NorthWestern Corporation
d/b/a NorthWestern Energy
40 East Broadway Street
Butte, MT 59701
Telephone: (406) 497-1000
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www.northwesternenergy.com

September 7, 2011

Ms. Kate Whitney
Montana Public Service Commission
1701 Prospect Avenue
P. O. Box 202601
Helena, MT 59620-2601

RE: Docket No. D2011.5.38
Electric Tracker
PSC Set 1 Data Request (001-035) Responses

Dear Ms. Whitney:

Enclosed for filing is one copy of NorthWestern Energy's responses to PSC Set 1 Data Requests (001-035). Copies of the responses are being mailed to the service list in this docket and efiled with the PSC.

Please call Joe Schwartzenberger at 497-3362 if you have any questions.

Sincerely,

Nedra Chase

Nedra Chase
Administrative Assistant
Regulatory Affairs

Enclosures
cc: Service List

CERTIFICATE OF SERVICE

I hereby certify that a copy of NorthWestern Energy's ("NWE") Responses to PSC Set 1 (001-035) Data Requests in Docket No. D2011.5.38 has been efiled with Montana Public Service Commission (PSC) and has been mailed to the service list in this Docket on this date.

Date: September 7, 2011

Nedra Chase

Nedra Chase
Administrative Assistant
Regulatory Affairs

A. Service List D2011.5.38

Nedra Chase
NorthWestern Energy
40 E Broadway
Butte MT 59701

Charles Magraw
501 8th Ave.
Helena MT 59601

Robert Nelson
Montana Consumer Counsel
111 N. Last Chance Gulch
Suite 1B Box 201703
Helena MT 59620-1703

Thomas M. Power
920 Evans Ave.
Missoula MT 59801

Ross Richardson
Henningsen Vucurocich
& Richardson
116 W Granite Box 399
Butte MT 59703

Joe Schwartzenberger
NorthWestern Energy
40 E Broadway
Butte MT 59701

Kate Whitney
Montana PSC
1701 Prospect Box 202601
Helena MT 59620-2601

NorthWestern Energy
Docket D2011.5.38
Electric Tracker

Montana Public Service Commission (PSC)
Set 1 (001-035)

Data Requests received August 24, 2011

PSC-001

Regarding: 2010-2011 Tracker Period
Witnesses: Bennett, Hansen, Thomas

a. Please provide working electronic copies of all Exhibits with all supporting files and links intact.

b. Please update actual for estimated months of May and June, 2011 in Exhibits FVB-1, FVB-4, and FVB-6.

c. Please update actual for estimated months of April, May and June, 2011 in Exhibit WMT-1.

d. Please update actual for estimated months of May and June, 2011 in Exhibit WMT-2.

e. Please provide electronic copies of the monthly invoices for electric sales, electric purchases, and other costs.

RESPONSE:

a. Please see the attached CD for electronic copies of all Exhibits and updated Exhibits, including Supplemental Exhibits. The following table lists the electronic copies of information requested of and provided by Frank Bennett, Cheryl Hansen, and William Thomas. Where necessary, confidential customer information in the supporting records and work papers has been redacted.

Updating of Exhibit__(WMT-1) will affect calculations of DSM Lost Revenues. NorthWestern is providing updated versions of Exhibit__(WMT-3) and Exhibit__(WMT-3S) as part of this response.

List of Exhibits for Frank V. Bennett		
Exhibit	File Name	Comment
Exhibit__(FVB-1)_10-11	Exhibit__(FVB-1)_10-11	Prefiled Direct Testimony Elect actual
Exhibit__(FVB-1-Rev)_10-11	Exhibit__(FVB-1-Rev)_10-11	Prefiled Direct Testimony Elect act updated

PSC-001 cont'd

List of Exhibits for Frank V. Bennett		
Exhibit	File Name	Comment
Exhibit__(FVB-2)_11-12	Exhibit__(FVB-2)_11-12	Prefiled Direct Testimony Elect forecast
Exhibit__(FVB-2)_11-12-Hourly	Exhibit__(FVB-2)_11-12-Hourly	Prefiled Direct Testimony Elect work paper
Exhibit__(FVB-2S)_11-12	Exhibit__(FVB-2S)_11-12	Supplemental Testimony Elect forecast
Exhibit__(FVB-2S_Rev)_11-12	Exhibit__(FVB-2S_Rev)_11-12	Supplemental Testimony Elect forecast updated
Exhibit__(FVB-2S)_11-12-Hourly	Exhibit__(FVB-2S)_11-12-Hourly	Supplemental Testimony Elect work paper
Exhibit__(FVB-3)Copyright	Exhibit__(FVB-3)Copyright	Prefiled Direct Testimony price work paper
Exhibit__(FVB-4)_10-11	Exhibit__(FVB-4)_10-11	Prefiled Direct Testimony CU4 actual
Exhibit__(FVB-4-Rev)_10-11	Exhibit__(FVB-4-Rev)_10-11	Prefiled Direct Testimony CU4 actual updated
Exhibit__(FVB-5)_10-11	Exhibit__(FVB-5)_10-11	Prefiled Direct Testimony CU4 forecast
Exhibit__(FVB-5S)_10-11	Exhibit__(FVB-5S)_10-11	Supplemental Testimony CU4 forecast
Exhibit__(FVB-5S_Rev)_10-11	Exhibit__(FVB-5S_Rev)_10-11	Supplemental Testimony CU4 forecast updated
Exhibit__(FVB-6)_10-11	Exhibit__(FVB-6)_10-11	Prefiled Direct Testimony DGGS actual
Exhibit__(FVB-6-Rev)_10-11	Exhibit__(FVB-6-Rev)_10-11	Prefiled Direct Testimony DGGS actual updated
Exhibit__(FVB-7)_10-11	Exhibit__(FVB-7)_10-11	Prefiled Direct Testimony DGGS forecast
Exhibit__(FVB-7S)_10-11	Exhibit__(FVB-7S)_10-11	Supplemental Testimony DGGS forecast
Exhibit__(FVB-7S_Rev)_10-11	Exhibit__(FVB-7S_Rev)_10-11	Supplemental Testimony DGGS forecast updated

List of Exhibits for Cheryl A. Hansen		
Exhibit	File Name	Comment
Exhibit_(CAH-1)_11-12	Exhibit_(CAH-1)_11-12	Prefiled Direct Testimony Billing Statistics
Exhibit_(CAH-2)_11-12	Exhibit_(CAH-2)_11-12	Prefiled Direct Testimony Elec Rate Design
Exhibit_(CAH-3)_11-12	Exhibit_(CAH-3)_11-12	Prefiled Direct Testimony CU4 Rate Design
Exhibit_(CAH-4)_11-12	Exhibit_(CAH-4)_11-12	Prefiled Direct Testimony DGGS Rate Design
Exhibit_(CAH-5)_11-12	Exhibit_(CAH-5)_11-12	Prefiled Direct Testimony Total Proposed Rates
Exhibit_(CAH-2S)_11-12	Exhibit_(CAH-2S)_11-12	Supplemental Testimony Elec Rate Design
Exhibit_(CAH-3S)_11-12	Exhibit_(CAH-3S)_11-12	Supplemental Testimony CU4 Rate Design

PSC-001 cont'd

List of Exhibits for Cheryl A. Hansen		
Exhibit	File Name	Comment
Exhibit_(CAH-4S)_11-12	Exhibit_(CAH-4S)_11-12	Supplemental Testimony DGGS Rate Design
Exhibit_(CAH-5S)_11-12	Exhibit_(CAH-5S)_11-12	Supplemental Testimony Total Proposed Rates
Exhibit_(CAH-2S_Rev)_11-12	Exhibit_(CAH-2S_Rev)_11-12	Supplemental Testimony Elec Rate Design updated
Exhibit_(CAH-3S_Rev)_11-12	Exhibit_(CAH-3S_Rev)_11-12	Supplemental Testimony CU4 updated
Exhibit_(CAH-4S_Rev)_11-12	Exhibit_(CAH-4S_Rev)_11-12	Supplemental Testimony DGGS updated
Exhibit_(CAH-5S_Rev)_11-12	Exhibit_(CAH-5S_Rev)_11-12	Supplemental Testimony Total Proposed Rates updated
Appendix B_Typical Bill Appendix B_Typical Bill_Supplemental		Initial Filing Supplemental Filing
Appendix B_Typical Bill_Revised Supplemental		Supplemental Filing updated

List of Exhibits for William M. Thomas		
Exhibit	File Name	Comment
Exhibit__(WMT-1) USB + DSM Savings 2010-11	Exhibit_(WMT-1) 2010-11 FINAL 050311 orig with backup.xls	Prefiled Direct Testimony
Exhibit__(WMT-2) Electric Supply DSM Spending & Budget	EXHIBIT_(WMT-2) 2010-11 Elec DSM Spend or Budget FINAL 050611 orig.xls	Prefiled Direct Testimony
Exhibit__(WMT-3) Electric DSM Lost Revenues for 2010-11	Exhibit__(WMT-3) Electric DSM Lost Revenues 2010-11 with backup.xls	Prefiled Direct Testimony
Exhibit__(WMT-3S) Electric DSM Lost Revenues for 2010-12	Exhibit__(WMT-3S) Electric DSM Lost Revenues 2010-12 with backup.xls	Supplemental Testimony
Exhibit__(WMT-4) Final Evaluation Report: 2008 Green Blocks Pilot Program	EXHIBIT__(WMT-4) Green Blocks Pilot Program Evaluation.pdf	Prefiled Direct Testimony
Exhibit__(WMT-5a) DSM Communications Plan	Exhibit__(WMT-5a) 2011 DSM Communications Plan.doc	Prefiled Direct Testimony
Exhibit__(WMT-5b) DSM Communications Plan Calendar	Exhibit__(WMT-5b) 2011 DSM Communications Plan Calendar.doc	Prefiled Direct Testimony

PSC-001 Cont'd

List of Exhibits for William M. Thomas		
Exhibit	File Name	Comment
Exhibit__(WMT-6) DSM Cost Effectiveness	EXHIBIT__(WMT-6) 2010-11 Elec DSM Cost Effectiveness – orig FINAL with backup.xls	Prefiled Direct Testimony
Exhibit__(WMT-7) DSM Program Evaluation RFP	EXHIBIT__(WMT-7) 2012 DSM Evaluation RFP.doc	Prefiled Direct Testimony
Exhibit__(WMT-1-Rev) USB + DSM Savings 2010-11	Exhibit__(WMT-1-Rev) USB + DSM Savings 2010-11 12+0 FINAL with backup.xls	Updated for 12 months of actual data; includes supporting detail
Exhibit__(WMT-2-Rev) Electric Supply DSM Spending & Budget	Exhibit__(WMT-2-Rev) 2010-11 12+0 Elec DSM Spend or Budget FINAL 083111.xls	Updated for 12 months of actual data; includes supporting detail
Exhibit__(WMT-3-Rev) Electric DSM Lost Revenues for 2010-11	Exhibit__(WMT-3-Rev) Electric DSM Lost Revenues for 2010-11 with backup.xls	Updated for 12 months of actual data; includes supporting detail
Exhibit__(WMT-3S-Rev) Electric DSM Lost Revenues for 2010-12	Exhibit__(WMT-3S-Rev) Electric DSM Lost Revenues for 2010-12 with backup.xls	Updated for 12 months of actual data; includes supporting detail
Assessment of Energy Efficiency Potentials (2010-2029)	NWE EE Potential_FINAL 20100427.pdf	NEXANT/Cadmus DSM Assessment – main report
• Appendix A - Measure Descriptions	Appendix A_Measure Descriptions_FINAL_20100427.pdf	NEXANT/Cadmus DSM Assessment – Appendix A
• Appendix B – Measure Details	Appendix B_Measure Details_FINAL_20100427.pdf	NEXANT/Cadmus DSM Assessment – Appendix B
• Appendix C – Detailed Technical and Economic Potential	Appendix C_Detailed Potential_FINAL_20100427.pdf	NEXANT/Cadmus DSM Assessment – Appendix C
Residential Measures List	Residential Measures List Rev 2 FINAL 20100714.xls	Analysis, calculations, rebates, measure rankings
Commercial Measures List	Commercial Measures List Rev 5 FINAL 20100831.xls	Analysis, calculations, rebates, measure rankings
2010 Electric and Gas avoided costs 20091116	2010 Electric and Gas avoided costs 20091116.xls	
OPOWER Program analysis	NWE evaluation of OPOWER Program WMT-MC1.xls	

PSC-001 cont'd

List of Exhibits for William M. Thomas		
Exhibit	File Name	Comment
NCAT Project Tracking Spreadsheet	Vendor Tracking 2010 FINAL – NCAT 20101227.xls	Supporting detail on NCAT DSM projects
Information about past capitalization of DSM costs	PSC-035 Attachment 1.pdf	

b. Please see response to PSC-001(a) above.

c. Please see response to PSC-001(a), above. Because updating Exhibit__(WMT-1) for 12 months of actual data will affect the calculation of DSM Lost Revenues on Exhibit__(WMT-3) and Exhibit__(WMT-3S), NorthWestern is also providing revised versions of Exhibit__(WMT-3) and Exhibit__(WMT-3S) on the attached CD. These revised Exhibits reflect 12 months of reported energy savings, slightly different residential/commercial percentage splits, and a calculation formula error on Tab 7 (both Exhibits) that was discovered and corrected. The updated DSM Lost Revenues Exhibits are Exhibit__(WMT-3-Rev) Electric DSM Lost Revenues for 2010-11 with backup.xls and Exhibit__(WMT-3S-Rev) Electric DSM Lost Revenues for 2010-12 with backup.xls.

d. Please see response to PSC-001(a), above.

e. Please see the attached CD for electronic copies of monthly invoices for electric sales, purchases, and other costs. Due to the voluminous nature of these documents, only one copy has been provided to the MPSC and one to the MCC. Additional detailed data which is extremely voluminous is available for review at NorthWestern's General Office in Butte. Some of this information is only available electronically.

PSC-002

Regarding: QF Projects
Witness: Bennett

a. Please identify and describe the three QF wind projects totaling 28 MW that accepted the standard rate, including their nameplate capacity and locations.

b. Please provide the standard QF contract terms and conditions distributed in the second quarter of 2011.

RESPONSE:

a. All three of these agreements were accepted under The Montana Public Service Commission-approved Electric Tariff Schedule QF-1 which provides for the wind energy rate of $69.21/MWh under rate option 3 and are as follows:

i.) The Gordon Butte Wind, LLC PPA is a 25-year contract for purchases of the output from a 9.6 MW Facility. This Facility is located in Township 8 North, Range 11 East, Sections 21, 22, 27, 28, 29, 33, and 34.
ii.) The Musselshell Wind Project, LLC PPA is a 25-year contract for purchases of the output from a 9.2 MW Facility. This Facility is located in Township 6 North, Range 18 East, Sections 17 and 19.
iii.) The Musselshell Wind Project Two, LLC PPA is a 25-year contract for purchases of the output from a 9.2 MW Facility. This Facility is located in Township 6 North, Range 18 East, Section 9.

b. Please see attached the standard QF contracts. NorthWestern has included the original April 13, 2011 contract and the current version. Multiple drafts which were prepared between those two dates have not been provided.

POWER PURCHASE AGREEMENT
for Qualifying Facilities
Version 1a (August 18, 2011)

by and between

NORTHWESTERN ENERGY,
as Buyer

and

[_____],
as Seller

dated as of [_____], 20[__]

The offer contained in this form of agreement supersedes all previous offers extended to Seller by NorthWestern. By delivery of this form of agreement, all previous offers, whether oral or written, are revoked. This offer was delivered to Seller on August 18, 2011, and shall remain open for 90 days, unless extended in NorthWestern's sole discretion.

Power Purchase Agreement

THIS POWER PURCHASE AGREEMENT ("Agreement") is entered into this _____, 20[__] ("Effective Date"), by and between [_____], a Montana [_____] ("Seller") and **NorthWestern Corporation d/b/a NorthWestern Energy**, a Delaware corporation authorized to do business in Montana ("NorthWestern"). Seller and NorthWestern are sometimes referred to in this Agreement collectively as "Parties" and individually as "Party."

RECITALS:

A. Seller is developing a [__wind, hydro, or bio-mass__] turbine facility referred to as [_____], which is rated at [_____] kilowatts of electric generation capacity, that is a "Qualifying Facility" pursuant to 18 C.F.R. §§ 292.201 *et seq.,* located in [_____Township, Range, Section & distance to nearest Community_____] ("Facility").

B. Seller wishes to sell electric energy produced from the Facility to NorthWestern at the rates provided in NorthWestern's Electric Tariff, Schedule No. QF-1, approved and on file with the Montana Public Service Commission ("MPSC" or "Commission"), and NorthWestern wishes to buy such energy.

In consideration of the mutual covenants and agreements herein contained, as well as other good and valuable consideration, the sufficiency of which is expressly acknowledged and accepted, the Parties hereto agree as follows:

Article 1
Definitions

As used in this Agreement and the Appendices attached hereto, the following terms, whether in the singular or plural, shall have the following meanings:

1.1 Affiliate means any entity that controls, is controlled by, or is under common control with a Party.

1.2 Billing Period means the period of time from one meter reading to the next, which shall occur approximately each 31 days.

1.3 Business Day means a day other than Saturday, Sunday or any other day on which banks located in Montana are authorized or obligated to close.

1.4 Commercial Operation Date means the date on which NorthWestern receives notice from Seller that Commercial Operation has been achieved and the last of the conditions set forth in Section 3.2 has been fulfilled.

1.5 Commercial Operation means that Facility construction and testing has been completed, the Generator Interconnection Agreement has been Executed, and the Facility is capable of delivering Energy continuously to the Point of Interconnection.

1.6 Contest means, with respect to either Party, a contest of (a) any Governmental Approval or any act or omission by governmental agencies or (b) the amount or validity of any claim

pursued by or against such person in good faith and by appropriate legal, administrative, or other proceedings.

1.7 Contingency Reserves has the meaning set forth in NorthWestern's Electric Tariff, Schedule No. CR-1.

1.8 Delay Damages has the meaning set forth in Section 3.4 and 3.5 of this Agreement.

1.9 Effective Date means the execution date of this Agreement, as indicated above.

1.10 Energy means the amount of electrical energy expressed in kilowatt-hours (kWh) received by NorthWestern and provided by Seller pursuant to this Agreement, as determined by the billing meter located at the Point of Interconnection, including any adjustment for losses.

1.11 Environmental Attributes means any credits, credit certificates, rights, powers, privileges or similar items such as those for greenhouse gas reduction, green certificates or the generation of green power or renewable energy, or for satisfying renewable portfolio standards or similar renewable energy mandates, or offsets of emissions of greenhouse gases, in each case created by any governmental agency and/or independent certification board or group generally recognized in the electric power generation industry, and generated by or associated with the Facility. The term "Environmental Attributes" does not include any federal, state, or local incentive or production tax attributes or other non-environmental benefits.

1.12 Executed refers to an agreement that is either (i) executed by all of the Parties thereto or (ii) has been filed with and approved by FERC.

1.13 Extended Delay Damages has the meaning set forth in Section 3.4 and 3.5 of this Agreement.

1.14 Facility means the electric generation facility which is owned, controlled, or operated by Seller, or its successors or assigns, as described in the Recitals, and which is the subject of this Agreement, including all interconnection equipment located on Seller's side of the Point of Interconnection. Special interconnection requirements may be set forth in the Generator Interconnection Agreement.

1.15 FERC means the Federal Energy Regulatory Commission.

1.16 Generator Interconnection Agreement means that agreement between Seller and the transmission provider to be attached hereto as Exhibit A.

1.17 Governmental Agency means any court, tribunal, arbitrator, authority, agency, commission, official or other instrumentality of the United States or of any foreign country or of any state, county, city or other political subdivision thereof, in each case having legal jurisdiction over the matter or person in question or the Facility.

1.18 Governmental Approval means any and all licenses, permits or approvals necessary for the construction or operation of the Facility and issued by federal, state or local authorities, including, without limitation, evidence of compliance with Subpart B, 18 C.F.R. §§ 292.201, et seq., as a Qualifying Facility.

1.19 Guaranteed Commercial Operation Date means [_____], provided that such date may be extended as the result of Force Majeure.

1.20 Initial Capacity Determination means the maximum amount of Energy the Facility will produce in any hour as reasonably determined by NorthWestern based upon the information provided by Seller in Article 3.

1.21 Law means all laws, statutes, rules, regulations, ordinances and other pronouncements having the effect of law of the United States or of any foreign country or of any state, county, city or other political subdivision thereof or of any other Governmental Agency.

1.22 Nameplate Capacity means the maximum rated output of the Facility under specific conditions designated by the manufacturer. For the purposes of this Agreement, the Nameplate Capacity of the Facility shall be [____] MW.

1.23 Point of Interconnection has the meaning given in the Generator Interconnection Agreement.

1.24 Prudent Electrical Practice means those practices, methods and equipment that are commonly used in the utility industry and electrical engineering and operations to operate electric equipment lawfully and with safety, dependability, efficiency and economy and in accordance with all applicable codes and regulations.

1.25 Qualifying Facility or QF means a cogeneration or small power production facility which meets the criteria as defined in Title 18 C.F.R., Sections 292.201 through 292.207, as amended from time to time.

1.26 QF Rate means the rate provided in the appropriate Option selected by Seller from NorthWestern's Electric Tariff, Schedule No. QF-1, approved and on file with the Montana Public Service Commission at the time this Agreement is Executed.

1.27 Similarly-Situated Sellers means the Qualifying Facilities, including Seller, utilizing similar electric generation technology and having signed Power Purchase Agreements with NorthWestern containing similar curtailment provisions.

1.28 Wind Integration has the meaning set forth in NorthWestern's Electric Tariff, Schedule No. WI-1.

1.29 WREGIS means the Western Renewable Energy Generation Information System, or any successor entity thereto.

Article 2
Purchase and Sale of Energy and Environmental Attributes

2.1 Term: This Agreement shall be effective at 12:00 a.m. Mountain Standard Time ("MST") on the Effective Date and shall remain in effect for a term of [_____] years, unless earlier terminated pursuant to its terms.

2.2 Purchase and Sale of Electricity [and Environmental Attributes]: Subject to the terms and conditions of this Agreement, Seller shall sell to NorthWestern, and NorthWestern shall purchase from Seller, on and after the Commercial Operation Date and for the term of this Agreement, all of the Energy output of the Facility [and all of the Environmental Attributes related to or associated with the operation of the Facility. Seller shall be responsible for self registering the Facility with (WREGIS) and maintaining such account with WREGIS to evidence the transfer of Environmental Attributes to NorthWestern.] **[Choose appropriate bracketed language depending on rate Option selected.]**

2.3 Purchase Price: NorthWestern shall pay Seller for Energy [and Environmental Attributes] received under this Agreement at the QF Rate. [NorthWestern shall receive the Environmental Attributes associated with the electricity purchased from Seller at no additional cost to NorthWestern.] [The Environmental Attributes associated with the electricity purchased by Seller will not be purchased by NorthWestern under this Agreement and shall not be included in the Purchase Price.] [Choose appropriate bracketed language depending on rate Option selected.]

