher quality or larger quantity

JUL. 13. 2009 2:51PM

PPL BUTTE 4065330207

D2008.5.45/D2009.5.62 NO. 7359
PSC Set 1 (001-032)
PSC 024(d)
Attachment 2
Page 3 of 6

P. 4/7

To: Power Confirmations Page 3 of 6

2009-07-10 11:08:18 (GMT)

18213059198 From: Dawn Patiz

JUL. 8. 2009 10:49AM

PPL BUTTE 4065330207

NO. 7346 P. 4

that the sum of six percent of the Quantity provided from hydropower generation and eight percent of the Quantity provided from thermal generation. Seller will not be obligated to provide any other ancillary services, including, without limitation, Frequency Responsive Reserve.

Scheduling: WECC standard operating procedures

This confirmation is being provided pursuant to and in accordance with the Master Power Purchase and Sale Agreement dated as of October 15, 2001 (the "Master Agreement") between Party A and Party B, and constitutes part of and is subject to the terms and provisions of such Master Agreement. Terms used but not defined herein shall have the meanings ascribed to them in the Master Agreement.

[Signature pages follow]

RECEIVED TIME JUL 10. 11:09AM

JUL. 13. 2009 2:52PM PPL BUTTE 4065330207

D2008.5.45/D2009.5.62
PSC Set 1 (001-032) NO. 7359 P. 5/7
PSC 024(d)
Attachment 2
Page 4 of 6

To: Power Confirmations Page 4 of 6

2008-07-10 17:05:13 (GMT)

15573584738 From: Dawn Petritz

JUL. 8. 2009 10:49AM

PPL BUTTE 4065330207

NO. 7346 P. 5

NORTHWESTERN CORPORATION,
doing business as
NORTHWESTERN ENERGY

Dawn M Petritz

SIGNATURE PAGE TO
CONFIRMATION LETTER NO. 5 - FIRM (LD) to
MASTER POWER PURCHASE AND SALE AGREEMENT
Dated as of October 15, 2001 (as amended)

RECEIVED TIME JUL. 10. 11:09AM

JUL. 13. 2009 2:52PM

PPL BUTTE 4065330207

D2008.5.45/D2009.5.62
PSC Set 1 (001-032)
PSC 024(d)
Attachment 2
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NO. 7359 P. 6/7

to: Power Confirmations Page 5 of 6

2008-07-10 10:50:16 (GMT)

to: Submitted From: Dawn Petritz

JUL. 8. 2009 10:50AM

PPL BUTTE 4065330207

NO. 7346 P. 6

PPL ENERGYPLUS, LLC

Robert D. Gabbard
President

OFFICE OF
GENERAL COUNSEL
BY: RF
DATE: 7/8/09

CREDIT
DEPARTMENT
BY: [Signature]
DATE: 7/8/09

Danette L. Gleason 7-8-09
Danette L. Gleason
Trading Controls Analyst
408-533-3502
Fax: 408-533-0208

SIGNATURE PAGE TO
CONFIRMATION LETTER NO. 5 - FIRM (LD) to
MASTER POWER PURCHASE AND SALE AGREEMENT
Dated as of October 15, 2001 (as amended)

RECEIVED TIME JUL. 10. 11:09AM

JUL. 13. 2009 2:52PM

PPL BUTTE 4065330207

D2008.5.45/D2009.5.62
PSC Set 1 (001-032)
PSC 024(d)
Attachment 2
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NO. 7359 P. 7/7

To: Power Confirmation Page 6 of 6

2009-07-10 11:09:13 (GMT)