Article 3
Commercial Operation

3.1 Commercial Operation: Seller shall cause the Facility to achieve Commercial Operation on or prior to the Guaranteed Commercial Operation Date.

3.2 Conditions to Commercial Operation: Notwithstanding anything herein to the contrary, Commercial Operation shall not be deemed to have been achieved, and NorthWestern shall have no obligation to purchase Energy hereunder, until all of the following have occurred:

3.2.1 Seller has submitted to NorthWestern a certificate by an authorized officer of Seller certifying that all Governmental Approvals have been obtained.

3.2.2 Seller has provided to NorthWestern manufacturer's documentation that establishes the Nameplate Capacity of each individual generation unit that is included within the Facility.

3.2.3 Seller has provided to NorthWestern an executed Engineer's Certification of Design and Construction Adequacy substantially in the form attached hereto as Exhibit B.

3.2.4 Seller has provided to NorthWestern written proof of insurance consistent with the requirements of Article 13 of this Agreement.

3.2.5 Seller has provided to NorthWestern a certificate by an authorized officer of Seller certifying that Seller has Executed a Generator Interconnection Agreement with NorthWestern's transmission department.

3.2.6 Seller has provided to NorthWestern written proof of its status as a Qualifying Facility.

3.3 Initial Capacity Determination: Commercial Operation shall not be deemed to have been achieved until NorthWestern has made the Initial Capacity Determination pursuant to Section 3.11.

3.4 Failure to Achieve Commercial Operation: The Parties acknowledge that the damages NorthWestern will incur if the Facility does not achieve Commercial Operation by the Guaranteed Commercial Operation Date are difficult or impossible to predict with certainty, and that the Delay Damages and Extended Delay Damages are an appropriate approximation of such damages.

3.5 Delay Damages: If Commercial Operation occurs after the Guaranteed Commercial Operation Date, but on or prior to the day which is one hundred eighty (180) days after the Guaranteed Commercial Operation Date, Seller shall pay Delay Damages for each day the Facility has not achieved Commercial Operation.

3.5.1 Calculation of Delay Damages: The Delay Damages shall be an amount equal to one hundred dollars ($100.00) per MW per day for each day after the Guaranteed Commercial Operation Date that the Facility has not yet achieved Commercial Operation, for each MW below Nameplate Capacity.

3.5.2 Right to Terminate; Extended Delay Damages: If the Commercial Operation Date does not occur within one hundred eighty (180) days after the Guaranteed Commercial Operation Date, NorthWestern shall have the right, but not the obligation, to terminate this Agreement upon written notice to Seller. In the event that NorthWestern does not exercise this termination right, Seller shall pay Extended Delay Damages for each day the Facility has not achieved Commercial Operation.

3.5.3 Calculation of Extended Delay Damages: The Extended Delay Damages shall be an amount equal to two hundred dollars ($200.00) per MW per day for each day beginning one hundred and eighty-one (181) days after the Guaranteed Commercial Operation Date that the Facility has not yet achieved Commercial Operation, for each MW below Nameplate Capacity, not to exceed an additional one hundred eighty (180) days.

3.5.4 Payment of Delay Damages and Extended Delay Damages: If the Facility does not achieve Commercial Operation by the Guaranteed Commercial Operation Date, Seller shall make periodic payments to NorthWestern of all accrued Delay Damages and/or Extended Delay Damages, beginning on the tenth (10th) Business Day after the Guaranteed Commercial Operation Date and recurring each tenth (10th) Business Day (each, a "Delay Payment Date", and such ten-day periods, each, a "Delay Payment Period") until Commercial Operation is achieved or this Agreement is terminated. Payments of Delay Damages or Extended Delay Damages shall be made by wire transfer or ACH transfer pursuant to wire instructions provided by NorthWestern.

3.6 Delay Security: Within thirty (30) days after the Effective Date, Seller shall post a surety bond, letter of credit or other form of security that is acceptable to NorthWestern ("Delay Security") in the amount of [spell out] $[_____] dollars. Failure to post this Delay Security in the time specified above shall be a material breach of this Agreement and NorthWestern shall have the right to terminate this Agreement upon written notice to Seller.

3.6.1 NorthWestern shall release any remaining Delay Security posted hereunder after all calculated Delay Damages and Extended Delay Damages are paid in full to NorthWestern and upon the earlier of: (a) thirty (30) days after the Commercial Operation Date or (b) thirty (30) days after the termination of this Agreement. No interest shall accrue or be paid on released funds.

3.6.2 NorthWestern may draw on the Delay Security for payment of Delay Damages or Extended Delay Damages accrued during a Delay Payment Period. If NorthWestern chooses to draw on the Delay Security, NorthWestern shall notify Seller at least five (5) days prior to the Delay Payment Date of NorthWestern's intent to do so and of the amount to be drawn. Seller's obligation to pay Delay Damages or Extended Delay Damages for any Delay Payment Period shall be reduced in an amount equal to the amount drawn by NorthWestern on the Delay Security.

3.6.3 If the Delay Security is fully drawn down for payment of Delay Damages and/or Extended Delay Damages, Seller shall post a new Delay Security in the amount set

forth above within ten (10) days of the day that Seller becomes aware that the Delay Security is exhausted.

3.7 Annual Operating Plan: Seller shall provide NorthWestern with an annual operating plan and an engineer's certification of operations and maintenance, including the timing and duration of proposed Facility maintenance and all other activities that could impact the reliability and or Energy output of the Facility. Seller shall specifically provide NorthWestern with such operational plan for each upcoming generation year (May through April), no later than the immediately preceding February. Such operational plan shall include, without limitation, processes and procedures for providing NorthWestern with monthly and quarterly projected Energy output, as well as processes and procedures for scheduling Energy delivery to NorthWestern on an hourly basis.

3.8 Wind Integration and Contingency Reserves: If Seller has selected Options 1 or 2 under the QF-1 Tariff, it must provide wind integration services and contingency reserves for the term of this Agreement and may either self-supply under terms acceptable to NorthWestern or accept payment adjustments by NorthWestern for those services in accordance with the Wind Integration Tariff (WI-1) and Contingency Reserves Tariff (CR-1). Payment to NorthWestern under WI-1 and/or CR-1 shall result in an adjustment of the total monthly payment made to Seller to reflect the provision of those services.

3.9 Generator Interconnection Agreement: Seller acknowledges that an Executed Generator Interconnection Agreement with transmission provider is a condition precedent to Commercial Operation of the Facility. This Agreement shall do nothing to modify or otherwise amend the obligations, rights, and remedies of the Parties as specified in the Generator Interconnection Agreement. To the extent any terms or conditions in the Generator Interconnection Agreement contravene or contradict the terms and conditions of this Agreement, the terms and conditions of the Generator Interconnection Agreement shall control and be binding on the Parties.

3.10 Metering: Metering of the Facility shall occur in the manner described in the Generator Interconnection Agreement.

3.11 Initial Capacity Determination: Promptly after the Effective Date, Seller shall submit sufficient verifiable data, consistent with Prudent Electrical Practice, to demonstrate the Energy capacity of the Facility, to enable NorthWestern to make the Initial Capacity Determination. Such data shall include, without limitation, the installed Nameplate Capacity of the Facility's individual generators, equipment specifications, resource characteristics, and normal and/or average operating design conditions. Upon receipt of this data, NorthWestern shall review it within a commercially reasonable time period and, if necessary, request additional data from Seller. Seller shall exercise commercially reasonable efforts to provide such additional data promptly to NorthWestern. NorthWestern shall make the Initial Capacity Determination within a reasonable time after receiving all requested data.

Article 4
Curtailment

4.1 No Obligation to Accept Energy: NorthWestern shall not be obligated to accept or pay for Energy from Seller during any period in which, due to operational circumstances, the acceptance of Energy from Seller and Similarly-Situated Sellers of energy to NorthWestern is expected to result in NorthWestern system costs greater than those which NorthWestern would incur if it did not accept such deliveries, including periods in which NorthWestern generated an equivalent amount of energy itself. For illustrative purposes only, and without

limiting the circumstances under which NorthWestern might be relieved of the obligation to accept or pay for Energy from Seller under this section, an example of such a period is a period when NorthWestern would be forced to shut down a base load or intermediate load plant in order to accept deliveries of Energy from Seller and such base load or intermediate load plant could not then be restarted and brought up to its rated output to meet the next period's peak load and NorthWestern would consequently be required to utilize costly or less efficient generation with faster start-up or purchase higher-priced energy to meet the demand that could have been met by the base load or intermediate load plant but for such purchases from Seller. During periods in which NorthWestern is purchasing energy both from Seller and from Similarly-Situated Sellers, the implementation of any curtailments of deliveries of energy is subject to the sole discretion of NorthWestern in accordance with the NorthWestern Energy Curtailment Protocol attached hereto as Exhibit C.

4.2 Notice of Curtailment; Compensation. NorthWestern shall give one (1) month's written notice to Seller of any period in which NorthWestern expects that curtailment pursuant to Section 4.1 may be necessary. During such period, if NorthWestern curtails Seller pursuant to Section 4.1, NorthWestern shall document such curtailment and promptly provide such documentation to Seller. In the event that NorthWestern later determines that the curtailment was not operationally necessary, NorthWestern shall within a reasonable time compensate Seller at the QF Rate for the Energy that would have been generated and delivered to Northwestern.

4.3 System Emergency: Notwithstanding anything herein to the contrary, Seller acknowledges that pursuant to the Generator Interconnection Agreement, transmission provider may require Seller, without reimbursement, to interrupt or reduce deliveries of Energy if such delivery of Energy could adversely affect transmission provider's ability to perform such activities as are necessary to safely and reliably operate and maintain its transmission system. Seller and NorthWestern acknowledge that such curtailments are governed solely by the provisions of the Generator Interconnection Agreement and not by this Agreement.

4.4 Compensation: In the event that deliveries of Energy from Seller are curtailed at the request of NorthWestern for reasons other than those specified in Section 4.1 or 4.3, Seller shall be compensated at the QF Rate for the Energy that would have been generated and delivered to NorthWestern.

Article 5
Termination

5.1 NorthWestern's Right to Terminate: NorthWestern shall have the right to terminate this Agreement immediately if (i) any Seller Event of Default has occurred and is continuing after the expiration of any applicable cure period; or (ii) because of a change in ownership, operation, size, or otherwise, the Federal Energy Regulatory Commission determines that the Facility is not a Qualifying Facility.

5.2 Seller Events of Default: Each of the following shall be a Seller Event of Default under this Agreement: (i) failure by Seller to make any payment due under this Agreement, including a payment of Delay Damages or Extended Delay Damages, and such failure has not been cured within ten (10) days of Seller's receipt of notice from NorthWestern; (ii) Seller fails to post or maintain the Delay Security, and such failure has not been cured within ten (10) days of Seller's receipt of notice from NorthWestern; or (iii) Seller fails to perform any other material obligation of Seller under this Agreement, and such failure has not been cured within thirty (30) days after Seller's receipt of notice from NorthWestern.

5.3 Seller's Right to Terminate: Seller shall have the right to terminate this Agreement immediately if any NorthWestern Event of Default has occurred and is continuing after the expiration of any applicable cure period.

5.4 NorthWestern Events of Default: Each of the following shall be a NorthWestern Event of Default under this Agreement: (i) failure by NorthWestern to make any payment due under this Agreement, and such failure has not been cured within ten (10) days of NorthWestern's receipt of notice from Seller; and (ii) NorthWestern fails to perform any other material obligation of NorthWestern under this Agreement, and such failure has not been cured within thirty (30) days after NorthWestern's receipt of notice from Seller.

5.5 Documentation of QF Status: NorthWestern has the right at all times to request and inspect all documents related to Seller's status as a Qualifying Facility, and Seller shall provide such documentation to NorthWestern promptly after receiving such a request.

5.6 Effect of Termination: Upon termination of this Agreement, both Parties are relieved of their obligations under this Agreement as of the date of termination; but all obligations, rights to performances, and rights to payments incurred before such date, including but not limited to Delay Damages and Extended Delay Damages, shall remain in effect until fully satisfied.

Article 6
Seller's Representations & Warranties

As of the Effective Date, Seller hereby represents and warrants as follows:

6.1 QF Status: The Facility is a Qualifying Facility, as that term is defined in Title 18, C.F.R., Sections 292.201 through 292.207 (as amended from time to time) and is in compliance with all of the statutory, regulatory and other requirements necessary to maintain Qualifying Facility status.

6.2 Existence and Authorization: It is a [_____] in good standing and validly existing under the laws of the State of [_____], is duly registered, licensed, and authorized to conduct business in the State of Montana, and that it (i) has all power and authority to execute, deliver and perform this Agreement; and (ii) has all requisite power and authority to own its properties and to carry on its business as it is now being conducted and as it is presently proposed to be conducted.

6.3 Consents; No Violation: The execution, delivery and performance of its obligations under this Agreement by Seller do not:

(i) as to execution and delivery but not performance, require any consent or approval of Seller's members, managers or guarantors which has not been obtained and each such consent or approval that has been obtained is in full force and effect;

(ii) violate any provision of any law, rule, regulation, order, writ, judgment, injunction, decree, determination, or award applicable to Seller or any provision of the organizational documents of Seller, the violation of which could reasonably be expected to have a material adverse effect on the ability of Seller to perform its obligations under this Agreement;

(iii) result in a breach of, or constitute a default under, any provision of the organizational documents of Seller;

(iv) result in a breach of or constitute a default under any agreement relating to the management or affairs of Seller or any indenture or loan or credit agreement or any other agreement, lease, or instrument to which Seller is a party or by which Seller or its properties or assets may be bound or affected, the breach or default of which could reasonably be expected to have an adverse effect on the ability of Seller to perform its obligations under this Agreement; or

(v) result in, or require the creation or imposition of any mortgage, deed of trust, pledge, lien, security interest, or other charge or encumbrance of any nature (other than as may be contemplated by this Agreement) upon or with respect to any of the assets or properties of Seller now owned or hereafter acquired, the creation or imposition of which could reasonably be expected to have a material adverse effect on the ability of Seller to perform its obligations under this Agreement.

6.4 No Litigation: There is no pending or, to the best of Seller's knowledge, threatened action or proceeding affecting Seller before any court, Governmental Agency or arbitrator that could reasonably be expected to materially and adversely affect the financial condition or operations of Seller or the ability of Seller to perform its obligations hereunder, or that purports to affect the legality, validity or enforceability of this Agreement.

6.5 Binding Obligation: This Agreement constitutes the valid and binding obligation of Seller, enforceable in accordance with its terms, subject to applicable law.

6.6 No Reliance: Seller represents and warrants to NorthWestern that in entering into this Agreement and the undertaking by Seller of the obligations set forth herein, Seller has investigated and determined that it is capable of performing hereunder and has not relied upon the advice, experience or expertise of NorthWestern in connection with its obligations under this Agreement.

Article 7
Covenants of Seller

Seller hereby covenants and agrees as follows:

7.1 Operation of Facility: It shall operate the Facility in material compliance with all applicable federal, state and local governmental regulations and Prudent Electrical Practices.

7.2 Permits, Contracts and Legal Requirements: It shall comply with and keep in effect all Governmental Approvals obtained from any Governmental Agency that relate to the operation and ownership of the Facility. Seller shall promptly pay, observe and perform, subject to any applicable notice and cure periods therein, all obligations, agreements, easements, conditions, covenants and the provisions of all leases, licenses, operating, management and other material contracts affecting or relating to the Facility or the use and operation thereof.

7.3 Insurance: It shall obtain and maintain during the term of this Agreement such insurance coverage as indicated in Article 13, below.

Article 8
NorthWestern's Representations, Warranties and Disclaimers

As of the Effective Date, NorthWestern hereby represents and warrants as follows:

8.1 Existence and Authorization: NorthWestern represents and warrants it is a duly authorized and validly existing Delaware corporation in good standing and registered, licensed, and authorized to do business in Montana, and that it is authorized to enter into and perform its obligations under this Agreement.

8.2 No Violation: The execution, delivery and performance of its obligations under this Agreement by NorthWestern do not:

(i) violate any provision of any law, rule, regulation, order, writ, judgment, injunction, decree, determination, or award applicable to NorthWestern or any provision of the organizational documents of NorthWestern, the violation of which could reasonably be expected to have a material adverse effect on the ability of NorthWestern to perform its obligations under this Agreement;

(ii) result in a breach of or constitute a default under any provision of the organizational documents of NorthWestern;

(iii) result in a breach of or constitute a default under any agreement relating to the management or affairs of NorthWestern or any indenture or loan or credit agreement or any other agreement, lease, or instrument to which NorthWestern is a party or by which NorthWestern or its properties or assets may be bound or affected, the breach or default of which could reasonably be expected to have an adverse effect on the ability of NorthWestern to perform its obligations under this Agreement.

8.3 Disclaimers: Any review, acceptance or failure by NorthWestern to review Seller's design, specifications, equipment or facilities shall not constitute an endorsement or confirmation by NorthWestern, and NorthWestern makes no warranties, expressed or implied, regarding any aspect of Seller's design, specifications, equipment or facilities, including, without limitation, safety, durability, reliability, strength, capacity, adequacy or economic feasibility.

Article 9
Payments, Method of Payment, Adjustments and Statements

9.1 Compensation for Energy Received: During the term of this Agreement, NorthWestern shall pay Seller for all Energy delivered to the Point of Interconnection in accordance with this Article 9.

9.2 Tariff: NorthWestern's payments for Energy to Seller under this Agreement shall be calculated as follows: (x) total megawatt-hours delivered at the Point of Interconnection during the Billing Period multiplied by (y) the QF Rate less (z) any applicable charges for Wind Integration or Contingency Reserves (as provided in Section 3.8).

9.3 Payment: NorthWestern shall transmit payment and a payment statement to Seller for all undisputed amounts within thirty (30) Business Days following the Billing Period meter readings. NorthWestern's payment statement shall include the amount of Energy delivered to the Point of Interconnection during the Billing Period and the amount due to Seller. Payments hereunder shall be made in immediately available funds by wire transfer or ACH transfer.

9.4 Payment Default: Should either Party fail to pay the other Party in full when due, the unpaid Party may either: (i) deduct like amounts, adjusted for interest, from future payments to the other Party hereunder or (ii) demand payment of unpaid balances, adjusted for interest, in future statements. Interest shall be assessed monthly on the average of the beginning and ending monthly-unpaid balances and shall be calculated monthly at the one month London Interbank Offered Rate posted on the date of payment calculation.

9.5 Notwithstanding anything herein to the contrary, NorthWestern shall not be obligated to accept or pay for any Energy curtailed pursuant to Article 4.

Article 10
NorthWestern Energy Charges

10.1 No Obligation to Provide Electricity Service. This Agreement does not obligate NorthWestern to provide electricity service to Seller at the Facility. If Seller requires any services at the Facility from NorthWestern, Seller shall receive such service in accordance with NorthWestern's applicable electric tariffs as existing or, as may be established from time to time and, on file with and authorized by the Montana Public Service Commission. NorthWestern may require as a condition of such service that Seller execute a separate agreement covering the sale of electricity by NorthWestern to Seller at the Point of Interconnection.

Article 11
Force Majeure

11.1 Force Majeure: Seller shall not be responsible or liable for a delay in performance of its obligation to achieve Commercial Operation by the Guaranteed Commercial Operation Date, or deemed in breach of such obligation if delay or failure to perform is due solely to circumstances which are beyond the reasonable control of Seller and which could not reasonably have been anticipated, including but not limited to acts of God; unusually severe weather conditions; war; riots; requirements, actions or failures to act on the part of any or fire (which circumstances shall constitute "Force Majeure"); provided that:

11.1.1 Seller must give NorthWestern, within forty-eight (48) hours of the occurrence, written notice describing the particulars of the occurrence;

11.1.2 the Force Majeure event was not caused by or connected with any negligent or intentional acts, errors, or omissions, or failure to comply with any law, rule, regulation, order or ordinance or for any breach or default of this Agreement; and

11.1.3 the Force Majeure event was not attributable to normal wear and tear or flaws randomly experienced in power generation materials and equipment and their assembly and operation; and

11.1.4 the suspension of performance is of no greater scope and of no longer duration than is required by the Force Majeure event.

11.2 Best Efforts: Seller shall use its best efforts to remedy its inability to perform and keep NorthWestern fully informed as to such efforts during the continuance of the Force Majeure event.

11.3 Resumption of Performance: When Seller is able to resume full performance of its obligations under this Agreement, Seller shall give NorthWestern prompt written notice to that effect.

11.4 Exclusions: The term "Force Majeure" shall not include changes in market conditions or governmental action that affect the demand for Seller's products. In addition, Force Majeure does not include unavailability of equipment, inability to obtain Governmental Approvals, labor strikes or slowdowns following the Commercial Operation Date or failure or unavailability of transmission or distribution capability, unless same is caused by an occurrence which would otherwise constitute Force Majeure under this Article 11.

11.5 No Extension of Term: In no event will any condition of Force Majeure extend the term of this Agreement. If any condition of Force Majeure delays Seller's performance for a time period greater than one hundred eighty (180) days, NorthWestern may terminate this Agreement, without further obligation, or extend such period at its sole discretion if Seller is exercising due diligence in its efforts to cure the condition of Force Majeure.

Article 12
Indemnification

12.1 Indemnity: Each Party shall indemnify, defend and hold the other Party and its officers, directors, affiliates, agents, employees, contractors and subcontractors, harmless from and against any and all claims, to the extent caused by any act or omission of the indemnifying Party or the indemnifying Party's own officers, directors, affiliates, agents, employees, contractors or subcontractors or to the extent such claims arise out of or are in any manner connected with the performance of this Agreement by such indemnifying Party. In the event that any loss or damage with respect to any claim is caused by the negligence of both NorthWestern and Seller, including their respective officers, directors, affiliates, agents, employees, contractors or subcontractors, such loss or damage shall be borne by NorthWestern and Seller in the proportion that their respective negligence bears to the total negligence causing such loss or damage.

12.2 Fines.

(a) Any fines, penalties or other costs incurred by either Party or such Party's agents, employees or subcontractors for non-compliance by such Party, its agents, employees or subcontractors with the requirements of any Laws or Governmental Approvals shall not be reimbursed by the other Party but shall be the sole responsibility of such non-complying Party.

(b) If such fines, penalties or other costs are assessed against NorthWestern by any Governmental Agency or court of competent jurisdiction due to the non-compliance by Seller with any Laws or Governmental Approvals, Seller shall indemnify and hold harmless NorthWestern against any and all losses, liabilities, damages and claims suffered or incurred because of the failure of Seller to comply therewith, subject to refund in the event that Seller or NorthWestern prevails in any Contest described below. Seller shall also reimburse NorthWestern for any and all legal or other expenses (including attorneys' fees) reasonably incurred by NorthWestern in connection with such losses, liabilities, damages and claims.