16512058138 From: Dawn Petrus

JUL. 8. 2009 10:50AM

PPL BUTTE 4065330207

NO. 7346 P. 7

Schedule I

<u>Quarter or Other Period</u>	<u>Party A Collateral Threshold</u>	<u>Party B Collateral Threshold</u>
Apr. 1 - Jun. 30, 2008	\$28,870,000.00	\$78,990,000.00
Jul. 1 - Sep. 30, 2008	\$27,170,000.00	\$72,460,000.00
Oct. 1 - Dec. 31, 2008	\$25,460,000.00	\$67,890,000.00
Jan. 1 - Mar. 31, 2010	\$23,740,000.00	\$63,320,000.00
Apr. 1 - Jun. 30, 2010	\$22,060,000.00	\$58,880,000.00
Jul. 1 - Sep. 30, 2010	\$40,000,000.00	\$54,900,000.00
Oct. 1 - Dec. 31, 2010	\$38,500,000.00	\$50,420,000.00
Jan. 1 - Mar. 31, 2011	\$37,000,000.00	\$46,530,000.00
Apr. 1 - Jun. 30, 2011	\$35,000,000.00	\$42,730,000.00
Jul. 1 - Sep. 30, 2011	\$35,000,000.00	\$38,870,000.00
Oct. 1 - Dec. 31, 2011	\$33,000,000.00	\$34,930,000.00
Jan. 1 - Mar. 31, 2012	\$31,000,000.00	\$31,110,000.00
Apr. 1 - Jun. 30, 2012	\$30,000,000.00	\$30,000,000.00
Jul. 1 - Sep. 30, 2012	\$28,000,000.00	\$29,000,000.00
Oct. 1 - Dec. 31, 2012	\$28,000,000.00	\$28,000,000.00
Jan. 1 - Mar. 31, 2013	\$26,500,000.00	\$26,500,000.00
Apr. 1 - Jun. 30, 2013	\$25,000,000.00	\$25,000,000.00
Jul. 1 - Sep. 30, 2013	\$24,500,000.00	\$24,500,000.00
Oct. 1 - Dec. 31, 2013	\$23,000,000.00	\$23,000,000.00
Jan. 1 - Mar. 31, 2014	\$22,000,000.00	\$22,000,000.00
Apr. 1 - Jun. 30, 2014	\$21,000,000.00	\$21,000,000.00
Jul. 1, 2014 - Jun. 30, 2017	\$25,000,000.00	\$25,000,000.00

Schedule I to Confirmation Letter No. 5

RECEIVED TIME JUL. 10. 11:09AM

Dkt. No. D2008.5.45/D2009.5.62

PSC Set 1 – 024(d)

Attachment 3

Morgan Stanley

Morgan Stanley Capital Group Inc.
2000 Westchester Avenue
Purchase, New York 10577
May 28, 2009

NORTHWESTERN CORPORATION
125 S DAKOTA AVE 1100
SIOUX FALLS, SD 57104-6403

USA
Kevin Markovich
TEL: 406-497-2332
FAX: 16513058138

From:
Morgan Stanley Capital Group Inc.
2000 Westchester Avenue
Purchase, New York 10577

Contact: Commodity Confirms
Phone: 914-225-4300
Fax: 914-750-0445

MS Reference: 2217152 2.3
Trade Date: May 21, 2009

This Confirmation confirms the terms of Morgan Stanley Capital Group Inc. ("MSCGI") agreement regarding the purchase or sale of Firm energy (the "Transaction") from / to NORTHWESTERN CORPORATION. Morgan Stanley Capital Group Inc. and NORTHWESTERN CORPORATION are sometimes referred to individually as a "Party" or collectively as the "Parties". The terms are as follows:

Purchaser: NORTHWESTERN CORPORATION
Seller: Morgan Stanley Capital Group Inc.
Term: July 1, 2013 to June 30, 2017
Delivery Hours: Monday through Saturday, Exclude NERC holidays, HE 0700 through 2200 (16 hours)
Pacific Prevailing Time (PPT)
Contract Quantity: 25 MWh of Firm Energy per hour. (Total 491,600.00 MWh)
Delivery Point: Mid Columbia
Energy Price: 61.75
Scheduling: Scheduling to be completed in accordance with WECC Guidelines.

Morgan Stanley Real-Time Communications and Scheduling:
Option Exercise Line: 914-225-1501
Western Prescheduling: 914-225-1496
Eastern Prescheduling: 914-225-1509
Real Time (24 hour): 914-225-1500

Special Conditions

For the period starting with the Trade Date and continuing through 12/31/2010, for purposes of calculating a party's Exposure pursuant to the CSA, and notwithstanding anything to the contrary contained in the CSA, if either party has Exposure to the other party in respect of this Transaction, then the amount of Exposure for this Transaction is deemed to be zero dollars (\$0) for both parties. Provided however, if an Early Termination Date has been designated and is in effect as a result of an Event of Default, a Potential Event of Default, or a Termination Event, the parties shall determine the Payments on Early Termination, including Settlement Amounts and Unpaid Amounts in accordance with Section 6(e) of the Master Agreement and Part 1(h) of the Schedule. On and after January 1, 2011 Exposure for this Transaction shall be calculated pursuant to the terms of the CSA.