(c) If such fines, penalties or other costs are assessed against Seller by any Governmental Agency or court of competent jurisdiction due to the non-compliance by NorthWestern with any Laws or Governmental Approvals, NorthWestern shall indemnify and hold harmless Seller against any and all losses, liabilities, damages and claims suffered or

incurred because of the failure of NorthWestern to comply therewith, subject to refund in the event that NorthWestern or Seller prevails in any Contest described below. NorthWestern shall also reimburse Seller for any and all legal or other expenses (including attorneys' fees) reasonably incurred by Seller in connection with such losses, liabilities, damages and claims.

(d) In the case of Section 12.2(b) and (c), either Party shall, upon written notice to the other Party, have the right to reasonably Contest in the name of either or both Parties, as required, or to require the other Party to reasonably Contest, the assessment of such fines, penalties or costs and such Contesting Party shall be responsible for any costs and expenses (including the costs and expenses of the other Party) relating to such Contest.

12.3 Limitations of Liability, Remedies and Damages.

(a) Each Party acknowledges and agrees that in no event shall any partner, shareholder, member, manager, owner, officer, director, employee or Affiliate of either Party be personally liable to the other Party for any payments, obligations, or performance due under this Agreement or any breach or failure of performance of either Party and the sole recourse for payment or performance of the obligations under this Agreement shall be against Seller or NorthWestern and each of their respective assets and not against any other entity, except for such liability as expressly assumed by an assignee pursuant to an assignment of this Agreement in accordance with the terms hereof.

(b) THE EXPRESS REMEDY OR MEASURE OF DAMAGES SET FORTH IN THIS AGREEMENT SHALL BE THE SOLE AND EXCLUSIVE REMEDY WITH RESPECT TO SUCH SECTIONS. EACH PARTY'S LIABILITY SHALL BE LIMITED AS SET FORTH IN SUCH PROVISION AND ALL OTHER REMEDIES OR DAMAGES AT LAW OR IN EQUITY FOR THE SAME DAMAGE OR INJURY ARE WAIVED. UNLESS EXPRESSLY PROVIDED IN THIS AGREEMENT, NEITHER PARTY SHALL BE LIABLE TO THE OTHER FOR CONSEQUENTIAL, INCIDENTAL, PUNITIVE, EXEMPLARY OR INDIRECT DAMAGES SUFFERED BY THAT PARTY OR BY ANY CUSTOMER OR ANY PURCHASER OF THAT PARTY, LOST PROFITS OR OTHER BUSINESS INTERRUPTION DAMAGES, BY STATUTE, IN TORT OR CONTRACT, UNDER ANY INDEMNITY PROVISION OR OTHERWISE (EXCEPT TO THE EXTENT THAT AN INDEMNIFYING PARTY PURSUANT TO THE PROVISIONS OF SECTION 12.1 HEREOF IS OBLIGATED TO INDEMNIFY AGAINST THIRD PARTY CLAIMS NOT ARISING OUT OF CONTRACTS WITH THE INDEMNIFIED PARTY FOR CONSEQUENTIAL, INCIDENTAL, PUNITIVE, EXEMPLARY OR INDIRECT DAMAGES OR LOST PROFITS OR OTHER BUSINESS INTERRUPTION DAMAGES). IT IS THE INTENT OF THE PARTIES THAT THE LIMITATIONS HEREIN IMPOSED ON REMEDIES AND THE MEASURE OF DAMAGES BE WITHOUT REGARD TO THE CAUSE OR CAUSES RELATED THERETO, INCLUDING, WITHOUT LIMITATION, THE NEGLIGENCE OF ANY PARTY, WHETHER SUCH NEGLIGENCE BE SOLE, JOINT OR CONCURRENT, OR ACTIVE OR PASSIVE. TO THE EXTENT ANY DAMAGES REQUIRED TO BE PAID HEREUNDER ARE LIQUIDATED, THE PARTIES ACKNOWLEDGE THAT THE DAMAGES ARE DIFFICULT OR IMPOSSIBLE TO DETERMINE, OTHERWISE OBTAINING AN ADEQUATE REMEDY IS INCONVENIENT AND THE LIQUIDATED DAMAGES CONSTITUTE A REASONABLE APPROXIMATION OF THE HARM OR LOSS.

12.4 Survival: The provisions of this Article 12 shall survive the termination of this Agreement.

12.5 Insurance Obligation: The provisions of this Article 12 shall not be construed so as to relieve any insurer of its obligations to pay any insurance claims in accordance with the provisions of any valid insurance policy.

Article 13
Insurance

13.1 Required Coverages: Seller, at its own expense, must maintain in force throughout the period of this Agreement the following minimum insurance coverages that are placed with an insurer that has an A.M. Best rating of A- VII or better:

13.1.1 Workers' Compensation insurance providing statutory benefits in accordance with the laws and regulations of the state.

13.1.2 Employer's Liability - $500,000 each accident; $500,000 disease - policy limit; and $500,000 disease – each employee

13.1.3 Commercial General Liability insurance including premises and operations, personal injury, broad form property damage, broad form blanket contractual liability coverage (including coverage for the contractual indemnification) products and completed operations coverage, coverage for explosion, collapse and underground hazards, independent contractors coverage, coverage for pollution to the extent normally available and punitive damages to the extent normally available and a cross liability endorsement, with minimum limits of One Million Dollars ($1,000,000) per occurrence, Two Million Dollars ($2,000,000) general aggregate and One Million Dollars ($1,000,000) products/completed operations aggregate. General Liability & General Aggregate limits are to be on a "Per Project/Per Location" basis.

13.1.4 Comprehensive Automobile Liability insurance for coverage of owned and non-owned and hired vehicles, trailers or semi-trailers designed for travel on public roads, with a minimum, combined single limit of One Million Dollars ($1,000,000) per occurrence for bodily injury, including death, and property damage.

13.1.5 Umbrella/Excess Liability insurance at a minimum of Ten Million Dollars ($10,000,000).

13.2 Additional Insured: The Commercial General Liability insurance, Comprehensive Automobile insurance, and Umbrella/Excess Liability insurance policies shall name NorthWestern, its parent, associated and Affiliate companies and their respective directors, officers, agents, servants and employees ("Other Party Group") as additional insureds. Before commencing any deliveries under this Agreement, Seller shall deliver to NorthWestern in accordance with Article 13, an insurance certificate evidencing the required coverage, limits and additional insured provisions as required by this Agreement. All policies shall contain provisions whereby the insurers waive all rights of subrogation in accordance with the provisions of this Agreement against the Other Party Group, insurance coverage shall be primary and non-contributory, and provide thirty (30) days advance written notice to the Other Party Group prior to anniversary date of cancellation or any material change in coverage or condition. A copy of the cancellation clause endorsement as noted above shall be attached to the insurance certificate.

13.3 Continuing Coverage: The Commercial General Liability insurance and Comprehensive Automobile Liability insurance policies, if written on a Claims First Made Basis, shall be maintained in full force and effect for two (2) years after termination of this Agreement, which coverage may be in the form of tail coverage or extended reporting period coverage if agreed by the Parties.

13.4 Proof of Insurance: Within ten (10) days following execution of this Agreement, and as soon as practicable after the end of each fiscal year or at the renewal of the insurance policy and in any event within ninety (90) days thereafter, Seller shall provide certification of all insurance required in this Agreement, executed by the insurer or by an authorized representative.

13.5 Self-Insurance: Notwithstanding the foregoing, Seller may self-insure to meet the minimum insurance requirements of Sections 13.1.1 through 13.1.3. to the extent it maintains a self-insurance program; any self-insured retention over One Million Dollars ($1,000,000) must be preapproved by NorthWestern.

Article 14
Notices

Any notice provided for in this Agreement, or served, given or made in connection with this Agreement, shall be in writing and shall be deemed properly served, given or made, if delivered in person or sent by facsimile, courier service, email, or registered, first class certified U.S. mail, postage prepaid, addressed to the intended recipient at the address set forth below. Telephone conversations do not constitute notice under this Agreement.

To Seller:

[_____]

To NorthWestern:

NorthWestern Energy
Frank Bennett
Energy Supply
40 East Broadway
Butte, MT 59701-9394
Phone: (406) 497-2536
Fax: (406) 497-2629
Email: frank.bennett@northwestern.com

With a copy to:

Legal Department
NorthWestern Energy
208 North Montana Avenue
Helena, MT 59601
Fax: (406) 443-8979
Email: andrew.mclain@northwestern.com

Article 15
Assignment and Ownership

15.1 Assignment Prohibited: Neither Party shall either voluntarily or by operation of law assign or transfer its rights nor delegate its duties under this Agreement, or any part of such rights or duties, without the written consent of the other Party, except for the sole purpose of providing a security interest to acquire financing for the Facility. Consent to assignment will not be withheld unreasonably.

15.2 Assumption of Liabilities: No assignment by Seller shall be effective, notwithstanding NorthWestern's consent thereto, unless the assignee under such assignment agrees in

writing to unconditionally assume all of the duties, liabilities, and obligations of Seller under this Agreement.

15.3 NorthWestern's Obligations to Assignee: No assignment by Seller shall be effective, notwithstanding NorthWestern's consent thereto, to the extent that such assignment purports to extend, increase, or otherwise alter the obligations of NorthWestern under this Agreement, other than the substitution of the assignee for Seller.

15.4 Indemnity: Seller shall save, indemnify, and hold harmless NorthWestern for any and all losses resulting from assignee's failure effectively to assume all of the duties, liabilities and obligations of Seller under this Agreement.

15.5 Validity: Any attempted or purported assignment, assumption or transfer by a Party made other than in accordance with this Article 15, whether made voluntarily or by operation of law, shall be void and of no effect.

Article 16
Taxes

16.1 No Liability for Seller Taxes: Any production or excise taxes attributable to the Energy purchases from the Facility, including but not limited to ad valorem taxes the energy production license tax and the wholesale energy transaction tax, that are levied against NorthWestern shall be reimbursed by Seller. Seller shall pay NorthWestern the amount of such assessment or levy within thirty (30) days of presentation of documentation provided by NorthWestern to Seller showing the amount.

16.2 Provision of Information: The Parties shall provide information concerning the Facility to any requesting taxing authority.

Article 17
General Provisions

17.1 Choice of Law:

17.1.1 This Agreement shall be construed and interpreted in accordance with the laws of the State of Montana or the United States, as applicable, excluding any choice of law rules which may direct the application of the laws of another jurisdiction.

17.1.2 Venue for any claim or action arising from this Agreement shall be determined in a manner consistent with applicable Montana or Federal law.

17.2 Governmental Approvals: Copies of all Governmental Approvals obtained by Seller for the operation of the Facility shall be provided to NorthWestern upon request.

17.3 Entire Agreement: This Agreement, including all Exhibits hereto, together with NorthWestern's Schedule QF-1 Tariff, constitutes the entire understanding between the Parties and supersedes any and all previous understandings or agreements between the Parties with respect to the subject matter hereof. This Agreement shall be binding upon and inure to the benefit of the Parties and their respective successors and assigns.

17.4 No Third Party Beneficiaries; No Dedication to Public Use. Nothing in this Agreement shall be construed to create any rights in, or grant remedies to, any third party as a beneficiary of this Agreement or of any duty, covenant, obligation or understanding established under this

Agreement. Neither Party, by this Agreement, dedicates any part of the Facility to the public, nor does this Agreement affect the status of NorthWestern as an independent public utility corporation, or Seller as an individual or entity.

17.5 Several Liability: Except where specifically stated in this Agreement to be otherwise, the duties, obligations and liabilities of the Parties are intended to be several and not joint or collective.

17.6 No Partnership: Nothing contained herein shall be deemed to create an association, joint venture, partnership or principal/agent relationship between the Parties hereto or to impose any partnership obligation or liability on either Party. Neither Party shall have any right, power or authority to enter into any agreement or commitment, act on behalf of, or otherwise bind the other Party in any way.

17.7 Seller Financing: No documents shall be provided by NorthWestern, nor shall NorthWestern be required to make any warranties or representations to assist the Seller in obtaining financing.

17.8 Modification or Amendment. No modification, amendment or waiver of any provision of this Agreement shall be valid unless it is in writing and signed by both Parties.

17.9 Severability. If any term or provision of this Agreement or the application thereof to any Person or circumstance is held to be illegal, invalid or unenforceable under any present or future Law or by any Governmental Agency, (a) such term or provision shall be fully severable, (b) this Agreement shall be construed and enforced as if such illegal, invalid or unenforceable provision had never comprised a part hereof, (c) the remaining provisions of this Agreement shall remain in full force and effect and shall not be affected by the illegal, invalid or unenforceable provision or by its severance herefrom and (d) the Parties shall negotiate in good faith to enter into such modifications of this Agreement as may be necessary to preserve the economic and other benefits of this Agreement to the affected Party to the greatest extent possible and permissible.

17.10 Captions: All indexes, titles, subject headings, Article titles and similar items are provided for the purpose of reference and convenience and are not intended to be inclusive, definitive or to affect the meaning of the contents or scope of this Agreement.

17.11 Exhibits: This Agreement includes Exhibits A, B, and C which are attached, and incorporated by reference herein. Exhibits may from time to time be changed in writing upon mutual agreement of the Parties.

Article 18
Regulation by the Montana Public Service Commission

Seller acknowledges that NorthWestern, as a public utility, is subject to regulation by the MPSC and that NorthWestern may be required to submit information, data or documents regarding this Agreement, Seller, or the Facility, including, but not limited to, a copy of this Agreement, together with any other documentation associated herewith, to the MPSC as part of regular regulatory proceedings. To the extent Seller wishes to seek a protective order for this Agreement or any other information to be submitted to the MPSC, Seller shall be solely responsible for preparing and otherwise requesting any such protective order from the MPSC. Seller acknowledges that, notwithstanding anything herein to the contrary, NorthWestern may submit a copy of this Agreement and any other information related herewith to the MPSC as part of complying with any portion of an MPSC request, order or other regulatory proceeding, regardless of whether Seller has requested a

protective order from MPSC, until such time as a protective order is issued that relieves NorthWestern of its legal obligations to provide information requested by the MPSC. NorthWestern shall have no obligation to participate in, cooperate with, or in any way assist Seller in seeking any protective order.

IN WITNESS WHEREOF, each Party represents that it has full power and authority to enter into and perform this Agreement and the person signing this Agreement on behalf of each Party has been properly authorized and empowered to sign this Agreement.

[SELLER]	**NORTHWESTERN CORPORATION d/b/a NORTHWESTERN ENERGY**
By:	By: Robert Rowe
Title:	Title: President & CEO

Exhibit A

QF Generator Interconnection Agreement

Exhibit B

Qualifying Facility QF-1 Facility Completion Certificate

A. Project Information

Developer Name: _____
QF-1 Facility Name: _____
Facility Location; Township: _____
Range: _____
Section _____
Nearest Community & Miles: _____

B. QF-1 Energy Generation System Information

(Attach multiple sections if more than one turbine type is used in Facility.)

Total Facility Nameplate Capacity (kW): _____
Turbine Manufacturer: _____
Turbine Model: _____
Number of this Turbine Installed: _____
Tower Height if Wind: _____
Tower Manufacturer: _____

C. Electrical Hardware and Installation Compliance and Inspection

Initial your confirmation that all system hardware is in compliance with all applicable performance and safety standards including: county and local codes, the National Electric Code, and Montana State interconnection standards if applicable.

Initials: _____
Electrical Permit #: _____
Issued by (County or Municipality Name): _____
Master Electrician Name: _____
Electrician's License #: _____
Inspection Date: _____

Electrician's Statement: I solemnly affirm under penalties of perjury that I am a contractor licensed in _____, and have met the requirements of the local codes authority regarding system safety and reliability and that all the contents of the Electrical Hardware and Installation Compliance and Inspection section are true to the best of my knowledge, information, and belief.

Signed (Electrical Contractor): _____
Dated: _____
Name (Print): _____
Company: _____

D. QF-1 Facility Developer Acknowledgement

I solemnly affirm under penalties of perjury that I am the QF-1 Facility Owner or Developer, and have met the requirements of completion and construction of the QF-1 Facilities Power Purchase Contract, and that the contents of the foregoing completion certificate are true to the best of my knowledge, information, and belief.

Signed (Owner or Developer): _____

Print Owner or Developer Name: _____

Date: _____

QF-1 Facility Name: _____

QF-1 Facility Tax ID: _____

Exhibit C

NorthWestern Energy Curtailment Protocol

Pursuant to Article 4 of the Power Purchase Agreement for Qualifying Facilities ("PPAQF") dated June 8, 2011, NorthWestern Energy hereby sets forth the methodology it will use to determine the circumstances under which Advance Notice of curtailment will be given and the circumstances under which a Notice of Curtailment will be issued.

NorthWestern expects that, as system conditions and scheduling procedures and timelines change, this Curtailment Procedure will be updated accordingly.

Advance Notice

For each delivery month, NorthWestern will determine whether curtailment pursuant to Section 4.1 of the PPAQF may be necessary. The determination will be made as follows.

NorthWestern will calculate its Forecasted Total Available Resources for on-peak hours and off-peak hours. "Forecasted Total Available Resources" is defined as the sum of the generating capacity of all of NorthWestern's owned, leased, and contracted generating assets available for energy supply, plus existing energy purchases, minus existing energy sales for the applicable period.

The Forecasted Total Available Resources will be compared with NorthWestern's Forecasted Hourly Supply Load for the applicable month. If the Forecasted Total Available Resources exceed the Forecasted Hourly Default Supply Load in any hour, a curtailment pursuant to Section 4.1 of the PPAQF may be necessary and NorthWestern will provide Advance Notice to the Seller. Such Advance Notice will be provided at least one month in advance of any hour subject to curtailment.

Notice of Curtailment

During any period for which NorthWestern has previously provided Advance Notice of curtailment, Seller's generation may be curtailed as follows.

For each scheduling hour, NorthWestern will determine its Total Available Resources and Hourly Scheduled Supply Load. "Total Available Resources" is defined as the sum of the expected generation for NorthWestern's owned, leased, and contracted generating assets available for energy supply at their expected generation levels plus day-ahead or longer-term energy purchases minus day-ahead or longer-term energy sales. "Hourly Scheduled Supply Load" is defined as NorthWestern's estimate of its Supply obligation for the scheduling hour as determined 60 minutes in advance of the beginning of the scheduling hour.

If the Total Available Resources exceed the Hourly Scheduled Supply Load, a curtailment may be deemed to be operationally necessary. A determination of the amount of scheduled energy purchases to be curtailed and the Sellers to whom the curtailment procedures will apply is subject to the sole discretion of NorthWestern. NorthWestern will provide a Notice of Curtailment to each Seller from whom purchases of electricity are to be curtailed by email at least 40 minutes in advance of the beginning of the scheduling hour directing Seller to limit its generating capacity to the amount specified for that hour.

For any hour for which it is given a Notice of Curtailment, Seller is responsible to limit its generating capacity to the amount specified by NorthWestern for that hour. In the event that Seller generates and delivers energy in excess of the amount specified, the price paid by NorthWestern to the Seller for the excess energy will be $0.

Documentation

For each hour that a curtailment occurs, NorthWestern will document the Total Available Resources and the Hourly Scheduled Supply Load that were used to determine that the curtailment was operationally necessary. NorthWestern will provide the documentation to the Seller for any hours that were curtailed in the prior month as part of the regular monthly settlement process.

POWER PURCHASE AGREEMENT
for Qualifying Facilities
Version 1

by and between

NORTHWESTERN ENERGY,
as Buyer

and

[_____],
as Seller

dated as of [_____], 20[__]

The offer contained in this form of agreement supersedes all previous offers extended to Seller by NorthWestern. By delivery of this form of agreement, all previous offers, whether oral or written, are revoked. This offer was delivered to Seller on April 13, 2011, and shall remain open for 90 days, unless extended in NorthWestern's sole discretion.

Power Purchase Agreement

THIS POWER PURCHASE AGREEMENT ("Agreement") is entered into this _____, 20[__] ("Effective Date"), by and between [_____] , a Montana [_____] ("Seller") and **NorthWestern Corporation d/b/a NorthWestern Energy**, a Delaware corporation authorized to do business in Montana ("NorthWestern"). Seller and NorthWestern are sometimes referred to in this Agreement collectively as "Parties" and individually as "Party."

RECITALS:

A. Seller is developing a [____] turbine facility referred to as [_____], which is rated at [_____] kilowatts of electric generation capacity, that is a "Qualifying Facility" pursuant to 18 C.F.R. §§ 292.201 *et seq.,* located in _____ ("Facility").

B. Seller wishes to sell electric energy produced from the Facility to NorthWestern at the rates provided in NorthWestern's Electric Tariff, Schedule No. QF-1, approved and on file with the Montana Public Service Commission ("MPSC" or "Commission"), and NorthWestern wishes to buy such energy.

In consideration of the mutual covenants and agreements herein contained, as well as other good and valuable consideration, the sufficiency of which is expressly acknowledged and accepted, the Parties hereto agree as follows:

Article 1
Definitions

As used in this Agreement and the Appendices attached hereto, the following terms, whether in the singular or plural, shall have the following meanings:

1.1 Affiliate means any entity that controls, is controlled by, or is under common control with a Party.

1.2 Billing Period means the period of time from one meter reading to the next, which shall occur approximately each 31 days.

1.3 Business Day means a day other than Saturday, Sunday or any other day on which banks located in Montana are authorized or obligated to close.

1.4 Commercial Operation Date means the date on which NorthWestern receives notice from Seller that Commercial Operation has been achieved and the last of the conditions set forth in Section 3.2 has been fulfilled.

1.5 Commercial Operation means that Facility construction and testing has been completed, the Generator Interconnection Agreement has been Executed, and the Facility is capable of delivering Energy continuously to the Point of Interconnection.

1.6 Contest means, with respect to either Party, a contest of (a) any Governmental Approval or any act or omission by governmental agencies or (b) the amount or validity of any claim

pursued by or against such person in good faith and by appropriate legal, administrative, or other proceedings.

1.7 Contingency Reserves has the meaning set forth in NorthWestern's Electric Tariff, Schedule No. CR-1.

1.8 Delay Damages has the meaning set forth in Section 3.4 of this Agreement.

1.9 Effective Date means the execution date of this Agreement, as indicated above.

1.10 Energy means the amount of electrical energy expressed in kilowatt-hours (kWh) received by NorthWestern and provided by Seller pursuant to this Agreement, as determined by the billing meter located at the Point of Interconnection, including any adjustment for losses.

1.11 Energy Rate means $[__] per Mwh.

1.12 Environmental Attributes means any credits, credit certificates, rights, powers, privileges or similar items such as those for greenhouse gas reduction, green certificates or the generation of green power or renewable energy, or for satisfying renewable portfolio standards or similar renewable energy mandates, or offsets of emissions of greenhouse gases, in each case created by any governmental agency and/or independent certification board or group generally recognized in the electric power generation industry, and generated by or associated with the Facility. The term "Environmental Attributes" does not include any federal, state, or local incentive or production tax attributes or other non-environmental benefits.

1.13 Executed refers to an agreement that is either (i) executed by the parties thereto or (ii) has been filed with and approved by FERC.

1.14 Extended Delay Damages has the meaning set forth in Section 3.4 of this Agreement.

1.15 Facility means the electric generation facility which is owned, controlled, or operated by Seller, or its successors or assigns, as described in the Recitals, and which is the subject of this Agreement, including all interconnection equipment located on Seller's side of the Point of Interconnection. Special interconnection requirements may be set forth in the Generator Interconnection Agreement.

1.16 FERC means the Federal Energy Regulatory Commission.

1.17 Generator Interconnection Agreement means that agreement between Seller and the transmission provider attached hereto as Exhibit A.

1.18 Governmental Agency means any court, tribunal, arbitrator, authority, agency, commission, official or other instrumentality of the United States or of any foreign country or of any state, county, city or other political subdivision thereof, in each case having legal jurisdiction over the matter or person in question or the Facility.

1.19 Governmental Approval means any and all licenses, permits or approvals necessary for the construction or operation of the Facility and issued by federal, state or local authorities, including, without limitation, evidence of compliance with Subpart B, 18 C.F.R. §§ 292.201, et seq., as a Qualifying Facility.

1.20 Guaranteed Commercial Operation Date means the earlier of the date that is one hundred and eighty (180) days from the Effective Date or [_____], provided that such date may be extended as the result of Force Majeure.

1.21 Initial Capacity Determination means the maximum amount of Energy the Facility will produce in any hour as reasonably determined by NorthWestern based upon the information provided by Seller in Article 3.

1.22 Law means all laws, statutes, rules, regulations, ordinances and other pronouncements having the effect of law of the United States or of any foreign country or of any state, county, city or other political subdivision thereof or of any other Governmental Agency.

1.23 Nameplate Capacity means the maximum rated output of the Facility under specific conditions designated by the manufacturer. For the purposes of this Agreement, the Nameplate Capacity of the Facility shall be ____ MW.

1.24 Point of Interconnection has the meaning given in the Generator Interconnection Agreement.

1.25 Prudent Electrical Practice means those practices, methods and equipment that are commonly used in the utility industry and electrical engineering and operations to operate electric equipment lawfully and with safety, dependability, efficiency and economy and in accordance with all applicable codes and regulations.

1.26 Qualifying Facility or QF means a cogeneration or small power production facility which meets the criteria as defined in Title 18 C.F.R., Sections 292.201 through 292.207, as amended from time to time.

1.27 QF Rate means the rate provided in the appropriate Option selected from NorthWestern's Electric Tariff, Schedule No. QF-1, approved and on file with the Montana Public Service Commission.

1.28 Wind Integration has the meaning set forth in NorthWestern's Electric Tariff, Schedule No. WI-1.

Article 2
Purchase and Sale of Energy and Environmental Attributes

2.1 Term: This Agreement shall be effective at 12:00 a.m. Mountain Standard Time ("MST") on the Effective Date and shall remain in effect for a term of _____ years, unless earlier terminated pursuant to its terms.

2.2 Purchase and Sale of Electricity [and Environmental Attributes]: Subject to the terms and conditions of this Agreement, Seller shall sell to NorthWestern, and NorthWestern shall purchase from Seller, on and after the Commercial Operation Date and for the term of this Agreement, all of the Energy output of the Facility [and all of the Environmental Attributes related to or associated with the operation of the Facility]. **[Choose appropriate bracketed language depending on rate Option selected.]**

2.3 Purchase Price: NorthWestern shall pay Seller for Energy [and Environmental Attributes] received under this Agreement at the QF Rate. [NorthWestern shall receive the Environmental Attributes associated with the electricity purchased from Seller at no additional cost to NorthWestern.] [The Environmental Attributes associated with the

electricity purchased by Seller will not be purchased by NorthWestern under this Agreement and shall not be included in the Purchase Price.] **[Choose appropriate bracketed language depending on rate Option selected.]**

Article 3
Commercial Operation

3.1 Commercial Operation: Seller shall cause the Facility to achieve Commercial Operation on or prior to the Guaranteed Commercial Operation Date.

3.2 Conditions to Commercial Operation: Notwithstanding anything herein to the contrary, Commercial Operation shall not be deemed to have been achieved, and NorthWestern shall have no obligation to purchase Energy hereunder, until all of the following have occurred:

3.2.1 Seller has submitted to NorthWestern a certificate by an authorized officer of Seller certifying that all Governmental Approvals have been obtained.

3.2.2 Seller has provided to NorthWestern manufacturer's documentation that establishes the Nameplate Capacity of each individual generation unit that is included within the Facility.

3.2.3 Seller has provided to NorthWestern an executed Engineer's Certification of Design and Construction Adequacy substantially in the form attached hereto as Exhibit B.

3.2.4 Seller has provided to NorthWestern written proof of insurance consistent with the requirements of Article 13 of this Agreement.

3.2.5 Seller has provided to NorthWestern a certificate by an authorized officer of Seller certifying that Seller has Executed a Generator Interconnection Agreement with NorthWestern's transmission department.

3.2.6 Seller has provided to NorthWestern written proof of its status as a Qualifying Facililty.

3.3 Initial Capacity Determination: Commercial Operation shall not be deemed to have been achieved until NorthWestern has made the Initial Capacity Determination pursuant to Section 3.9.

3.4 Failure to Achieve Commercial Operation: The Parties acknowledge that the damages NorthWestern will incur if the Facility does not achieve Commercial Operation by the Guaranteed Commercial Operation Date are difficult or impossible to predict with certainty, and that the Delay Damages and Extended Delay Damages are an appropriate approximation of such damages.

3.5 Delay Damages: If Commercial Operation occurs after the Guaranteed Commercial Operation Date, but on or prior to the day which is one hundred eighty (180) days after the Guaranteed Commercial Operation Date, Seller shall pay Delay Damages for each day the Facility has not achieved Commercial Operation.

3.5.1 Calculation of Delay Damages: The Delay Damages shall be an amount equal to one hundred dollars ($100.00) per MW per day for each day after the Commercial Operation Date that the Facility has not yet achieved Commercial Operation, for each MW below Nameplate Capacity.

3.5.2 Right to Terminate; Extended Delay Damages: If the Commercial Operation Date does not occur within one hundred eighty (180) days after the Guaranteed Commercial Operation Date, NorthWestern shall have the right, but not the obligation, to terminate this Agreement upon written notice to Seller. In the event that NorthWestern does not exercise this termination right, Seller shall pay Extended Delay Damages for each day the Facility has not achieved Commercial Operation.

3.5.3 Calculation of Extended Delay Damages: The Extended Delay Damages shall be an amount equal to two hundred dollars ($200.00) per MW per day for each day beginning one hundred and eighty-one (181) days after the Guaranteed Commercial Operation Date that the Facility has not yet achieved Commercial Operation, for each MW below Nameplate Capacity.

3.5.4 Payment of Delay Damages and Extended Delay Damages: If the Facility does not achieve Commercial Operation by the Guaranteed Commercial Operation Date, Seller shall make periodic payments to NorthWestern of all accrued Delay Damages and/or Extended Delay Damages, beginning on the tenth (10th) Business Day after the Guaranteed Commercial Operation Date and recurring each tenth (10th) Business Day (each, a "Delay Payment Date", and such ten-day periods, each, a "Delay Payment Period") until Commercial Operation is achieved or this Agreement is terminated. Payments of Delay Damages or Extended Delay Damages shall be made by wire transfer or ACH transfer pursuant to wire instructions provided by NorthWestern.

3.6 Delay Security: Within thirty (30) days after the Effective Date, Seller shall post a surety bond, letter of credit or other form of security that is acceptable to NorthWestern ("Delay Security") in the amount of $_____. Failure to post this Delay Security in the time specified above shall be a material breach of this Agreement and NorthWestern shall have the right to terminate this Agreement upon written notice to Seller.

3.6.1 NorthWestern shall release any remaining Delay Security posted hereunder after all calculated Delay Damages and Extended Delay Damages are paid in full to NorthWestern and upon the earlier of: (a) thirty (30) days after the Commercial Operation Date or (b) thirty (30) days after the termination of this Agreement. No interest shall accrue or be paid on released funds.

3.6.2 NorthWestern may draw on the Delay Security for payment of Delay Damages or Extended Delay Damages accrued during a Delay Payment Period. If NorthWestern chooses to draw on the Delay Security, NorthWestern shall notify Seller at least five (5) days prior to the Delay Payment Date of NorthWestern's intent to do so and of the amount to be drawn. Seller's obligation to pay Delay Damages or Extended Delay Damages for any Delay Payment Period shall be reduced in an amount equal to the amount drawn by NorthWestern on the Delay Security.

3.6.3 If the Delay Security is fully drawn down for payment of Delay Damages and/or Extended Delay Damages, Seller shall post a new Delay Security in the amount set forth above within ten (10) days of the the day that Seller becomes aware that the Delay Security is exhausted.

3.7 Annual Operating Plan: Seller shall provide NorthWestern with an annual operating plan and an engineer's certification of operations and maintenance, including the timing and duration of proposed Facility maintenance and all other activities that could impact the reliability and or Energy output of the Facility. Seller shall specifically provide NorthWestern

with such operational plan for each upcoming generation year (May through April), no later than the immediately preceding February. Such operational plan shall include, without limitation, processes and procedures for providing NorthWestern with monthly and quarterly projected Energy output, as well as processes and procedures for scheduling Energy delivery to NorthWestern on an hourly basis.

3.8 Wind Integration and Contingency Reserves: If Seller has selected Options 1 or 2 under the QF-1 Tariff, it must provide wind integration services and contingency reserves for the term of this Agreement and may either self-supply under terms acceptable to NorthWestern or accept payment adjustments by NorthWestern for those services in accordance with the Wind Integration Tariff (WI-1) and Contingency Reserves Tariff (CR-1). Payment to NorthWestern under WI-1 and/or CR-1 shall result in an adjustment of the total monthly payment made to Seller to reflect the provision of those services."

3.9 Generator Interconnection Agreement: Seller acknowledges that an Executed Generator Interconnection Agreement with transmission provider is a condition precedent to Commercial Operation of the Facility. This Agreement shall do nothing to modify or otherwise amend the obligations, rights, and remedies of the Parties as specified in the Generator Interconnection Agreement. To the extent any terms or conditions in the Generator Interconnection Agreement contravene or contradict the terms and conditions of this Agreement, the terms and conditions of the Generator Interconnection Agreement shall control and be binding on the Parties.

3.10 Metering: Metering of the Facility shall occur in the manner described in the Generator Interconnection Agreement.

3.11 Initial Capacity Determination: Promptly after the Effective Date, Seller shall submit sufficient verifiable data, consistent with Prudent Electrical Practice, to demonstrate the Energy capacity of the Facility, to enable NorthWestern to make the Initial Capacity Determination. Such data shall include, without limitation, the installed Nameplate Capacity of the Facility's individual generators, equipment specifications, resource characteristics, and normal and/or average operating design conditions. Upon receipt of this data, NorthWestern shall review it within a commercially reasonable time period and, if necessary, request additional data from Seller. Seller shall exercise commercially reasonable efforts to provide such additional data promptly to NorthWestern. NorthWestern shall make the Initial Capacity Determination within a reasonable time after receiving all requested data.

Article 4
Curtailment

4.1 No Obligation to Accept Energy: Northwestern shall not be obligated to accept or pay for Energy from Seller during any period in which, due to operational circumstances, the acceptance of Energy from Seller and similarly situated suppliers of energy to NorthWestern is expected to result in Northwestern system costs greater than those which NorthWestern would incur if it did not accept such deliveries, including periods in which NorthWestern generated an equivalent amount of energy itself. For illustrative purposes only, and without limiting the circumstances under which NorthWestern might be relieved of the obligation to accept or pay for Energy from Seller under this section, an example of such a period is a period when NorthWestern would be forced to shut down a base load or intermediate load plant in order to accept deliveries of Energy from Seller and such base load or intermediate load plant could not then be restarted and brought up to its rated output to meet the next period's peak load and NorthWestern would consequently be required to utilize costly or less efficient generation with faster start-up or purchase higher-priced energy to meet the

demand that could have been met by the base load or intermediate load plant but for such purchases from Seller. During periods in which NorthWestern is purchasing energy both from Seller and from similarly-situated suppliers, the implementation of any curtailments of deliveries of energy is subject to the sole discretion of NorthWestern.

4.2 Notice of Curtailment; Compensation. NorthWestern shall give one (1) month's written notice to Seller of any period in which NorthWestern expects that curtailment pursuant to Section 4.1 may be necessary. During such period, if NorthWestern curtails Seller pursuant to Section 4.1, NorthWestern shall document such curtailment and promptly provide such documentation to Seller. In the event that NorthWestern later determines that the curtailment was not operationally necessary, NorthWestern shall within a reasonable time compensate Seller at the Energy Rate for the Energy that would have been generated and delivered to Northwestern.

4.3 System Emergency: Notwithstanding anything herein to the contrary, Seller acknowledges that pursuant to the Generator Interconnection Agreement, transmission provider may require Seller, without reimbursement, to interrupt or reduce deliveries of Energy if such delivery of Energy could adversely affect transmission provider's ability to perform such activities as are necessary to safely and reliably operate and maintain its transmission system. Seller and NorthWestern acknowledge that such curtailments are governed solely by the provisions of the Generator Interconnction Agreement and not by this Agreement.

4.4 Compensation: In the event that deliveries of Energy from Seller are curtailed at the request of NorthWestern for reasons other than those specified in Section 4.1 or 4.3, then Seller shall be compensated at the Energy Rate for the Energy that would have been generated and delivered to NorthWestern.

Article 5
Termination

5.1 NorthWestern's Right to Terminate: NorthWestern shall have the right to terminate this Agreement immediately if (i) any Seller Event of Default has occurred and is continuing after the expiration of any applicable cure period; or (ii) because of a change in ownership, operation, size, or otherwise, the Federal Energy Regulatory Commission determines that Seller is not a Qualifying Facility.

5.2 Seller Events of Default: Each of the following shall be a Seller Event of Default under this Agreement: (i) failure by Seller to make any payment due under this Agreement, including a payment of Delay Damages or Extended Delay Damages, and such failure has not been cured within ten (10) days of Seller's receipt of notice from NorthWestern; (ii) Seller fails to post or maintain the Delay Security, and such failure has not been cured within five (5) days of Seller's receipt of notice from NorthWestern; or (iii) Seller fails to perform any other material obligation of Seller under this Agreement, and such failure has not been cured within thirty (30) days after Seller's receipt of notice from NorthWestern.

5.3 Seller's Right to Terminate: Seller shall have the right to terminate this Agreement immediately if any NorthWestern Event of Default has occurred and is continuing after the expiration of any applicable cure period.

5.4 NorthWestern Events of Default: Each of the following shall be a NorthWestern Event of Default under this Agreement: (i) failure by NorthWestern to make any payment due under this Agreement, and such failure has not been cured within ten (10) days of NorthWestern's receipt of notice from Seller; and (ii) NorthWestern fails to perform any other material

obligation of NorthWestern under this Agreement, and such failure has not been cured within thirty (30) days after NorthWestern's receipt of notice from Seller.

5.5 Repeal of QF Requirements: The repeal or cancellation of NorthWestern's obligation to purchase power from a Qualifying Facility shall not give rise to a right to terminate pursuant to this Agreement.

5.6 Documentation of QF Status: NorthWestern has the right at all times to request and inspect all documents related to Seller's status as a Qualifying Facility, and Seller shall provide such documentation to NorthWestern promptly after receiving such a request.

5.7 Effect of Termination: Upon termination of this Agreement, both Parties are relieved of their obligations under this Agreement as of the date of termination; but all obligations, rights to performances, and rights to payments incurred before such date, including but not limited to Delay Damages and Extended Delay Damages, shall remain in effect until fully satisfied.

Article 6
Seller's Representations & Warranties

As of the Effective Date, Seller hereby represents and warrants as follows:

6.1 QF Status: The Facility is a Qualifying Facility, as that term is defined in Title 18, C.F.R., Sections 292.201 through 292.207 (as amended from time to time) and is in compliance with all of the statutory, regulatory and other requirements necessary to maintain Qualifying Facility status.

6.2 Existence and Authorization: It is a [_____] in good standing and validly existing under the laws of the State of [_____], is duly registered, licensed, and authorized to conduct business in the State of Montana, and that it (i) has all power and authority to execute, deliver and perform this Agreement; and (ii) has all requisite power and authority to own its properties and to carry on its business as it is now being conducted and as it is presently proposed to be conducted.

6.3 Consents; No Violation: The execution, delivery and performance of its obligations under this Agreement by Seller do not and shall not:

(i) as to execution and delivery but not performance, require any consent or approval of Seller's members, managers or guarantors which has not been obtained and each such consent or approval that has been obtained is in full force and effect;

(ii) violate any provision of any law, rule, regulation, order, writ, judgment, injunction, decree, determination, or award applicable to Seller or any provision of the organizational documents of Seller, the violation of which could reasonably be expected to have a material adverse effect on the ability of Seller to perform its obligations under this Agreement;

(iii) result in a breach of, or constitute a default under, any provision of the organizational documents of Seller;

(iv) result in a breach of or constitute a default under any agreement relating to the management or affairs of Seller or any indenture or loan or credit agreement or any other agreement, lease, or instrument to which Seller is a party or by which Seller or its properties or assets may be bound or affected, the breach or default of which could reasonably be

expected to have an adverse effect on the ability of Seller to perform its obligations under this Agreement; or

(v) result in, or require the creation or imposition of any mortgage, deed of trust, pledge, lien, security interest, or other charge or encumbrance of any nature (other than as may be contemplated by this Agreement) upon or with respect to any of the assets or properties of Seller now owned or hereafter acquired, the creation or imposition of which could reasonably be expected to have a material adverse effect on the ability of Seller to perform its obligations under this Agreement.

6.4 No Litigation: There is no pending or, to the best of Seller's knowledge, threatened action or proceeding affecting Seller before any court, Governmental Agency or arbitrator that could reasonably be expected to materially and adversely affect the financial condition or operations of Seller or the ability of Seller to perform its obligations hereunder, or that purports to affect the legality, validity or enforceability of this Agreement.

6.5 Binding Obligation: This Agreement constitutes the valid and binding obligation of Seller, enforceable in accordance with its terms, subject to applicable law.

6.6 No Reliance: Seller represents and warrants to NorthWestern that in entering into this Agreement and the undertaking by Seller of the obligations set forth herein, Seller has investigated and determined that it is capable of performing hereunder and has not relied upon the advice, experience or expertise of NorthWestern in connection with its obligations under this Agreement.

Article 7
Covenants of Seller

Seller hereby covenants and agrees as follows:

7.1 Operation of Facility: It shall operate the Facility in material compliance with all applicable federal, state and local governmental regulations and Prudent Electrical Practices.

7.2 Permits, Contracts and Legal Requirements: It shall comply with and keep in effect all permits and approvals obtained from any governmental bodies that relate to the operation and ownership of the Facility. Seller shall promptly pay, observe and perform, subject to any applicable notice and cure periods therein, all obligations, agreements, easements, conditions, covenants and the provisions of all leases, licenses, operating, management and other material contracts affecting or relating to the Facility or the use and operation thereof.

7.3 Insurance: It shall obtain and maintain during the term of this Agreement such insurance coverage as indicated in Article 13, below.

Article 8
NorthWestern's Representations, Warranties and Disclaimers

As of the Effective Date, NorthWestern hereby represents and warrants as follows:

8.1 Existence and Authorization: NorthWestern represents and warrants it is a duly authorized and validly existing Delaware corporation in good standing and registered, licensed, and authorized to do business in Montana, and that it is authorized to enter into and perform its obligations under this Agreement.

8.2 No Violation: The execution, delivery and performance of its obligations under this Agreement by NorthWestern do not and shall not:

(i) violate any provision of any law, rule, regulation, order, writ, judgment, injunction, decree, determination, or award applicable to NorthWestern or any provision of the organizational documents of NorthWestern, the violation of which could reasonably be expected to have a material adverse effect on the ability of NorthWestern to perform its obligations under this Agreement;

(ii) result in a breach of or constitute a default under any provision of the organizational documents of NorthWestern;

(iii) result in a breach of or constitute a default under any agreement relating to the management or affairs of NorthWestern or any indenture or loan or credit agreement or any other agreement, lease, or instrument to which NorthWestern is a party or by which NorthWestern or its properties or assets may be bound or affected, the breach or default of which could reasonably be expected to have an adverse effect on the ability of NorthWestern to perform its obligations under this Agreement.

8.3 Disclaimers: Any review, acceptance or failure by NorthWestern to review Seller's design, specifications, equipment or facilities shall not constitute an endorsement or confirmation by NorthWestern, and NorthWestern makes no warranties, expressed or implied, regarding any aspect of Seller's design, specifications, equipment or facilities, including, without limitation, safety, durability, reliability, strength, capacity, adequacy or economic feasibility.

Article 9
Payments, Method of Payment, Adjustments and Statements

9.1 Compensation for Energy Received: During the term of this Agreement, NorthWestern shall pay Seller for all Energy actually received in accordance with this Article 9.

9.2 Tariff: NorthWestern's payments for Energy to Seller under this Agreement shall be calculated as follows: (x) total megawatt-hours delivered at the Point of Interconnection during the Billing Period multiplied by (y) the Energy Rate less (z) any applicable charges for Wind Integration or Contingency Reserves (as provided in Section 3.9).

9.3 Payment: NorthWestern shall transmit payment and a payment statement to Seller for all undisputed amounts within thirty (30) Business Days following the Billing Period meter readings. NorthWestern's payment statement shall include the amount of Energy delivered to NorthWestern's system during the Billing Period and the amount due to Seller. Payments hereunder shall be made in immediately available funds by wire transfer or ACH transfer.

9.4 Payment Default: Should either Party fail to pay the other Party in full when due, the unpaid Party may either: (i) deduct like amounts, adjusted for interest, from future payments to the other Party hereunder or (ii) demand payment of unpaid balances, adjusted for interest, in future statements. Interest shall be assessed monthly on the average of the beginning and ending monthly-unpaid balances and shall be calculated monthly at the one month London Interbank Offered Rate posted on the date of payment calculation.

Article 10
NorthWestern Energy Charges

No Obligation to Provide Electricity Service. This Agreement does not obligate NorthWestern to provide electricity service to Seller at the Facility. If Seller requires any services at the Facility from

NorthWestern, Seller shall receive such service in accordance with NorthWestern's applicable electric tariffs as existing or, as may be established from time to time and, on file with and authorized by the Montana Public Service Commission. NorthWestern may require as a condition of such service that Seller execute a separate agreement covering the sale of electricity by NorthWestern to Seller at the Point of Interconnection.