This confirmation letter is provided pursuant to and in accordance with the ISDA dated March 3, 2006 and as amended from time to time, the ("Agreement") between NORTHWESTERN CORPORATION and MSCGI, and constitutes part of and is subject to all the terms and provisions of such agreement. Terms used but not defined herein shall have the meaning ascribed to them in the agreement. Please confirm that terms stated herein accurately reflect the agreement reached between NORTHWESTERN CORPORATION and MSCGI by returning an executed copy of this Confirmation Letter. (Fax: 914-225-9306)

Morgan Stanley Capital Group Inc.

NORTHWESTERN CORPORATION

Deborah R. Hart

Deborah Hart
Vice President

Name:

Dawn M. Petritz

Title:

Dkt. No. D2008.5.45/D2009.5.62

PSC Set 1 – 024(e)

Attachment 1

Morgan Stanley

Morgan Stanley Capital Group Inc.
2000 Westchester Avenue
Purchase, New York 10577
May 28, 2009

NORTHWESTERN CORPORATION
125 S DAKOTA AVE 1100
SIOUX FALLS, SD 57104-6403

USA
Kevin Markovich
TEL: 406-497-2332
FAX: 16513058138

From:
Morgan Stanley Capital Group Inc.
2000 Westchester Avenue
Purchase, New York 10577
Contact: Commodity Confirms
Phone: 914-225-4300
Fax: 914-750-0445

MS Reference: 2218230 2.2
Trade Date: May 22, 2009

This Confirmation confirms the terms of Morgan Stanley Capital Group Inc. ("MSCGI") agreement regarding the purchase or sale of Firm energy (the "Transaction") from / to NORTHWESTERN CORPORATION. Morgan Stanley Capital Group Inc. and NORTHWESTERN CORPORATION are sometimes referred to individually as a "Party" or collectively as the "Parties". The terms are as follows:

Purchaser: NORTHWESTERN CORPORATION
Seller: Morgan Stanley Capital Group Inc.
Term: July 1, 2009 to December 31, 2010
Delivery Hours: Monday through Saturday, Exclude NERC holidays, HE 0700 through 2200 (16 hours)
Pacific Prevailing Time (PPT)
Contract Quantity: 25 MWh of Firm Energy per hour. (Total 184,400.00 MWh)
Delivery Point: HOT SPRINGS
Energy Price: 40.5
Scheduling: Scheduling to be completed in accordance with WECC Guidelines. Seller shall submit hourly schedules designating delivery point no later than 5 minutes prior to the hour ahead scheduling deadline of the Northwestern Transmission System Operator. All or part of the hourly contract volume may come from the Glacier project with the remainder of the hourly contract volume to be provided at Hot Springs substation provided that Seller shall provide 25 MW/hr of the Product for each hour of the term.

Morgan Stanley Real-Time Communications and Scheduling:
Option Exercise Line: 914-225-1501
Western Prescheduling: 914-225-1496
Eastern Prescheduling: 914-225-1509
Real Time (24 hour): 914-225-1500

Special Conditions

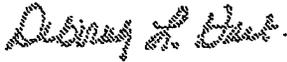
For the period starting with the Trade Date and continuing through 12/31/2010, for purposes of calculating a party's Exposure pursuant to the CSA, and notwithstanding anything to the contrary contained in the CSA, if either party has Exposure to the other party in respect of this Transaction, then the amount of Exposure for this Transaction is deemed to be zero dollars (\$0) for both parties. Provided however, if an Early Termination Date has been designated and is in effect as a result of an Event of Default, a Potential Event of Default, or a Termination Event, the parties shall determine the Payments on Early Termination, including

Settlement Amounts and Unpaid Amounts in accordance with Section 6(e) of the Master Agreement and Part 1(h) of the Schedule. On and after January 1, 2011 Exposure for this Transaction shall be calculated pursuant to the terms of the CSA.