Article 11
Force Majeure

11.1 Force Majeure: Seller shall not be responsible or liable for a delay in performance of its obligation to achieve Commercial Operation by the Guaranteed Commercial Operation Date, or deemed in breach of such obligation if delay or failure to perform is due solely to circumstances which are beyond the reasonable control of Seller and which could not reasonably have been anticipated, including but not limited to acts of God; unusually severe weather conditions; strikes or other labor difficulties; war; riots; requirements, actions or failures to act on the part of any Governmental Agency preventing performance; accident; or fire (which circumstances shall constitute "Force Majeure"); provided that:

11.1.1 Seller must give NorthWestern, within forty-eight (48) hours of the occurrence, written notice describing the particulars of the occurrence;

11.1.2 the Force Majeure event was not caused by or connected with any negligent or intentional acts, errors, or omissions, or failure to comply with any law, rule, regulation, order or ordinance or for any breach or default of this Agreement; and

11.1.3 the Force Majeure event was not attributable to normal wear and tear or flaws randomly experienced in power generation materials and equipment and their assembly and operation; and

11.1.4 the suspension of performance is of no greater scope and of no longer duration than is required by the Force Majeure event.

11.2 Best Efforts: Seller shall use its best efforts to remedy its inability to perform and keep NorthWestern fully informed as to such efforts during the continuance of the Force Majeure event.

11.3 Resumption of Performance: When Seller is able to resume full performance of its obligations under this Agreement, Seller shall give NorthWestern prompt written notice to that effect.

11.4 Exclusions: The term "Force Majeure" shall not include changes in market conditions or governmental action that affect the demand for Seller's products. In addition, Force Majeure does not include unavailability of equipment, inability to obtain Governmental Approvals, labor strikes or slowdowns following the Commercial Operation Date or failure or unavailability of transmission or distribution capability, unless same is caused by an occurrence which would otherwise constitute Force Majeure under this Article 11.

11.5 No Extension of Term: In no event will any condition of Force Majeure extend the term of this Agreement. If any condition of Force Majeure delays Seller's performance for a time period greater than one hundred eighty (180) days, NorthWestern may terminate this Agreement, without further obligation, or extend such period at its sole discretion if Selleris exercising due diligence in its efforts to cure the condition of Force Majeure.

Article 12
Indemnification

12.1 Indemnity: Each Party shall indemnify, defend and hold the other Party and its officers, directors, affiliates, agents, employees, contractors and subcontractors, harmless from and against any and all claims, to the extent caused by any act or omission of the indemnifying Party or the indemnifying Party's own officers, directors, affiliates, agents, employees, contractors or subcontractors or to the extent such claims arise out of or are in any manner connected with the performance of this Agreement by such indemnifying Party. In the event that any loss or damage with respect to any claim is caused by the negligence of both NorthWestern and Seller, including their respective officers, directors, affiliates, agents, employees, contractors or subcontractors, such loss or damage shall be borne by NorthWestern and Seller in the proportion that their respective negligence bears to the total negligence causing such loss or damage.

12.2 Fines.

(a) Any fines, penalties or other costs incurred by either Party or such Party's agents, employees or subcontractors for non-compliance by such Party, its agents, employees or subcontractors with the requirements of any Laws or Governmental Approvals shall not be reimbursed by the other Party but shall be the sole responsibility of such non-complying Party.

(b) If such fines, penalties or other costs are assessed against NorthWestern by any Governmental Agency or court of competent jurisdiction due to the non-compliance by Seller with any Laws or Governmental Approvals, Seller shall indemnify and hold harmless NorthWestern against any and all losses, liabilities, damages and claims suffered or incurred because of the failure of Seller to comply therewith, subject to refund in the event that Seller or NorthWestern prevails in any Contest described below. Seller shall also reimburse NorthWestern for any and all legal or other expenses (including attorneys' fees) reasonably incurred by NorthWestern in connection with such losses, liabilities, damages and claims.

(c) If such fines, penalties or other costs are assessed against Seller by any Governmental Agency or court of competent jurisdiction due to the non-compliance by NorthWestern with any Laws or Governmental Approvals, NorthWestern shall indemnify and hold harmless Seller against any and all losses, liabilities, damages and claims suffered or incurred because of the failure of NorthWestern to comply therewith, subject to refund in the event that NorthWestern or Seller prevails in any Contest described below. NorthWestern shall also reimburse Seller for any and all legal or other expenses (including attorneys' fees) reasonably incurred by Seller in connection with such losses, liabilities, damages and claims.

(d) In the case of Section 12.2(b) and (c), either Party shall, upon written notice to the other Party, have the right to reasonably Contest in the name of either or both Parties, as required, or to require the other Party to reasonably Contest, the assessment of such fines, penalties or costs and such Contesting Party shall be responsible for any costs and expenses (including the costs and expenses of the other Party) relating to such Contest.

12.3 Limitations of Liability, Remedies and Damages.

(a) Each Party acknowledges and agrees that in no event shall any partner, shareholder, member, manager, owner, officer, director, employee or Affiliate of either Party be personally liable to the other Party for any payments, obligations, or performance due under this Agreement or any breach or failure of performance of either Party and the sole

recourse for payment or performance of the obligations under this Agreement shall be against Seller or NorthWestern and each of their respective assets and not against any other entity, except for such liability as expressly assumed by an assignee pursuant to an assignment of this Agreement in accordance with the terms hereof.

(b) THE EXPRESS REMEDY OR MEASURE OF DAMAGES SET FORTH IN THIS AGREEMENT SHALL BE THE SOLE AND EXCLUSIVE REMEDY WITH RESPECT TO SUCH SECTIONS. EACH PARTY'S LIABILITY SHALL BE LIMITED AS SET FORTH IN SUCH PROVISION AND ALL OTHER REMEDIES OR DAMAGES AT LAW OR IN EQUITY FOR THE SAME DAMAGE OR INJURY ARE WAIVED. UNLESS EXPRESSLY PROVIDED IN THIS AGREEMENT, NEITHER PARTY SHALL BE LIABLE TO THE OTHER FOR CONSEQUENTIAL, INCIDENTAL, PUNITIVE, EXEMPLARY OR INDIRECT DAMAGES SUFFERED BY THAT PARTY OR BY ANY CUSTOMER OR ANY PURCHASER OF THAT PARTY, LOST PROFITS OR OTHER BUSINESS INTERRUPTION DAMAGES, BY STATUTE, IN TORT OR CONTRACT, UNDER ANY INDEMNITY PROVISION OR OTHERWISE (EXCEPT TO THE EXTENT THAT AN INDEMNIFYING PARTY PURSUANT TO THE PROVISIONS OF SECTION 12.1 HEREOF IS OBLIGATED TO INDEMNIFY AGAINST THIRD PARTY CLAIMS NOT ARISING OUT OF CONTRACTS WITH THE INDEMNIFIED PARTY FOR CONSEQUENTIAL, INCIDENTAL, PUNITIVE, EXEMPLARY OR INDIRECT DAMAGES OR LOST PROFITS OR OTHER BUSINESS INTERRUPTION DAMAGES). IT IS THE INTENT OF THE PARTIES THAT THE LIMITATIONS HEREIN IMPOSED ON REMEDIES AND THE MEASURE OF DAMAGES BE WITHOUT REGARD TO THE CAUSE OR CAUSES RELATED THERETO, INCLUDING, WITHOUT LIMITATION, THE NEGLIGENCE OF ANY PARTY, WHETHER SUCH NEGLIGENCE BE SOLE, JOINT OR CONCURRENT, OR ACTIVE OR PASSIVE. TO THE EXTENT ANY DAMAGES REQUIRED TO BE PAID HEREUNDER ARE LIQUIDATED, THE PARTIES ACKNOWLEDGE THAT THE DAMAGES ARE DIFFICULT OR IMPOSSIBLE TO DETERMINE, OTHERWISE OBTAINING AN ADEQUATE REMEDY IS INCONVENIENT AND THE LIQUIDATED DAMAGES CONSTITUTE A REASONABLE APPROXIMATION OF THE HARM OR LOSS.

12.4 Survival: The provisions of this Article 12 shall survive the termination of this Agreement.

12.5 Insurance Obligation: The provisions of this Article 12 shall not be construed so as to relieve any insurer of its obligations to pay any insurance claims in accordance with the provisions of any valid insurance policy.

Article 13
Insurance

13.1 Required Coverages: Seller, at its own expense, must maintain in force throughout the period of this Agreement the following minimum insurance coverages that are placed with an insurer that has an A.M. Best rating of A- VII or better:

13.1.1 Workers' Compensation insurance providing statutory benefits in accordance with the laws and regulations of the state.

13.1.2 Employer's Liability - $500,000 each accident; $500,000 disease - policy limit; and $500,000 disease – each employee

13.1.3 Commercial General Liability insurance including premises and operations, personal injury, broad form property damage, broad form blanket contractual liability coverage (including coverage for the contractual indemnification) products and completed

operations coverage, coverage for explosion, collapse and underground hazards, independent contractors coverage, coverage for pollution to the extent normally available and punitive damages to the extent normally available and a cross liability endorsement, with minimum limits of One Million Dollars ($1,000,000) per occurrence, Two Million Dollars ($2,000,000) general aggregate and One Million Dollars ($1,000,000) products/completed operations aggregate. General Liability & General Aggregate limits are to be on a “Per Project/Per Location” basis.

13.1.4 Comprehensive Automobile Liability insurance for coverage of owned and non-owned and hired vehicles, trailers or semi-trailers designed for travel on public roads, with a minimum, combined single limit of One Million Dollars ($1,000,000) per occurrence for bodily injury, including death, and property damage.

13.1.5 Umbrella/Excess Liability insurance at a minimum of Ten Million Dollars ($10,000,000).

13.2 Additional Insured: The Commercial General Liability insurance, Comprehensive Automobile insurance, and Umbrella/Excess Liability insurance policies shall name NorthWestern, its parent, associated and Affiliate companies and their respective directors, officers, agents, servants and employees ("Other Party Group") as additional insureds. Before commencing any deliveries under this Agreement, Seller shall deliver to NorthWestern in accordance with Article 13, an insurance certificate evidencing the required coverage, limits and additional insured provisions as required by this Agreement. All policies shall contain provisions whereby the insurers waive all rights of subrogation in accordance with the provisions of this Agreement against the Other Party Group, insurance coverage shall be primary and non-contributory, and provide thirty (30) days advance written notice to the Other Party Group prior to anniversary date of cancellation or any material change in coverage or condition. A copy of the cancellation clause endorsement as noted above shall be attached to the insurance certificate.

13.3 Continuing Coverage: The Commercial General Liability insurance and Comprehensive Automobile Liability insurance policies, if written on a Claims First Made Basis, shall be maintained in full force and effect for two (2) years after termination of this Agreement, which coverage may be in the form of tail coverage or extended reporting period coverage if agreed by the Parties.

13.4 Proof of Insurance: Within ten (10) days following execution of this Agreement, and as soon as practicable after the end of each fiscal year or at the renewal of the insurance policy and in any event within ninety (90) days thereafter, Seller shall provide certification of all insurance required in this Agreement, executed by the insurer or by an authorized representative.

13.5 Self-Insurance: Notwithstanding the foregoing, Seller may self-insure to meet the minimum insurance requirements of Sections 13.1.1 through 13.1.3. to the extent it maintains a self-insurance program; any self-insured retention over One Million Dollars ($1,000,000) must be preapproved by NorthWestern.

Article 14
Notices

Any notice provided for in this Agreement, or served, given or made in connection with this Agreement, shall be in writing and shall be deemed properly served, given or made, if delivered in person or sent by facsimile, courier service, email, or registered, first class certified U.S. mail,

postage prepaid, addressed to the intended recipient at the address set forth below. Telephone conversations do not constitute notice under this Agreement.

To Seller:

To NorthWestern:

NorthWestern Energy
Frank Bennett
Energy Supply
40 East Broadway
Butte, MT 59701-9394
Phone: (406) 497-2536
Fax: (406) 497-2629
Email: frank.bennett@northwestern.com

With a copy to:

Legal Department
NorthWestern Energy
208 North Montana Avenue
Helena, MT 59601
Fax: (406) 443-8979
Email: andrew.mclain@northwestern.com

Article 15
Assignment and Ownership

15.1 Assignment Prohibited: Neither Party shall either voluntarily or by operation of law assign or transfer its rights nor delegate its duties under this Agreement, or any part of such rights or duties, without the written consent of the other Party, except for the sole purpose of providing a security interest to acquire financing for the Facility. Consent to assignment will not be withheld unreasonably.

15.2 Assumption of Liabilities: No assignment by Seller shall be effective, notwithstanding NorthWestern's consent thereto, unless the assignee under such assignment agrees in writing to unconditionally assume all of the duties, liabilities, and obligations of Seller under this Agreement.

15.3 NorthWestern's Obligations to Assignee: No assignment by Seller shall be effective, notwithstanding NorthWestern's consent thereto, to the extent that such assignment purports to extend, increase, or otherwise alter the obligations of NorthWestern under this Agreement, other than the substitution of the assignee for Seller.

15.4 Indemnity: Seller shall save, indemnify, and hold harmless NorthWestern for any and all losses resulting from assignee's failure effectively to assume all of the duties, liabilities and obligations of Seller under this Agreement.

15.5 Validity: Any attempted or purported assignment, assumption or transfer by a Party made other than in accordance with this Article 15, whether made voluntarily or by operation of law, shall be void and of no effect.

Article 16
Taxes

16.1 No Liability for Seller Taxes: Any production or excise taxes attributable to the Energy purchases from the Facility, including but not limited to ad valorem taxes the energy production license tax and the wholesale energy transaction tax, that are levied against NorthWestern shall be reimbursed by Seller. Seller shall pay NorthWestern the amount of such assessment or levy within thirty (30) days of presentation of documentation provided by NorthWestern to Seller showing the amount.

16.2 Provision of Information: The Parties shall provide information concerning the Facility to any requesting taxing authority.

Article 17
General Provisions

17.1 Choice of Law:

17.1.1 This Agreement shall be construed and interpreted in accordance with the laws of the State of Montana or the United States, as applicable, excluding any choice of law rules which may direct the application of the laws of another jurisdiction.

17.1.2 Venue for any claim or action arising from this Agreement shall be determined in a manner consistent with applicable Montana or Federal law.

17.2 Governmental Approvals: Copies of all Governmental Approvals obtained by Seller for the operation of the Facility shall be provided to NorthWestern upon request.

17.3 Entire Agreement: This Agreement, including all Exhibits hereto, together with NorthWestern's Schedule QF-1 Tariff, constitutes the entire understanding between the Parties and supersedes any and all previous understandings or agreements between the Parties with respect to the subject matter hereof. This Agreement shall be binding upon and inure to the benefit of the Parties and their respective successors and assigns.

17.4 No Third Party Beneficiaries; No Dedication to Public Use. Nothing in this Agreement shall be construed to create any rights in, or grant remedies to, any third party as a beneficiary of this Agreement or of any duty, covenant, obligation or understanding established under this Agreement. Neither Party, by this Agreement, dedicates any part of the Facility to the public, nor does this Agreement affect the status of NorthWestern as an independent public utility corporation, or Seller as an individual or entity.

17.5 Several Liability: Except where specifically stated in this Agreement to be otherwise, the duties, obligations and liabilities of the Parties are intended to be several and not joint or collective.

17.6 No Partnership: Nothing contained herein shall be deemed to create an association, joint venture, partnership or principal/agent relationship between the Parties hereto or to impose any partnership obligation or liability on either Party. Neither Party shall have any right, power or authority to enter into any agreement or commitment, act on behalf of, or otherwise bind the other Party in any way.

17.7 Seller Financing: No documents shall be provided by NorthWestern, nor shall NorthWestern be required to make any warranties or representations to assist the Seller in obtaining financing.

17.8 Modification or Amendment. No modification, amendment or waiver of any provision of this Agreement shall be valid unless it is in writing and signed by both Parties.

17.9 Severability. If any term or provision of this Agreement or the application thereof to any Person or circumstance is held to be illegal, invalid or unenforceable under any present or future Law or by any Governmental Agency, (a) such term or provision shall be fully severable, (b) this Agreement shall be construed and enforced as if such illegal, invalid or unenforceable provision had never comprised a part hereof, (c) the remaining provisions of this Agreement shall remain in full force and effect and shall not be affected by the illegal, invalid or unenforceable provision or by its severance herefrom and (d) the Parties shall negotiate in good faith to enter into such modifications of this Agreement as may be necessary to preserve the economic and other benefits of this Agreement to the affected Party to the greatest extent possible and permissible.

17.10 Captions: All indexes, titles, subject headings, Article titles and similar items are provided for the purpose of reference and convenience and are not intended to be inclusive, definitive or to affect the meaning of the contents or scope of this Agreement.

17.11 Exhibits: This Agreement includes Exhibits A and B which are attached, and incorporated by reference herein. Exhibits may from time to time be changed in writing upon mutual agreement of the Parties.

Article 18
Regulation by the Montana Public Service Commission

Seller acknowledges that NorthWestern, as a public utility, is subject to regulation by the Montana Public Service Commission ("MPSC") and that NorthWestern may be required to submit information, data or documents regarding this Agreement, Seller, or the Facility, including, but not limited to, a copy of this Agreement, together with any other documentation associated herewith, to the MPSC as part of regular regulatory proceedings. To the extent Seller wishes to seek a protective order for this Agreement or any other information to be submitted to the MPSC, Seller shall be solely responsible for preparing and otherwise requesting any such protective order from the MPSC. Seller acknowledges that, notwithstanding anything herein to the contrary, NorthWestern may submit a copy of this Agreement and any other information related herewith to the MPSC as part of complying with any portion of an MPSC request, order or other regulatory proceeding, regardless of whether Seller has requested a protective order from MPSC, until such time as a protective order is issued that relieves NorthWestern of its legal obligations to provide information requested by the MPSC. NorthWestern shall have no obligation to participate in, cooperate with, or in any way assist Seller in seeking any protective order.

IN WITNESS WHEREOF, each party represents that it has full power and authority to enter into and perform this Agreement and the person signing this Agreement on behalf of each Party has been properly authorized and empowered to sign this Agreement.

[SELLER]	**NORTHWESTERN CORPORATION d/b/a NORTHWESTERN ENERGY**
By:	By:
Title:	Title:

Exhibit A

QF Generator Interconnection Agreement

Exhibit B

Qualifying Facility QF-1 Facility Completion Certificate

A. Project Information

Developer Name: _____
QF-1 Facility Name: _____
Facility Location; Township, Range, and Sections:
_____
_____

B. QF-1 Energy Generation System Information

(Attach multiple sections if more than one turbine used in Facility.)
Total Facility Nameplate Capacity (kW): _____
Turbine Manufacturer: _____
Turbine Model: _____
Number of this Turbine installed: _____
Tower Height if Wind: _____
Tower Manufacturer: _____

C. Electrical Hardware and Installation Compliance and Inspection

Initial your confirmation that all system hardware is in compliance with all applicable performance and safety standards including: county and local codes, the National Electric Code, Montana State interconnection standards if applicable. _____
Electrical Permit #: _____
Issued by (County or Municipality Name): _____
Master Electrician Name: _____
Electrician's License #: _____
Inspection Date: _____
Electrician's Statement: I solemnly affirm under penalties of perjury that I am a contractor licensed in _____, and have met the requirements of the local codes authority regarding system safety and reliability and that all the contents of the Electrical Hardware and Installation Compliance and Inspection section are true to the best of my knowledge, information, and belief.

Signed (Electrical Contractor):
_____
Dated:
_____
Name (Print):
_____
Company:
_____

D. QF-1 Facility Developer Acknowledgement

I solemnly affirm under penalties of perjury that I am the QF-1 Facility Owner or Developer, and have met the requirements of completion and construction of the QF-1 Facilities Power

Purchase Contract, and that the contents of the foregoing completion certificate are true to the best of my knowledge, information, and belief.

Signed (Owner or Developer):
_____
Print Owner or Developer Name:
_____
Date:
_____
QF-1 Facility Name: _____
QF-1 Facility Tax ID: _____

PSC-003

Regarding: Basin Creek
Witnesses: Markovich

Please describe any changes to scheduling and dispatch of the Basin Creek resource that are due to the incorporation of the David Gates Generating Station (DGGS) into NorthWestern's portfolio.

RESPONSE:

There have been no scheduling and dispatch changes to Basin Creek as a result of DGGS coming on line.

PSC-004

Regarding: Wind Modeling
Witness: Fine

Please provide the 2011 technical report from GENIVAR; a website address that links to the report is satisfactory.

RESPONSE:

The report can be found at:
http://www.uwig.org/NWE_WindIntegraionStudy_FinalReport_V1_20110606.pdf

PSC-005

Regarding: Forecasting Wind
Witness: Fine

a. Please describe in detail how NorthWestern Energy forecasts wind, and schedules expected wind generated energy.

b. If NorthWestern Energy uses a third party product such as 3-Tier, please describe how NorthWestern Energy incorporates the third party product into its forecast.

c. Please specify any accuracy parameters that NorthWestern Energy expects to attain in forecasting wind.

d. Please describe how NorthWestern Energy verifies that its accuracy standards are met. In particular, describe any statistical tests that NorthWestern uses to test the accuracy of wind forecasts.

e. If NorthWestern Energy uses a third party product to forecast wind, please describe any statistical tests that NorthWestern Energy uses to verify that the product is providing useful benefit.

RESPONSE:

a. NorthWestern has multiple time frames in which it utilizes estimates of wind energy output. Long-term forecasts of wind energy for the purpose of annual, quarterly, and monthly energy planning for the Supply portfolio utilize average historical wind energy production. Day ahead pre-schedule forecasts of hourly wind energy output are prepared using wind energy production forecast information provided by a third party, 3-Tier, for the Judith Gap wind project. These schedules of wind energy production can be made two to three days in advance of the day being scheduled. The 3-Tier forecast is relied upon to establish the hourly pre-schedule wind energy production values.

The data provided by 3-Tier through a secure website is utilized to prepare the real time or hour-ahead schedule. Real time schedulers monitor wind production through both a utility data feed and the 3-Tier secure website. The 3-Tier forecasting service utilizes wind and weather information from multiple sources including the three meteorological towers that NorthWestern installed in conjunction with the Judith Gap wind facility. Every hour the real time schedulers perform an assessment of the wind resource and determine a wind energy value to place in the next hourly schedule. Schedulers exercise

PSC-005 cont'd

judgment when preparing the wind energy forecast. Depending on the performance of the 3-Tier forecast in prior time periods and current conditions, the scheduler may elect to use a forecast value that is different than the forecast value being supplied by 3-Tier.

b. See response to Data Request PSC-005(a), above.

c. The accuracy parameters that NorthWestern expects to attain over time are described in the services agreement with 3-Tier. The 3-Tier services agreement states in part:

"3TIER guarantees that its forecasts will beat two important benchmarks. For the Hour Ahead time frame, 3TIER guarantees that the forecasts delivered to the client for each month will have a lower root mean squared error (RMSE) than a forecast based on persistence. For the Day Ahead time frame, 3TIER guarantees that the forecasts will beat climatology (as expressed by a reduction in integrated day ahead RMSE)."

d. 3-Tier supplies a graphical and numerical expression of monthly forecast accuracy.

e. See response to Data Request PSC-005(d), above.

PSC-006

Regarding: Competitive Solicitations
Witness: Fine

a. Please describe all RFPs or other competitive resource procurements planned and or tentatively planned during the next two tracker periods.

b. Please list and describe all competitive resource solicitations NorthWestern Energy has issued in the last five years and indicate whether Qualifying Facilities were invited to participate in those solicitations.

c. Please provide all documents submitted in response to the October 2008 RFP, including the price and identity of each bidder.

RESPONSE:

a. NorthWestern has not yet planned for the competitive solicitations or other resource acquisitions that may occur during the next two tracker periods.

b. NorthWestern conducted competitive resource solicitations over the last five years as shown in the following table:

NWE Competitive Solicitation Information: 2007 - 2010

RFP/RFI Date	Product Type Requested	Duration Requested
10/1/2008 RFP	50 - 100 MW Firm Baseload	5, 7, or 10 years
6/23/2008 CREP RFP	Community Renewable <= 5MW	No less than 10 years
5/1/2009 RFP	25MW Firm Baseload and/or 25MW On-Peak	4 or 7 years
8/17/2009 RFI	Renewable	Long-term
9/8/2010 RFP	50MW On-Peak and 50MW Exchange	5 years

Qualifying facilities have been invited to participate in competitive solicitations through direct contact and through media announcements used to notify all potential participants.

c. See attached.

2008 ELEC RFP- CITIGROUP

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MINIMUM RECYCLED CONTENT

Draft of 10/3/08

SCHEDULE
to the
ISDA 2002 Master Agreement
dated as of _____, 2008,

between

CITIGROUP ENERGY INC., a corporation organized and existing under the laws of the State of Delaware ("Party A")	and	**NORTHWESTERN CORPORATION,** a corporation organized and existing under the laws of the State of _____ ("Party B")

Part 1
Termination Provisions

In this Agreement:

(a) **"Specified Entity"** means for the purpose of Section 5(a)(v) of this Agreement, (i) in relation to Party A, Citigroup Global Markets Limited, Citigroup Global Markets Inc., Citigroup Forex Inc., Citigroup Global Markets Commercial Corp., Citicorp Securities Services, Inc., Citigroup Global Markets Deutschland AG & Co. KGaA, Citigroup Financial Products Inc., Citigroup Energy Canada ULC, Citibank Japan Ltd. and Citibank, N.A. (each, individually a "Section 5(a)(v) Affiliate"), and (ii) in relation to Party B, any Affiliate of Party B.

(b) **"Specified Transaction"** will have the meaning specified in Section 14 of this Agreement. For purposes of clause (c) of such definition, Specified Transaction includes any securities options, margin loans, short sales, any agreement governing the purchase, sale, transfer, exchange or option of a commodity, or any other commodity trading transaction and any other similar transaction now existing or hereafter entered into between Party A (or any Credit Support Provider of such party or any Section 5(a)(v) Affiliate of such party) and Party B (or any Credit Support Provider of such party or any Section 5(a)(v) Affiliate of such party). For this purpose, "commodity" means any tangible or intangible commodity of any type or description, including without limitation power, natural gas, petroleum (and the products and by-products thereof) emissions allowances, precious metals and coal.

(c) The **"Cross Default"** provisions of Section 5(a)(vi) of this Agreement will apply to Party A and will apply to Party B.

For purposes of Section 5(a)(vi), the following provisions apply:

"Specified Indebtedness" shall have the meaning set forth in Section 14 of this Agreement.

"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 Party B, 2% of the stockholders' equity of Party B; and

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.

(d) The **"Credit Event Upon Merger"** provisions of Section 5(b)(v) of this Agreement will apply to Party A and will apply to Party B.

(e) The **"Automatic Early Termination"** provisions of Section 6(a) of this Agreement will not apply to Party A and will not apply to Party B; provided, however, that with respect to a party, where the Event of Default specified in Section 5(a)(vii)(1), (3), (4), (5), (6) or to the extent analogous thereto, (8) is governed by a system of law which does not permit termination to take place after the occurrence of the relevant Event of Default, then the Automatic Early Termination provisions of Section 6(a) will apply to such party.

(f) **"Termination Currency"** means United States Dollars.

(g) **"Additional Termination Event"** will not apply.

Part 2
Tax Representations

(a) **Payer Representations.** For the purpose of Section 3(e) of this Agreement, 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 this Agreement) 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 this Agreement, (ii) the satisfaction of the agreement contained in Section 4(a)(i) or 4(a)(iii) of this Agreement and the accuracy and effectiveness of any document provided by the other party pursuant to Section 4(a)(i) or 4(a)(iii) of this Agreement and (iii) the satisfaction of the agreement of the other party contained in Section 4(d) of this Agreement, 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) by reason of material prejudice to its legal or commercial position.

(b) **Payee Representations.** For the purpose of Section 3(f) of this Agreement, Party A and Party B make the representations specified below, if any:

The following representation will apply to Party A:

It is a corporation organized under the laws of the State of Delaware and its U.S. taxpayer identification number is 27-0069674. 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 Party B:

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.

Part 3
Agreement to Deliver Documents

For the purpose of Section 4(a) of this Agreement:

(a) Tax forms, documents or certificates to be delivered are:

Party required to deliver document	Form/Document/ Certificate	Date by which to be delivered
Party A and Party B	As required under Section 4(a)(iii) of this Agreement, IRS Form W-9, IRS Form W-8BEN, IRS Form W-8ECI, IRS Form W-8EXP and/or IRS Form W-8IMY, whichever is relevant.	Promptly upon execution of this Agreement.

Party required to deliver document	Form/Document/Certificate	Date by which to be delivered	Covered by Section 3(d)
Applicable for Power Transactions and/or Gas Transactions Only	**Applicable for Power Transactions and/or Gas Transactions Only**	**Applicable for Power Transactions and/or Gas Transactions Only**	**Applicable for Power Transactions and/or Gas Transactions Only**
Party A and Party B	Certificates, documents or other evidence sufficient to confirm the sales tax exempt status of such party for each jurisdiction in which the purchase, sale and/or delivery of any physical commodity takes place under this Agreement, such that the	As applicable, within ten (10) Local Business Days of the receipt of a written request by one Party from the other Party, which written request shall be delivered in accordance	Yes

other party will bear no obligation in relation to such purchase, sale and/or delivery for charging, collecting or remitting sales, use or other excise taxes to any local, municipal, state or federal taxing authority or agency.	with the provisions of Section 12 of this Agreement

(b) Other documents to be delivered are:

Party required to deliver document	Form/Document/ Certificate	Date by which to be delivered	Covered by Section 3(d)
Party A and Party B	Evidence reasonably satisfactory to the other party of the (i) authority of such party and its Credit Support Provider, if any, to enter into this Agreement, any Transactions and any Credit Support Document and (ii) the authority and genuine signature of the individual signing this Agreement and any Credit Support Document on behalf of such party to execute the same.	Upon execution of this Agreement and, if requested by the other party, as soon as practicable after execution of any Confirmation of any Transaction.	Yes
Party A and Party B	Credit Support Documents	Upon execution of this Agreement	Yes
Party A and Party B	The party's annual report containing audited consolidated financial statements prepared in accordance with accounting principles that are generally accepted in such party's country of organization and certified by independent certified public accountants for each fiscal year, provided that, in the case of Party A, the annual report will be that of Party A's Credit Support Provider.	As soon as available and in any event within 120 days (or as soon as practicable after becoming publicly available) after the end of each of its fiscal years or of its Credit Support Provider, as applicable, if such financial statement is not available on "EDGAR" or a party's, or its Credit Support Provider's, home page on the World Wide Web at www.citigroup.com for Party A and _____ for Party B.	Yes

Party A and Party B	The party's unaudited consolidated financial statements, the consolidated balance sheet and related statements of income for each fiscal quarter, prepared in accordance with accounting principles that are generally accepted in such party's country of organization and provided that in the case of Party A, the documents referred to above will be those of Party A's Credit Support Provider.	As soon as available and in any event within 60 days (or as soon as practicable after becoming publicly available) after the end of each of its fiscal quarters or its Credit Support Provider if such financial statement is not available on "EDGAR" or a party's, or its Credit Support Provider's, home page on the World Wide Web at www.citigroup.com for Party A and _____ for Party B.	Yes

Notwithstanding the foregoing, Citigroup Inc. financials are "deemed" to be delivered hereunder on the date the same shall be posted on the Securities and Exchange Commission website (www.sec.gov).

Part 4
Miscellaneous

(a) **Addresses for Notices.** For the purpose of Section 12(a) of this Agreement:

Address for notices or communications to Party A:

Address: Citigroup Energy Inc.
2800 Post Oak Blvd., Suite 500
Houston, Texas 77056
Attention: Legal Department
Facsimile No.: (713) 752-5244

(For all purposes)

In addition, in the case of notices or communications relating to Section 5, 6, 11 or 13 of this Agreement, a second copy of any such notice or communication shall be addressed to the attention of Party A's legal department as follows:

Address: Legal Department
388 Greenwich Street
17th Floor
New York, New York 10013
Attention: Senior Deputy General Counsel, Citi Markets and Banking
Facsimile No.: (212) 816-5550

Address for notices or communications to Party B:

Address: **[Please Provide]**

Attention: **[Please Provide Title of Contact]**

Facsimile No: **[Please Provide]**

In addition, in the event this Agreement includes terms for physically settled Power Transactions, the notices or communications information for Party A and Party B shall be as set forth in Part 7 hereto and such notices and communications information shall relate solely to such Transactions.

(b) **Process Agent.** For the purpose of Section 13(c) of this Agreement:

Party A appoints as its Process Agent: None.

Party B appoints as its Process Agent: None.

(c) **Offices.** The provisions of Section 10(a) will apply to this Agreement.

(d) **Multibranch Party.** For the purpose of Section 10(b) of this Agreement:

Party A is not a Multibranch Party.

Party B is not a Multibranch Party.

(e) **Calculation Agent.** The Calculation Agent will be Party A unless otherwise specified in a Confirmation in reference to the relevant Transaction.

(f) **Credit Support Document.** The Credit Support Documents are: (i) the Credit Support Annex; and (ii) the guarantee by Citigroup Inc. in favor of Party B as beneficiary thereof.

(g) **Credit Support Provider.** The Credit Support Provider for Party A is Citigroup Inc. The Credit Support Provider for Party B is not applicable.

(h) **Governing Law.** This Agreement will be governed by and construed in accordance with the laws of the State of New York.

(i) **Jurisdiction.** Section 13(b)(i) of this Agreement is hereby amended by deleting in line 2 of subparagraph (2) the word "non-" and by deleting paragraph (iii) thereof. The following shall be added at the end of Section 13(b): "Nothing in this provision shall prohibit a party from bringing an action to enforce a money judgment in any other jurisdiction."

(j) **No Agency.** The provisions of Section 3(g) will apply to this Agreement.

(k) **Additional Representation** will apply. For purposes of Section 3 of this Agreement, the following will constitute Additional Representations and each party will be deemed to represent to the other party on the date on which it enters into a Transaction that (absent a written agreement between the parties that expressly imposes affirmative obligations to the contrary for that Transaction) that:

"(h) **Relationship Between Parties.**

(1) **No Reliance.** It is acting for its own account, and it has made its own independent decisions to enter into that Transaction and as to whether that Transaction is appropriate or proper for it based upon its own judgment and upon advice from such advisors as it has deemed necessary. It is not relying on any communication (written or oral) of the other party as investment advice or as a recommendation to enter into that Transaction; it being understood that information and explanations related to the terms and conditions of a Transaction shall not be considered investment advice or a recommendation to enter into that Transaction. It has not received from the other party any assurance or guarantee as to the expected results of that Transaction.

(2) **Evaluation and Understanding.** It is capable of evaluating and understanding (on its own behalf or through independent professional advice), and understands and accepts, the terms, conditions and risks of that Transaction. It is also capable of assuming, and assumes, the financial and other risks of that Transaction.

(3) **Status of Parties.** The other party is not acting as a fiduciary for or an advisor to it in respect of that Transaction.

(i) **Risk Management.** Party B alone represents that this Agreement has been, and each Transaction hereunder has been or will be, as the case may be, entered into for the purpose of managing its borrowings or investments, hedging its underlying assets or liabilities or in connection with its line of business (including financial intermediation services) and not for the purpose of speculation.

(j) **Eligible Contract Participant.** It is an "eligible contract participant" within the meaning of Section 1(a)(12) of the Commodity Exchange Act, as amended (the "CEA").

(k) **Eligible Commercial Entity.** It is an "eligible commercial entity" within the meaning of Section 1(a)(11) of the CEA.

(l) **No Employee Benefit Assets.** The assets that are used, directly or indirectly, in connection with the execution, delivery and performance of this Agreement and the Transactions entered into pursuant hereto are legally and beneficially owned by such party and are not held by it, directly or indirectly, for the benefit of or under any form of any employee benefit or other plan, trust plan, pension plan, individual retirement accounts or other type of similar plans."

(l) **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 and each of which shall be netted on a Commodity by Commodity basis, to the extent operationally feasible:

(i) physically settled Commodity Transactions, excluding Option Transactions;
(ii) Commodity Option Transactions; and
(iii) financially-settled Commodity Transactions other than Option Transactions. 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.

Part 5
Other Provisions

(a) **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.

(b) **Severability.** Except as otherwise provided in Sections 5(b)(i) or 5(b)(ii) of this Agreement, in the event that any one or more of the provisions contained in this Agreement 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.

(c) **Netting.** In the event that any Terminated Transaction cannot be aggregated and netted against all other Terminated Transactions under Section 6(e) of this Agreement, such excluded Terminated Transactions shall be aggregated and netted amongst themselves to the fullest extent permitted by law.

(d) **Confirmation Procedures.** For each Transaction that Party A and Party B enter into hereunder, Party A shall promptly send to Party B a Confirmation setting forth the terms of such Transaction. Party B shall execute and return the Confirmation to Party A or request correction of any error within five (5) Local Business Days of receipt. Failure of Party B to respond within such period shall not affect the validity or enforceability of such Transaction and shall be deemed to be an affirmation and acceptance of such terms.

(e) **Rounding.** For purposes of preparing any calculations referred to in the Commodity Definitions, unless otherwise agreed to and specified in a Confirmation, rounding conventions for commodity pricing shall be as follows:

Megawatt Hours:	rounded to the nearest fourth decimal place
MMBtu:	rounded to the nearest fourth decimal place
Gallons	rounded to the nearest fourth decimal place
Barrels:	rounded to the nearest third decimal place

(f) **Escrow Payments.** If by reason of the time difference between the cities in which payments are to be made, it is not possible for simultaneous payments to be made on any date on which both parties are required to make payments hereunder, either party may at its option and in its sole discretion notify the other party that payments on that date are to be made in escrow. In this case the deposit of the payment due earlier on that date shall be made by 2:00 p.m. (local time at the place for the earlier payment) on that date with an escrow agent selected by the party giving the notice, accompanied by irrevocable payment instructions (i) to release the deposited payment to the intended recipient upon receipt by the escrow agent of the required deposit of the corresponding payment from the other party on the same date accompanied by the irrevocable payment instructions to the same effect or (ii) if the required deposit of the corresponding payment is not made on that same date, to return the payment deposited to the party that paid it into escrow. The party that elects to have payments made in escrow shall pay the costs of the escrow arrangements and shall cause those arrangements to provide that the intended recipient of the payment due to be deposited first shall be entitled to interest on that deposited payment for each day in the period of its deposit at the rate offered by the escrow agent for that day for overnight deposits in the relevant currency in the office where it holds that deposited payment (at 11:00 a.m. local time on that day) if that payment is not released by 5:00 p.m. on the date it is deposited for any reason other than the intended recipients' failure to make the escrow deposit it is required to make hereunder in a timely fashion.

(g) **Recording of Conversations.** Each party hereto consents to the recording of its telephone conversations relating to this Agreement or any potential Transaction. To the extent that one party records telephone conversations (the "Recording Party") and the other party does not (the "Non-Recording Party"), the Recording Party shall, in the event of any dispute, make a complete and unedited copy of such party's tape of the entire day's conversations with the Non-Recording Party's personnel available to the Non-Recording Party. The Recording Party's tapes may be used by either party in any forum in which a dispute is sought to be resolved and the Recording Party will retain tapes for a consistent period of time in accordance with the Recording Party's policy unless one party notifies the other that a particular Transaction is under review and warrants further retention.

(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) **Definitions.** This Agreement, each Confirmation, and each Transaction are subject to the 2000 ISDA Definitions ("Definitions"), as published by the International Swaps and Derivatives Association, Inc. ("ISDA"), and will be governed in all respects by the Definitions (except that any references to "Swap Transactions" in the Definitions will be deemed to be references to "Transactions"). The Definitions are incorporated by reference in, and made part of, this Agreement and each relevant Confirmation as if set forth in full in this Agreement and such Confirmation. In the event of any inconsistency between the provisions of this Agreement and the Definitions, this Agreement will prevail.

(j) **2002 Master Agreement Protocol.** 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 the International Swaps and Derivatives Association, Inc. on July 15, 2003 are incorporated into and apply to this Agreement.

(k) **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."

Part 6
Additional Provisions for Commodity Derivative Transactions

The 2005 ISDA Commodity Definitions as published by the International Swaps and Derivatives Association, Inc. and otherwise as amended, supplemented or modified from time to time (the "Commodity Definitions"), are incorporated by reference in this Agreement and the relevant Confirmations with respect to "Transactions", as defined by the Commodity Definitions, except as otherwise specifically provided in the relevant Confirmation.

Part 7
Physically Settled Power Transactions

(a) **ISDA North American Power Annex.** The North American Power Annex to the ISDA Master Agreement published by ISDA (attached hereto as Attachment A), as amended, supplemented, replaced or modified from time to time, (the "Power Annex") is incorporated by reference in this Agreement and in the relevant Confirmations with respect to "Transactions," as defined by the Commodity Definitions, in physically settled power, except as otherwise specifically provided in the relevant Confirmation. The Commodity Definitions and the provisions of Part 6 are incorporated in this Power Annex for all purposes. All terms used in this Part 7 that are not otherwise defined shall have the meanings given to them in the Power Annex. For the purposes of this Agreement, all physically settled Power Transactions shall be deemed to be Specified Transactions.

(b) **Amendments to the Power Annex.**

(i) References to Part 6. The Power Annex is amended by replacing all references to "Part 6" or "Part 6 of the Schedule" with references to the "Power Annex" or "Power Annex to the Schedule", as applicable.

(ii) ***Standard of Review for ERCOT Transactions.*** Clause (h) is amended by the addition of the following as Clause (h)(iv):

> "(iv) ***Standard of Review for ERCOT Transactions.*** Absent the agreement of all parties to the proposed change, the standard of review for changes to any portion of this Agreement with respect to any Transaction entered into hereunder in the Electric Reliability Council of Texas, whether proposed by a Party, a non-party, or the Public Utility Commission of Texas acting *sua sponte*, shall be the "public interest" standard of review set forth in High Plains Natural Gas Co. v, Railroad Commission, Tex. Civ. App. - Austin 1971, writ ref'd n.r.e.)"

(iii) Events of Default. Clause (i)(ii)(B) of the Power Annex is amended to delete the words "Section [5(a)(ii)][5(a)(ii)(1)]" and replace them with the words "Section 5(a)(ii)".

(iv) Definitions. Clause (i)(iv) of the Power Annex is amended as follows:

> (A) The definition of "Replacement Price" is hereby amended to (1) add the phrase "for delivery" immediately before the phrase "at the Delivery Point" in the second line and (2) delete the phrase "at Buyer's option" from the fifth line and replace it with the following: "absent a purchase".
>
> (B) The definition of "Sales Price" is hereby amended to (1) delete the phrase "at the Delivery Point" from the second line and (2) delete the phrase "at Seller's option" from the fifth line and replace it with the following: "absent a sale, assuming a sale could have been made in a commercially reasonable manner".
>
> (C) The following new definition is added to clause (i)(iv):
>
> "Claims" means all third party claims or actions, threatened or filed and, whether groundless, false, fraudulent or otherwise, that directly or indirectly relate to the subject matter of an indemnity, and the resulting losses, damages, expenses, attorneys' fees and court costs, whether incurred by settlement or otherwise, and whether such claims or actions are threatened or filed prior to or after the termination of this Agreement.

(v) Elective Provisions. Clause (j) of the Power Annex is amended and restated in its entirety to read as follows:

> "(j) Elective Provisions.

1. (a)(ii) ✓ Applicability of the Power Annex to Outstanding Power Transactions. If not checked, not applicable.

2. (a)(iii) ✓ Applicability of Outstanding Credit Support held by a party in connection with Outstanding Power Transactions. If not checked, not applicable.

3. (c)(i) and (c)(ii) ✓ Accelerated Payment Damages. If not checked, not applicable.

4. (d)(ii) Timeliness of Payment
   _ Option A
   ✓ Option B
   If neither is checked, Option B shall be deemed to apply.

5. (h)(i) Wholesale Power Tariffs

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

   Party B Electric Tariff. Tariff/Date/Docket: _____

6. (h)(ii) __ Applicability of Severability provision. If not checked, not applicable.

7. (h)(iii) ✓ Applicability of FERC Standard of Review and Certain Covenants and Waivers. If not checked, not applicable."

(vi) Notice Information for Power Transactions - Party A:

All Notices:
Citigroup Energy Inc.
Street: 2800 Post Oak Blvd., Suite 500
City: Houston, Texas 77056
Attn: Commodity Operations Group
Phone: (713) 752-5407
Facsimile: (646) 291-3383
Duns: 14-518-4631
Federal Tax ID Number: 27-0069674

Confirmations:
Attn: Commodity Operations Group
Phone: (713) 752-5418
Facsimile: (646) 291-3383
Email: ceiconfirms@citi.com

Invoices:
Attn: Commodity Operations Group
Phone: (713) 752-5417
Facsimile: (646) 291-3381
Email: ceisettlements@citi.com

Scheduling:
24-hour Scheduling—Phone: (713) 752-5254
Western Pre-scheduling—Phone: (713) 752-5254
Eastern Pre-scheduling—Phone: (713) 752-5254
Facsimile: (713) 752-5237

Option Exercise Line: (713) 752-5200

Payments:
Attn: Commodity Operations Group
Phone: (713) 752-5417
Facsimile: (646) 291-3381
Email: ceisettlements@citi.com

Wire Transfer:
Bank: (CITIUS33)
ABA: (021000089)
ACCT: (3056-9329)

Credit and Collections:
Attn: Credit Manager—Commodities
Phone: (212) 723-5112
Facsimile: (212) 723-8745

With additional Notices of an Event of Default or Potential Event of Default to:
Attn: Legal Department (Commodities)
Phone: (212) 816-2211
Facsimile: (212) 816-5550

(vii) Notice Information for Power Transactions – Party B: **[Please Provide]**

All Notices:
Street: _____
City: _____ Zip: _____
Attn: Contract Administration
Phone: _____
Facsimile: _____
Duns: _____
Federal Tax ID Number: _____

Invoices:
Attn: _____
Phone: _____
Facsimile: _____

Scheduling:
Attn: _____
Phone: _____
Facsimile: _____

Payments:
Attn: _____
Phone: _____
Facsimile: _____

Wire Transfer:
Bank: _____
ABA: _____
ACCT: _____

Credit and Collections:

Attn: _____
Phone: _____
Facsimile: _____

With additional Notices of an Event of Default or Potential Event of Default to:

Attn: _____
Phone: _____
Facsimile: _____

IN WITNESS WHEREOF, the parties have executed this document on the respective dates specified below with effect from the date specified on the first page of this document.

CITIGROUP ENERGY INC. **(Party A)**	**NORTHWESTERN CORPORATION** **(Party B)**
By: _____	By: _____
Name: _____	Name: _____
Title: _____	Title: _____
Date: _____	Date: _____

ATTACHMENT A

North American Power Annex
to the
ISDA Master Agreement

Draft of 10/3/08

ISDA
CREDIT SUPPORT ANNEX
to the Schedule
to the
ISDA Master Agreement
dated as of _____, 2008,

between

CITIGROUP ENERGY INC., a corporation organized and existing under the laws of the State of Delaware ("Party A")	and	**NORTHWESTERN CORPORATION,** a corporation organized and existing under the laws of the State of _____ ("Party B")

Paragraph 13. Elections and Variables

(a) **Security Interest for "Obligations".** The term "Obligations" shall have the meaning set forth in Paragraph 12.

(b) **Credit Support Obligations.**

(i) **Delivery Amount, Return Amount and Credit Support Amount; Addition to Paragraph 3 of this Annex.**

(A) **"Delivery Amount"** has the meaning set forth in Paragraph 3(a).

(B) **"Return Amount"** has the meaning set forth in Paragraph 3(b).

(C) **"Credit Support Amount"** means for any Valuation Date (i) the Secured Party's Exposure for that Valuation Date plus (ii) the aggregate of all Independent Amounts applicable to the Pledgor, if any, minus (iii) the Pledgor's Threshold, if any; *provided, however*, that (x) in the case where the sum of the Independent Amounts applicable to the Pledgor exceeds zero, the Credit Support Amount will not be less than the sum of all Independent Amounts applicable to the Pledgor and (y) in all other cases, the Credit Support Amount will be deemed to be zero whenever the calculation of the Credit Support Amount yields an amount less than zero.

(ii) **Eligible Collateral.** The following items will qualify as **"Eligible Collateral"** for the party specified:

	Party A	**Party B**	**Valuation Percentage**
Cash	[X]	[X]	100%

(iii) **Other Eligible Support.** The following items will qualify as **"Other Eligible Support"** for the party specified:

	Party A	Party B	Valuation Percentage
Letter of Credit	[X]	[X]	100%, *provided* that if a Letter of Credit Default has occurred and is continuing with respect to such Letter of Credit, or twenty (20) or fewer New York Banking Days remain prior to the expiration of such Letter of Credit, the applicable Valuation Percentage shall be zero.

(iv) **Thresholds.**

(A) **"Independent Amount"** shall mean with respect to Party A and Party B and with regard to any Transaction, the USD equivalent of the amount as specified in the relevant Confirmation.

(B) **"Threshold"** shall mean, (i) with respect Party A, 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, and (ii) with respect to Party B, the amount set forth below opposite the lower of the Credit Ratings in effect on any Valuation Date for Party B; *provided, however*, a party's rating shall be 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.

Threshold	S&P Credit Rating	Moody's Credit Rating
U.S. $20,000,000	AA- and above	Aa3 and above
U.S. $15,000,000	A and A+	A2 and A1
U.S. $10,000,000	A-, BBB+, BBB	A3, Baa1, Baa2
U.S. $ 5,000,000	BBB-	Baa3
Zero	BB+ and below	Ba1 and below

Move?

(C) **"Minimum Transfer Amount"** for purposes of computing a Delivery Amount pursuant to Paragraph 3(a) and a Return Amount pursuant to Paragraph 3(b), as of any date shall mean, with respect to Party A, U.S. $100,000, and with respect to Party B, U.S. $100,000.

(D) **Rounding.** The Delivery Amounts will be rounded up and Return Amounts will be rounded down to the nearest integral multiple of U.S. $100,000.

(c) **Valuation and Timing.**

(i) **"Valuation Agent"** means the Secured Party.

(ii) **"Valuation Date"** means each Local Business Day.

(iii) **"Valuation Time"** means, with respect to the determination of Exposure, Value of Eligible Credit Support and Posted Credit Support, the close of business on the Local Business Day immediately before the Valuation Date or date of calculation, as applicable.

(iv) **"Notification Time"** means 10:00 a.m., New York time on a Valuation Date *provided, however*, that, notwithstanding Paragraph 4(b), if a request for Transfer is made by the Notification Time, then the relevant Transfer shall be made not later than the close of business on such day and, if such request is received after the Notification Time, not later than the close of business on the next Local Business Day following such request. Notwithstanding anything herein to the contrary, with regard to Transfers of Independent Amounts, the relevant Transfer shall be made by the close of business on the second Local Business Day following the Trade Date of the applicable Transaction.

(d) **Conditions Precedent and Secured Party's Rights and Remedies.** Each Termination Event specified below with respect to a party will be a "**Specified Condition**" for that party (the specified party being the Affected Party if a Termination Event or Additional Termination Event occurs with respect to such party):

	Party A	**Party B**
Illegality	[ ]	[ ]
Tax Event	[ ]	[ ]
Tax Event Upon Merger	[ ]	[ ]
Credit Event Upon Merger	[X]	[X]
Additional Termination Events specified in the Schedule to this Agreement	[X]	[X]

(e) **Substitution.**

(i) **"Substitution Date"** has the meaning specified in Paragraph 4(d)(ii) of this Annex.

(ii) The following phrase shall be inserted after the word "Support" and before the period at the end of Paragraph 4(d)(ii): "and in an amount in excess of the Pledgor's Minimum Transfer Amount".

(f) **Dispute Resolution.**

(i) **"Resolution Time"** means 1:00 p.m., New York time, on the Local Business Day following the date on which notice is given that gives rise to a dispute under Paragraph 5.

(ii) **Value.** For the purpose of Paragraphs 5(i)(C) and 5(ii), the Value of Posted Credit Support will be calculated as follows: the sum of (i) (x) the arithmetic mean of the mid market quotations on the relevant date of three nationally recognized principal market makers (which may include an affiliate of Party A) for such security chosen by the Valuation Agent multiplied by the applicable Valuation Percentage or (y) if no quotations are available from such principal market makers on the relevant date, the arithmetic mean of the closing bid prices on the next preceding date multiplied by the applicable Valuation Percentage plus (ii) the accrued interest on such security (except to the extent Transferred to a party pursuant to any applicable provision of this Agreement or included in the applicable price referred to in (i) of this clause) as of such date.

(iii) **Alternative.** The provisions of Paragraph 5 will apply.

(g) **Holding and Using Posted Collateral.**

(i) **Eligibility to Hold Posted Collateral; Custodians.** A party or its Custodian will be entitled to hold Posted Collateral pursuant to Paragraph 6(b) *provided* that such party is not a Defaulting Party. Initially Party A shall not be using a Custodian and Party B shall not be using a Custodian.

(ii) **Use of Posted Collateral.** The provisions of Section 6(c) will apply to both parties; *provided* that in the case of Party A its Credit Support Provider has a long-term unsecured, unsubordinated debt rating of at least "Baa3/BBB-" as determined by Moody's and S&P, respectively, and in the case of Party B, it has a long term senior unsecured unsubordinated debt rating of at least "Baa3/BBB-" as determined by Moody's and S&P, respectively.

(h) **Distributions and Interest Amount.**

(i) **Interest Rate.** 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.

(ii) **Transfer of Interest Amount.** Transfers of the Interest Amount will be made in arrears on the last Local Business Day of each calendar month.

(iii) **Alternative to Interest Amount.** The provisions of Paragraph 6(d)(ii) will apply, *provided, however*, that the Interest Amount will compound daily.

(i) **Other Eligible Support and Other Posted Support.**

(i) **"Value"** with respect to Other Eligible Support and Other Posted Support means: The amount then available under the Letter of Credit to be unconditionally drawn down by the Secured Party.

(ii) **"Transfer"** with respect to Other Eligible Support and Other Posted Support means: For purposes of Paragraph 3(a), (1) delivery by the Pledgor to the Secured Party, at the address specified in this Annex, of the Letter of Credit or (2) delivery to the Secured Party, of an amendment of such Letter of Credit extending the term or increasing the amount available to the Secured Party, thereunder; and for purposes of Paragraph 3(b), return of the Letter of Credit by the Secured Party to the Pledgor, at the address specified in this Annex, or agreement by the Secured Party, to an amendment to the Letter of Credit in form and substance satisfactory to the Pledgor, reducing the amount available to the Secured Party, thereunder.

(iii) All Other Eligible Support and Other Posted Support consisting of Letters of Credit shall be issued and maintained in accordance with the provisions set forth in Schedule I attached hereto.

(j) **Demands and Notices.**

All demands, specifications and notices under this Annex will be made pursuant to the Notices Section of this Agreement, *provided*, that the address for Party A for such purposes shall be:

Citigroup Energy Inc.
Commodities Operations Group
2800 Post Oak Blvd., Suite 500
Houston, Texas 77056
Telephone No.: (713) 752--5439
Facsimile No. (713) 481-9931
Email: citienergymargin@citi.com

and the address for Party B for such purposes shall be:

[Please Advise]

(k) **Other Provisions.**

(i) **Custodians.** A party shall be eligible to serve as Custodian if and for so long as it (i) is not affiliated with Party A or Party B, (ii) is a trust company or commercial bank with trust powers, organized under the laws of the United States of America or any state thereof and subject to supervision or examination by federal or state authority, having a combined capital surplus of at least $10,000,000,000 and (iii) shall have outstanding long term unsecured unsubordinated debt securities rated at least "A3" by Moody's and "A-" by S&P.

(ii) **Actions Hereunder.** Either party may take any actions hereunder, including liquidation rights, through its Custodian or other agent.

(iii) **Events of Default.** Paragraph 7(i) shall be amended and restated in its entirety as follows: "(i) that party fails (or fails to cause its Custodian) to make, when due any Transfer of Eligible Collateral, Posted Collateral or the Interest Amount, as applicable, required to be made by it and that failure continues for one Local Business Day after notice of that failure is given to that party;"

(iv) **Amendments to Definitions.** Paragraph 12 of this Annex is hereby amended by adding or amending, as applicable, the following defined terms:

"Local Business Day" is hereby amended by inserting the following in lieu thereof: **"Local Business Day"** shall mean a day on which commercial banks in New York City are open for business (including dealings in foreign exchange and foreign currency deposits)."

"Credit Rating" shall mean with respect to a party (or its Credit Support Provider, as the case may be) or entity, on any date of determination, the respective ratings then assigned to such party's (or its Credit Support Provider's, as the case may be) or entity's unsecured, senior long-term debt or deposit obligations (not supported by third party credit enhancement) by S&P, Moody's or any other specified rating agency or agencies.

"Letter of Credit" means an irrevocable, standby transferable letter of credit, issued by a major U.S. commercial bank or a U.S. branch office of a foreign bank which is satisfactory to the Secured Party, in its reasonable discretion utilizing the form set forth in Exhibit A attached hereto, with such changes to the terms in that form as the issuing bank may require and as may be acceptable to the Secured Party; where (i) such letter of credit bank has a senior unsecured long term debt rating of "A-" or better by S&P and "A3" or better by Moody's and has a combined capital surplus of at least $10,000,000,000. Each Letter of Credit shall be a Credit Support Document.

"Moody's" shall mean Moody's Investors Service, Inc.

"**New York Banking Day**" means any day on which commercial banks are open for general business (including dealings in foreign exchange and foreign currency deposits) in New York City.

"S&P" shall mean Standard & Poor's Ratings Group, a division of The McGraw-Hill Companies, Inc.

IN WITNESS WHEREOF, the parties hereto have executed this Annex as of the date first above written.

CITIGROUP ENERGY INC.
(Party A)

By: _____
Name: _____
Title: _____
Date: _____

NORTHWESTERN CORPORATION
(Party B)

By: _____
Name: _____
Title: _____
Date: _____

Schedule I
to Paragraph 13
of the
ISDA Credit Support Annex

LETTER OF CREDIT PROVISIONS

I. **Letters of Credit**. Other Eligible Support provided by the Pledgor ("X") for the benefit of the Secured Party ("Y") in the form of a Letter of Credit shall be subject to the following provisions.

(a) Any Letter of Credit shall be delivered by X to such address as Y shall specify and shall be maintained for the benefit of Y or its designee. X shall (i) cause the renewal of each outstanding Letter of Credit on a timely basis as provided in the relevant Letter of Credit, (ii) if the bank that issued an outstanding Letter of Credit has indicated its intent not to renew such Letter of Credit, provide a substitute Letter of Credit at least twenty (20) New York Banking Days prior to the expiration of the outstanding Letter of Credit, and (iii) if a bank issuing a Letter of Credit shall fail to honor Y's properly documented request to draw on an outstanding Letter of Credit, provide for the benefit of Y a substitute Letter of Credit that is issued by a bank acceptable to Y, other than the bank failing to honor the outstanding Letter of Credit, within two (2) New York Banking Days after such refusal. Any failure of the second bank to honor Y's proposed document request to draw on an outstanding Letter of Credit or failure by X to deliver such substitute Letter of Credit shall constitute an Event of Default under this Agreement.

(b) Upon the occurrence of a Letter of Credit Default, X agrees to either cause the delivery to Y of a substitute Letter of Credit, or, alternatively, X shall provide other Eligible Collateral, in each case on or before the second Business Day after the occurrence thereof (or on or before the fifth Business Day after the occurrence thereof if only clause (i) under definition of Letter of Credit Default applies). "Letter of Credit Default" shall mean with respect to an outstanding Letter of Credit, the occurrence of any of the following events: (i) the bank issuing the Letter of Credit shall fail to maintain a Credit Rating of at least "A-" by S&P and "A3" by Moody's; (ii) the bank issuing the Letter of Credit shall fail to comply with or perform its obligations under such Letter of Credit; (iii) the bank issuing such Letter of Credit shall disaffirm, disclaim, repudiate or reject, in whole or in part, or challenge the validity of, such Letter of Credit; (iv) 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 this Agreement; or (v) any event analogous to an event specified in Section 5(a)(vii) of this Agreement shall occur with respect to the bank issuing the Letter of Credit; provided, however, that no Letter of Credit Default shall occur in any event with respect to a Letter of Credit after the time such Letter of Credit is required to be cancelled or returned to X, in accordance with the terms of this Agreement.

(c) As one method of providing additional Posted Credit Support, X may increase the amount of an outstanding Letter of Credit or establish one or more additional Letters of Credit.

(d) A Letter of Credit shall provide that Y may draw upon the Letter of Credit in an amount that is equal to all amounts that are due and owing from X but have not been paid to Y within the time allowed for such payments under this Agreement. A Letter of Credit shall provide that a drawing may be made on the Letter of Credit upon submission to the bank issuing the Letter of Credit of one or more certificates in accordance with specific requirements of the Letter of Credit.

(e) (i) Upon or at any time after the occurrence of an Event of Default, Y may draw on any outstanding Letter of Credit upon presentation to the bank issuing the Letter of Credit of one or

more certificates in accordance with the specific requirements of any such Letter of Credit. Cash received from drawing upon the Letter of Credit shall be deemed Posted Collateral and shall either be (y) applied against all amounts that are due and owing from X but have not been paid to Y under this Agreement or (z) held by Y as Posted Collateral in accordance with this Annex. Notwithstanding Y's receipt of Cash from any drawing under a Letter of Credit, X shall remain liable for any amounts owing to Y and remaining unpaid after the application of the amounts so drawn by Y.

(ii) Upon or at any time after the occurrence or deemed occurrence of an Early Termination Date as a result of a Termination Event and the failure of X to make all payments due and owing to Y in accordance with the terms of this Agreement, Y may, subject to the availability of such amounts for drawing, draw on any outstanding Letter of Credit in an amount equal to such amounts owing to it upon presentation to the bank issuing the Letter of Credit of one or more certificates in accordance with the specific requirements of any such Letter of Credit. Notwithstanding Y's receipt of Cash from any drawing under a Letter of Credit, X shall remain obligated to Y to Transfer sufficient Eligible Collateral to Y in accordance with the terms of this Annex. In addition, X shall remain obligated to Y for any amounts owing to Y and remaining unpaid after the application of any amounts so drawn by Y.

(f) The provisions of this Schedule I shall constitute agreements for all purposes of this Agreement and this Annex.

(g) The Pledgor covenants and agrees that so long as a Transaction shall remain outstanding under this Agreement, no Letter of Credit shall be secured by any mortgage, security interest, pledge, lien or other encumbrance upon the property of Pledgor.

(h) In all cases, the costs and expenses (including but not limited to the reasonable costs, expenses, and attorneys' fees of Y) of establishing, renewing, substituting, canceling, and increasing the amount of a Letter of Credit shall be borne by X.

EXHIBIT A
to Paragraph 13
of the
ISDA Credit Support Annex

IRREVOCABLE TRANSFERABLE STANDBY LETTER OF CREDIT

Letter of Credit No._____ Issue Date: _____, 20__

Beneficiary:

[Name of Beneficiary]
[Address]
Attn: _____

Account Party:

[Name of Account Party]
[Address of Account Party]
Attn: _____

Ladies and Gentlemen:

We hereby establish in favor of you, [Name of Beneficiary] (the "Beneficiary"), at the request and for the account of [name of account party] (the "Account Party"), with respect to the ISDA Master Agreement dated as of _____, 20___, by and between you and the Account Party, as may be amended from time to time, our Irrevocable Transferable Standby Letter of Credit No. _____ (the "Credit") whereby we irrevocably authorize you to draw on us, in accordance with the terms and conditions hereinafter set forth, in an amount not to exceed in the aggregate $_____.

Subject to the terms hereof, funds are available to you hereunder against presentation of a completed certificate (a "Certificate"), dated and signed by your representative, including one of the following statements:

1. An Event of Default (as defined in the ISDA Master Agreement dated as of _____, 20___, by and between you and [name of Account Party], as may be amended from time to time) has occurred and is continuing with respect to the Account Party under the Master Agreement. Therefore the Beneficiary does hereby demand payment of the entire undrawn amount of the Credit; or

2. An Early Termination Date (as defined in the ISDA Master Agreement dated as of _____, 20___, by and between you and [name of Account Party], as may be amended from time to time) has occurred as a result of a Termination Event (as defined in such ISDA Master Agreement) and Account Party has failed to make payments in an aggregate amount of $_____ due and owing to the Beneficiary in accordance with the terms of the Master Agreement. Wherefore the Beneficiary does hereby demand payment of $_____.

Partial drawings are allowed under this Credit. The amount which may be drawn under this Credit shall be automatically reduced by the amount of any drawings previously paid by us hereunder.

Presentation of your Certificate shall be made on any day which is a New York Banking Day for us at or prior to [5:00 p.m. (New York time)] at our office located at _____. Presentation must be made by hand, mail or courier service, to such address[, or by tested telex or SWIFT]. If your presentation is made at such office, in compliance with the other terms and conditions of this Credit, on or prior to the expiry date hereof, we hereby irrevocably undertake to honor such presentation [by close of business on the next New York Banking Day].

This Credit is effective immediately and expires at our close of business on _____, 20__, [(the "Initial Expiry Date"); provided however, that this Credit shall be automatically extended without amendment for one or more additional one-year periods from the Initial Expiry Date or any subsequent expiry date, unless at least 60 days prior to such date you receive a notice in writing by certified mail, [tested telex or SWIFT] at the above address, that we elect not to extend this Credit for such additional period. Upon your receipt of such a notice of non-extension, you shall be entitled to make immediate demand for payment of the full amount available under this Credit, by presentation of your Certificate.

This Credit shall be subject to the provisions of the International Standby Practices 1998, International Chamber of Commerce Publication No. 590 ("ISP"), and as to matters not addressed by ISP, shall be governed by the laws of the State of New York and applicable U.S. federal laws.

This Credit is transferable, and we hereby consent to such transfer, but otherwise may not be amended, changed or modified without our express written consent and that of the Beneficiary and the Account Party.

Very truly yours,

[ISSUING BANK]

Draft of 10/3/08

Guarantee of Citigroup Energy Inc.
by Citigroup Inc.

Guarantee, dated as of _____, 2008, of Citigroup Inc., a Delaware corporation (the "Guarantor"), in favor of Northwestern Corporation (the "Counterparty").

1. **Guarantee.** In order to induce the Counterparty to enter into an ISDA Master Agreement, dated as of the date hereof (the "Agreement"), with the Guarantor's wholly-owned subsidiary Citigroup Energy Inc., ("Primary Obligor"), the Guarantor absolutely and unconditionally guarantees to the Counterparty, its successors and permitted assigns, as primary obligor and not as a surety, the prompt payment of all amounts payable by Primary Obligor under the Agreement, whether due or to become due, secured or unsecured, joint or several together with any and all expenses referred to under Section 11 of the Agreement incurred by Counterparty in enforcing Counterparty's rights under this Guarantee (the "Obligations") all without regard to any counterclaim, set-off, deduction or defense of any kind which Primary Obligor or the Guarantor may have or assert, and without abatement, suspension, deferment or diminution on account of any event or condition whatsoever; provided however, that notwithstanding anything else to the contrary in this Guarantee, Guarantor's obligations under this Guarantee shall be subject to Primary Obligor's defenses, rights to set-off, counterclaim or withhold payment as provided in the Agreement. Any capitalized term used herein and not otherwise defined shall have the meaning assigned to it in the Agreement.

2. **Nature of Guarantee.** This Guarantee is a guarantee of payment and not of collection. The Counterparty shall not be obligated, as a condition precedent to performance by the Guarantor hereunder, to file any claim relating to the Obligations in the event that Primary Obligor becomes subject to a bankruptcy, reorganization or similar proceeding, and the failure of the Counterparty to file a claim shall not affect the Guarantor's obligations hereunder. This Guarantee shall continue to be effective or be reinstated if any payment to the Counterparty by Primary Obligor on account of any Obligation is returned to Primary Obligor or is rescinded upon the insolvency, bankruptcy or reorganization of Primary Obligor.

3. **Consents, Waivers and Renewals.** The Guarantor agrees that the Counterparty may at any time and from time to time, either before or after the maturity thereof, without notice to or further consent of the Guarantor, change the time, manner or place of payment or any other term of, any Obligation, exchange, release, nonperfection or surrender any collateral for, or renew or change any term of any of the Obligations owing to it, and may also enter into a written agreement with Primary Obligor or with any other party to the Agreement or person liable on any Obligation, or interested therein, for the extension, renewal, payment, compromise, modification, waiver, discharge or release thereof, in whole or in part, without impairing or affecting this Guarantee. The Obligations of the Guarantor under this Guarantee are unconditional, irrespective of the value, genuineness, validity, or enforceability of the Obligations, any law regulation or order of any jurisdiction or any other event affecting the term of any Obligation or of Counterparty's rights with respect thereto and to the fullest extent permitted by applicable law, any other circumstance which might constitute a defense available to, or a discharge of, the Guarantor, including (a) any law, rule or policy that is now or hereafter promulgated by any governmental authority (including any central bank) or regulatory body that may adversely affect Counterparty's ability or obligation to make or receive such payments, (b) any nationalization,

expropriation, war, riot, civil commotion or other similar event, (c) any inability to convert any currency into the currency of payment of such obligation, (d) any inability to transfer funds in the currency of payment of such obligation to the place of payment therefor. The Guarantor agrees that the Counterparty may have recourse to the Guarantor for payment of any of the Obligations, whether or not the Counterparty has proceeded against any collateral security or any obligor principally or secondarily obligated for any Obligation. The Guarantor waives demands, promptness, diligence and all notices that may be required by law or to perfect the Counterparty's rights hereunder except notice to the Guarantor of a default by Primary Obligor under the Agreement, provided, however, that any delay in the delivery of notice shall in no way invalidate the enforceability of this Guarantee. No failure, delay or single or partial exercise by the Counterparty of its rights or remedies hereunder shall operate as a waiver of such rights or remedies. All rights and remedies hereunder or allowed by law shall be cumulative and exercisable from time to time.

4. **Representations and Warranties.** The Guarantor hereby represents and warrants that:

(i) the Guarantor is duly organized, validly existing and in good standing under the laws of the State of Delaware;

(ii) the Guarantor has the requisite corporate power and authority to issue this Guarantee and to perform its obligations hereunder, and has duly authorized, executed and delivered this Guarantee;

(iii) the Guarantor is not required to obtain any authorization, consent, approval, exemption or license from, or to file any registration with, any government authority as a condition to the validity of, or to the execution, delivery or performance of, this Guarantee;

(iv) as of the date of this Guarantee, there is no action, suit or proceeding pending or threatened against the Guarantor before any court or arbitrator or any governmental body, agency or official in which there is a reasonable possibility of an adverse decision which could affect, in a materially adverse manner, the ability of the Guarantor to perform any of its obligations under, or which in any manner questions the validity of, this Guarantee;

(v) the execution, delivery and performance of this Guarantee by the Guarantor does not contravene or constitute a default under any statute, regulation or rule of any governmental authority or under any provision of the Guarantor's certificate of incorporation or by-laws or any contractual restriction binding on the Guarantor; and

(vi) this Guarantee constitutes the legal, valid and binding obligation of the Guarantor enforceable in accordance with its terms, subject to the effect of any bankruptcy, insolvency, reorganization, moratorium or similar law affecting creditors' rights generally, and to general principles of equity (regardless of whether such enforceability is considered in a proceeding in equity or at law).

5. **Subrogation.** Upon payment by Guarantor of any sums to Counterparty under this Guarantee, all rights of Guarantor against Primary Obligor arising as a result thereof by way of right of subrogation or otherwise shall in all respects be subordinate and junior in right of payment to the prior indefeasible payment in full of all the obligations of Primary Obligor under the Agreement, including all Transactions then in effect between Primary Obligor and Counterparty.

6. **Termination.** This Guarantee is a continuing guarantee and shall remain in full force and effect until such time as it may be revoked by the Guarantor by notice given to the Counterparty, such notice to be deemed effective upon receipt thereof by the Counterparty or at such later date as may be specified in such notice; provided, however, that such revocation shall not limit or terminate this Guarantee in respect of any Transaction effected under the Agreement which shall have been entered into prior to the effectiveness of such revocation.

7. **Notices.** Any notice or communication required or permitted to be made hereunder shall be made to the appropriate addresses set forth below (or to such other addresses as either party may designate by notice to the other party):

If to the Counterparty:

Northwestern Corporation

_____

_____

If to the Guarantor:

Citigroup Inc.
c/o Citigroup Global Markets
388 Greenwich St.
New York, NY 10013
Attention: Treasurer
Facsimile No.: 212-816-2250

With a copy to:

Legal Department
388 Greenwich Street
17th Floor
New York, NY 10013
Attention: Senior Deputy General Counsel, Citi Markets and Banking
Facsimile No.: 212-816-5550

8. **GOVERNING LAW; JURISDICTION.** This Guarantee shall be governed by and construed in accordance with the laws of the State of New York. The Guarantor hereby irrevocably consents to, for the purposes of any proceeding arising out of this Guarantee, the exclusive jurisdiction of the courts of the State of New York and the United States District Court located in the borough of Manhattan in New York City.

9. **Waiver of Immunity.** To the extent that the Guarantor has or hereafter may acquire any immunity from jurisdiction of any court or from any legal process (whether through service or notice, attachment prior to judgment, attachment in aid of execution, execution or otherwise) with respect to the Guarantor or the Guarantor's property, the Guarantor hereby irrevocably waives such immunity in respect of the Guarantor's obligations under this Guarantee.

10. **Waiver of Jury Trial.** The Guarantor hereby irrevocably waives all right to trial by jury in any action, proceeding or counterclaim (whether based on contract, tort or otherwise) arising out of or relating to this Guarantee or the negotiation, administration or enforcement hereof.

11. **Miscellaneous.** Each reference herein to the Guarantor, Counterparty or Primary Obligor shall be deemed to include their respective successors and assigns. The provisions hereof shall inure in favor of each such successor or assign. This Guarantee (i) shall supersede any prior or contemporaneous representations, statements or agreements, oral or written, made by or between the parties with regard to the subject matter hereof and (ii) may be amended only by a written instrument executed by the Guarantor.

12. **Assignment.** Neither this Guarantee nor any Obligation hereunder with respect to any Transaction may be transferred without the prior written consent of the Guarantor, except that Counterparty may transfer this Guarantee or an Obligation with respect to a Transaction pursuant to Section 7 of the Agreement and such transfer shall be effective against the Guarantor upon receipt by Guarantor of written notice.

13. **Limitation of Liability.** Notwithstanding anything to the contrary contained herein or in the Agreement, whether express or implied, Guarantor shall in no event be required to pay or be liable to the Counterparty for any consequential, indirect or punitive damages, opportunity costs or lost profits.

IN WITNESS WHEREOF, the undersigned has executed this Guarantee as of the date first above written.

CITIGROUP INC.

By: _____
Name: _____
Title: _____

NorthWestern™ Energy

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

Counterparty Name: Citigroup Energy Inc (CEI)

Contact Name: Joan Hutchinson

Phone number: 713-752-5260 (office) 832-623-9835 (cell)

Buyer: NorthWestern Energy

Seller: CEI

Volume	Fixed Price ($/per MWh)	Index Price (Including discount, premium and named Index)	Delivery Point
25 MW	59.50		Mid-C
25 MW	59.50		Mid-C
25 MW	59.50		Mid-C
25 MW	59.50		Mid-C

Special Conditions: see attached sheet

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: Citigroup Energy Inc (CEI)

Contact Name: Joan Hutchinson

Phone number: 713-752-5260 (office) 832-623-9835 (cell)

Buyer: NorthWestern Energy

Seller: CEI

Volume	Fixed Price ($/per MWh)	Index Price (Including discount, premium and named Index)	Delivery Point
25 MW	61.15		Mid-C
25 MW	61.15		Mid-C
25 MW	61.15		Mid-C
25 MW	61.15		Mid-C

Special Conditions: see attached sheet

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
10 Year Product Commencing July 1, 2010

Counterparty Name: Citigroup Energy Inc (CEI)

Contact Name: Joan Hutchinson

Phone number: 713-752-5260 (office) 832-623-9835 (cell)

Buyer: NorthWestern Energy

Seller: CEI

Volume	Fixed Price ($/per MWh)	Index Price (Including discount, premium and named Index)	Delivery Point
25 MW	62.95		Mid-C
25 MW	63.35		Mid-C
25 MW	63.35		Mid-C
25 MW	63.35		Mid-C

Special Conditions: see attached sheet

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.

Special Conditions

For all products the following special conditions apply:

Product: Energy Firm (LD) as per the power annex to the ISDA. A physical power agreement may be converted to a financial power agreement subject to mutual agreement.

Delivery: On all hours (7x24) starting HE 01:00 Pacific Prevailing Time July 1, 2010 for 5, 7 or 10 year term as applicable.

Contract: Any transactions will be confirmed under a long-form confirmation deemed subject to the ISDA with power annex and subsequently documented under a mutually agreed to ISDA with power annex. Northwestern and CEI are currently negotiating an ISDA. These documents are attached.

Legal & Credit: All terms and conditions are subject to negotiation of the term sheet, definitive documentation, credit and internal approvals. Credit terms will be negotiated in accordance with the ISDA (attached and under negotiations). CEI's payment obligations are guaranteed by Citigroup Inc. with an S&P AA- rating.

Price: Prices will be held open until 12 pm Mountain time October 24, 2008.

Ability to Perform Service
CEI's transactions with specific counterparties are confidential.

CEI's rankings in Platts Physical Power Sales Analysis indicate that CEI places within the top five companies trading at Mid-C. CEI trading volumes at Mid-C in Q1 of 2008 were 3,663 GWh or 6.34% of the Mid-C sales and in Q2 they were 4,747 GWh or 7.20% of sales.

Contact Information:
Joan Hutchinson
joan.hutchinson@citi.com
Phone number: 713-752-5260 (office)
832-623-9835 (cell)
713-752-5237 (fax)
2800 Post Oak Blvd Suite 500
Houston Texas
77056

CEI Disclaimer:
Any terms set forth herein are intended for discussion purposes only and are subject to the final terms as set forth in separate definitive written agreements. This presentation is not a commitment to lend, syndicate a financing, underwrite or purchase securities, or commit capital nor does it obligate us to enter into such a commitment, nor are we acting as a fiduciary to you. By accepting this presentation, subject to applicable law or regulation, you agree to keep confidential the existence of and proposed terms for any transaction contemplated hereby (a "Transaction").

Prior to entering into any Transaction, you should determine, without reliance upon us or our affiliates, the economic risks and merits (and independently determine that you are able to assume these risks) as well as the legal, tax and accounting characterizations and

consequences of any such Transaction. In this regard, by accepting this presentation, you acknowledge that (a) we are not in the business of providing (and you are not relying on us for) legal, tax or accounting advice, (b) there may be legal, tax or accounting risks associated with any Transaction, (c) you should receive (and rely on) separate and qualified legal, tax and accounting advice and (d) you should apprise senior management in your organization as to such legal, tax and accounting advice (and any risks associated with any Transaction) and our disclaimer as to these matters. By acceptance of these materials, you and we hereby agree that from the commencement of discussions with respect to any Transaction, and notwithstanding any other provision in this presentation, we hereby confirm that no participant in any Transaction shall be limited from disclosing the U.S. tax treatment or U.S. tax structure of such Transaction.

IRS Circular 230 Disclosure: Citigroup, Inc. and its affiliates do not provide tax or legal advice. Any discussion of tax matters in these materials (i) is not intended or written to be used, and cannot be used or relied upon, by you for the purpose of avoiding any tax penalties and (ii) may have been written in connection with the "promotion or marketing" of the Transaction. Accordingly, you should seek advice based on your particular circumstances from an independent tax advisor.

We are required to obtain, verify and record certain information that identifies each entity that enters into a formal business relationship with us. We will ask for your complete name, street address, and taxpayer ID number. We may also request corporate formation documents, or other forms of identification, to verify information provided.

Any prices or levels contained herein are preliminary and indicative only and do not represent bids or offers. These indications are provided solely for your information and consideration, are subject to change at any time without notice and are not intended as a solicitation with respect to the purchase or sale of any instrument. The information contained in this presentation may include results of analyses from a quantitative model which represent potential future events that may or may not be realized, and is not a complete analysis of every material fact representing any product. Any estimates included herein constitute our judgment as of the date hereof and are subject to change without any notice. We and/or our affiliates may make a market in these instruments for our customers and for our own account. Accordingly, we may have a position in any such instrument at any time.

We maintain a policy of strict compliance to the anti-tying provisions of the U.S. Bank Holding Company Act of 1956, as amended, and the regulations issued by the Federal Reserve Board implementing the anti-tying rules (collectively, the "Anti-tying Rules"). Moreover, our credit policies provide that credit must be underwritten in a safe and sound manner and be consistent with Section 23B of the Federal Reserve Act and the requirements of federal law. Consistent with these requirements and our Anti-tying Policy:

- The extension of commercial loans or other products or services to you by Citibank, N.A. ("Citibank") or any of its subsidiaries will not be conditioned on your taking other products or services offered by Citibank or any of its subsidiaries or affiliates, unless such a condition is permitted under an exception to the Anti-tying Rules.

- We will not vary the price or other terms of any product or service offered by Citibank or its subsidiaries on the condition that you purchase another product or service from Citibank or any Citigroup affiliate, unless we are authorized to do so under an exception to the Anti-tying Rules.

- We will not require you to provide property or services to Citibank or any affiliate of Citibank as a condition to the extension of a commercial loan to you by Citibank or any of its subsidiaries, unless such a requirement is reasonably required to protect the safety and soundness of the loan.

- We will not require you to refrain from doing business with a competitor of Citigroup or any of its affiliates as a condition to receiving a commercial loan from Citibank or any of its subsidiaries, unless the requirement is reasonably designed to ensure the soundness of the loan.

Although this material may contain publicly available information about Citigroup corporate bond research or economic and market analysis, Citigroup policy (i) prohibits employees from offering, directly or indirectly, a favorable or negative research opinion or offering to change an opinion as consideration or inducement for the receipt of business or for compensation; and (ii) prohibits analysts from being compensated for specific recommendations or views contained in research reports. So as to reduce the potential for conflicts of interest, as well as to reduce any appearance of conflicts of interest, Citigroup has enacted policies and procedures designed to limit communications between its investment banking and research personnel to specifically prescribed circumstances.

2008 Elec RFP - BARCLAY'S

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Confidential Information

October 24, 2008

Mr. Kevin Markovich
NorthWestern Energy
40 E Broadway
Butte, MT 59701

Re: Northwestern Energy RFP – Firm Electricity

Dear Kevin:

Barclays Bank PLC is submitting in addition to all other documentation submitted on October 21, 2008 the attached offer sheets revised which represent market movements in prices favorable to NorthWestern since the original offers were submitted. We are also prepared to discuss credit and collateral terms which would be more attractive to NorthWestern than indicated in the original CSA submittal.

Thank you again for extending Barclays Bank PLC the opportunity to participate in this process.

Best regards,

Greg Wolfe
Director

Stewart Rosman
Associate Director

BARCLAYS

Barclays' Information

Barclays Capital
1001 SW Fifth Ave
Suite 1100
Portland, OR 97204

Transaction counterparty is parent: **Barclays Bank PLC**

Stewart Rosman	Associate Director	Stewart.rosman@barcap.com
	Work Phone	503-535-8062
	Cell Phone	503-703-2792
Greg Wolfe	Director	Greg.wolfe@barcap.com
	Work Phone	503-535-8042
	Cell Phone	503-819-7783

Credit Information:
All public financial documents for **Barclays Bank PLC** are available on the Barclays website. Please refer to the following link for access to our 20-F and annual reports.

http://www.investorrelations.barclays.co.uk/BRC1/jsp/brccontrol?task=articleFWgroup&value=1168&target=_self&site=inv

Barclays Bank PLC Electric Tariff Information: FERC June 2, 2004 Docket #: ER04-734-000
D&B #: 210021531
Federal Tax ID #: 13-4942190

Barclays Bank PLC ratings

Agency	Long Term	Short Term
S&P	AA	A-1+
Moody's	Aa1	P-1
Fitch	AA	F1+

References:
Barclays is very active in the term markets throughout the WECC. The two references below represent counterparties that we have transacted with recently.

Pacific Gas & Electric
Matt Mullins
415-973-1613
smmn@pge.com

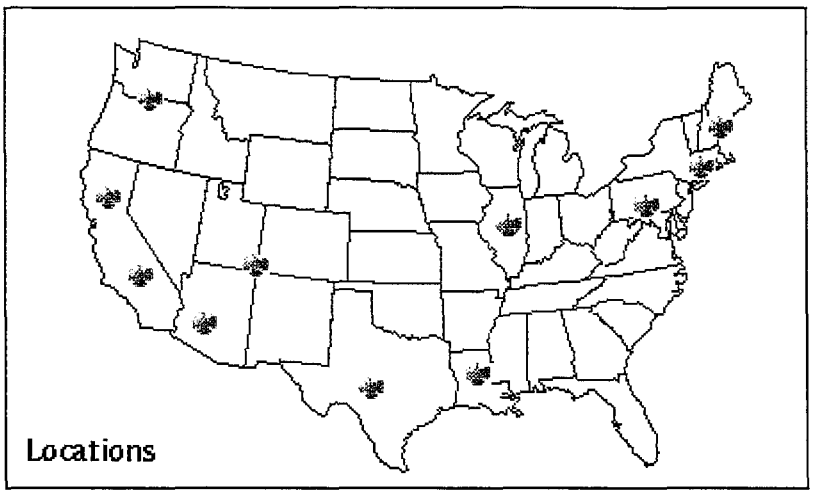
Puget Sound Energy
Nathan Adams
425-456-2411
Nathan.adams@pse.com

Barclays Experience:

Barclays Bank PLC ("Barclays") is actively engaged in the sales and trading of physical and financial electricity and natural gas in North America. Barclays executes an estimated average daily volume of 8 million megawatt hours and 60 billion cubic feet of natural gas transactions with a diverse customer base including oil and gas producers, local distribution companies, merchant generators, hedge funds, utility companies, and public entities across the United States and Canada. Barclays actively markets and trades a wide array of energy products including but not

limited to fixed price power sales and purchases, fuel indexed power sales and purchases, and financial swaps and options. Barclays has physical and financial electricity and natural gas capabilities at all of the following delivery locations.

Power



West	East	Mid-West	Texas
CAISO	PJM (West, all zones)	MISO	Sellers Choice
Palo Verde	NE Pool	Cinn Hub	North/South Zone/West/Houston
Mead	NY A, G, J	AD Hub	
Four Corners	NI Hub	All Nodes	
Mid C		FE Hub	

Barclays' physical electricity sales and trading activities are primarily driven by our customer business. For example, in November 2005 Duke Energy announced it had signed an agreement to transfer substantially all of Duke Energy North America's (DENA) portfolio of physical and financial power sales contracts to Barclays. The transaction facilitated the sale of generation plants to LS Power in January 2006 and the rapid wind-down of Duke's DENA operation. The significant size of DENA's business meant few parties could take the entire portfolio. This transaction gave Barclays an advantage over its competition to swiftly negotiate enabling agreements with a large number of counterparties throughout the United States. In addition, the DENA contract portfolio gives us an infrastructure and market position to leverage into value for our customer base. Barclays' financial electricity sales and trading activities are primarily driven by the hedging and risk management needs of our customers. For example, in December 2006 a Barclays' client raised $700 million of non-recourse financing to repay a portion of the costs associated with its development of 606MW of wind generation in Texas. To help this client finance this transaction, Barclays structured an asset-secured power contract for the three generation farms comprising the portfolio.

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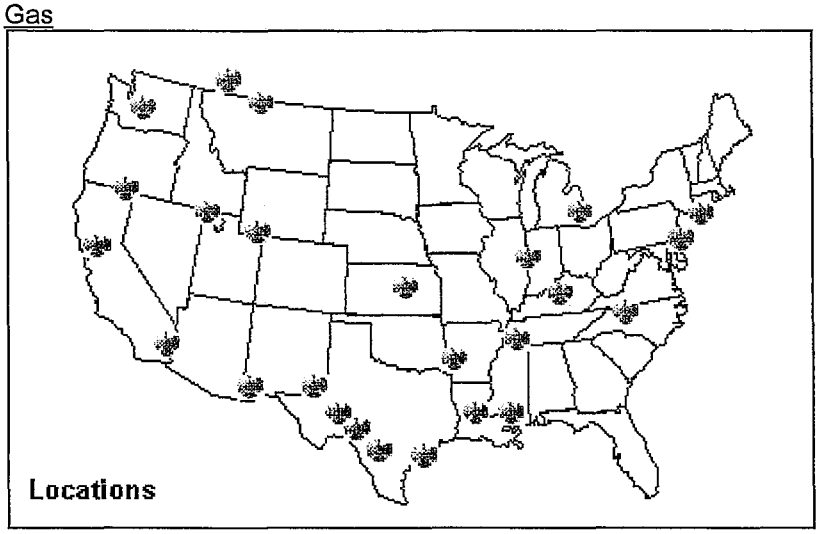
Historical Sales available at FERC Electric Quarterly Reports website http://ferc.gov/docs-filing/eqr.asp

Gas



Transco zone 6-N.Y.	Texas Eastern, ELA/STX	Questar
Texas Eastern, M3	Nova (AECO)	WestCoast Energy, sta 2
Columbia Gas, Appalachia	Opal	Dominion (South Pool)
Transco, zone 3	NGPL (MidCon)	CIG (Mainline/Cheyenne)
Trunkline LA	PG&E Citygate	Kern River (Muddy Creek)
Chicago city-gates	Sumas	Tennessee, zone 6/800L
Panhandle, Tx.-Okla.	Transwestern Pipeline	Tennessee (500L/0L)
Houston Ship Channel	Transco, sta65	Malin
Waha	TransCanada Mainline	El Paso, San Juan Basin
El Paso, Permian Basin	Union (Dawn)	Michcon city-gate
Northwest Pipe, Rockies	SoCal Gas	Henry Hub

Barclays' physical natural gas sales and trading activities are primarily driven by the term physical storage leases and park and loan transactions that we manage. In 2006, Barclays traded a total of ~ 50 billion cubic feet of park and loan transactions with five gas storage owners in the United States and Canada for delivery terms that extended out to 2019. Currently, Barclays leases ~ 15 billion cubic feet of storage capacity from one to five years in Alberta, Southern California, and Gulf Coast. Barclays' financial gas sales and trading activities are primarily driven by the hedging and risk management needs of our established customer base. We transacted our largest fixed price gas contract with a Western municipality in December of 2006 for a term of 15 years and a total volume of ~ 27.4 billion cubic feet.

Barclays has a very strong balance sheet, considerable credit risk appetite, and the ability to extend our customer base a wide variety of risk management solutions. All in all, Barclays' Energy franchise is customer driven in form and function.

NorthWestern Energy

OFFER SHEET 10/24/08

2008 Firm Electricity RFP

5 Year Product Commencing July 1, 2010

Counterparty Name: Barclays Bank PLC

Contact Name: Greg Wolfe/Stewart Rosman

Phone number: 503-535-8042/503-535-8062

Volume	Fixed Price ($/per MWh)	Index Price (Including discount, premium and named Index)	Delivery Point
25 MW	58.40		Mid-Columbia
25 MW	58.40		Mid-Columbia
25 MW	58.40		Mid-Columbia
25 MW	58.40		Mid-Columbia

Special Conditions:

Contingency Reserves:
Per verbal discussion between Northwestern Energy and Barclays, both parties agree that the current position of the Northwest Power Pool Reserve Sharing Group is that all deliveries made by NWPP