This confirmation letter is provided pursuant to and in accordance with the ISDA dated March 3, 2006 and as amended from time to time, the ("Agreement") between NORTHWESTERN CORPORATION and MSCGI, and constitutes part of and is subject to all the terms and provisions of such agreement. Terms used but not defined herein shall have the meaning ascribed to them in the agreement. Please confirm that terms stated herein accurately reflect the agreement reached between NORTHWESTERN CORPORATION and MSCGI by returning an executed copy of this Confirmation Letter. (Fax: 914-225-9306)

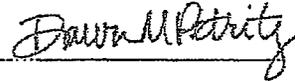
Morgan Stanley Capital Group Inc.

NORTHWESTERN CORPORATION



Deborah Hart
Vice President

Name:



Title:

Dkt. No. D2008.5.45/D2009.5.62

PSC Set 1 – 024(e)

Attachment 2

Morgan Stanley

Morgan Stanley Capital Group Inc.
2000 Westchester Avenue
Purchase, New York 10577
May 28, 2009

NORTHWESTERN CORPORATION
125 S DAKOTA AVE 1100
SIOUX FALLS, SD 57104-6403

USA
Kevin Markovich
TEL: 406-497-2332
FAX: 16513058138

From:
Morgan Stanley Capital Group Inc.
2000 Westchester Avenue
Purchase, New York 10577
Contact: Commodity Confirms
Phone: 914-225-4300
Fax: 914-750-0445

MS Reference: 2218231 2.2
Trade Date: May 22, 2009

This Confirmation confirms the terms of Morgan Stanley Capital Group Inc. ("MSCGI") agreement regarding the purchase or sale of Firm energy (the "Transaction") from / to NORTHWESTERN CORPORATION. Morgan Stanley Capital Group Inc. and NORTHWESTERN CORPORATION are sometimes referred to individually as a "Party" or collectively as the "Parties". The terms are as follows:

Purchaser: NORTHWESTERN CORPORATION

Seller: Morgan Stanley Capital Group Inc.

Term: July 1, 2009 to December 31, 2010

Delivery Hours: Monday through Saturday, HE 0100 through 0600, 2300 and 2400 (8 hours)
Sunday, Include NERC holidays, HE 0100 through 2400 (24 hours)
Pacific Prevailing Time (PPT)

Contract Quantity: 25 MWh of Firm Energy per hour. (Total 145,025.00 MWh)

Delivery Point: HOT SPRINGS

Energy Price: 40.5

Scheduling: Scheduling to be completed in accordance with WECC Guidelines. Seller shall submit hourly schedules designating delivery point no later than 5 minutes prior to the hour ahead scheduling deadline of the Northwestern Transmission System Operator. All or part of the hourly contract volume may come from the Glacier project with the remainder of the hourly contract volume to be provided at Hot Springs substation provided that Seller shall provide 25 MW/hr of the Product for each hour of the term.

Morgan Stanley Real-Time Communications and Scheduling:
Option Exercise Line: 914-225-1501
Western Prescheduling: 914-225-1496
Eastern Prescheduling: 914-225-1509
Real Time (24 hour): 914-225-1500

Special Conditions

For the period starting with the Trade Date and continuing through 12/31/2010, for purposes of calculating a party's Exposure pursuant to the CSA, and notwithstanding anything to the contrary contained in the CSA, if either party has Exposure to the other party in respect of this Transaction, then the amount of Exposure for this Transaction is deemed to be zero dollars (\$0) for both parties. Provided however, if an Early Termination Date has been designated and is in effect as a result of an Event of Default, a

Potential Event of Default, or a Termination Event, the the parties shall determine the Payments on Early Termination, including Settlement Amounts and Unpaid Amounts in accordance with Section 6(e) of the Master Agreement and Part 1(h) of the Schedule. On and after January 1, 2011 Exposure for this Transaction shall be calculated pursuant to the terms of the CSA. This confirmation letter is provided pursuant to and in accordance with the ISDA dated March 3, 2006 and as amended from time to time, the ("Agreement") between NORTHWESTERN CORPORATION and MSCGI, and constitutes part of and is subject to all the terms and provisions of such agreement. Terms used but not defined herein shall have the meaning ascribed to them in the agreement. Please confirm that terms stated herein accurately reflect the agreement reached between NORTHWESTERN CORPORATION and MSCGI by returning an executed copy of this Confirmation Letter. (Fax: 914-225-9306)

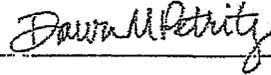
Morgan Stanley Capital Group Inc.

NORTHWESTERN CORPORATION



Deborah Hart
Vice President

Name:



Title:
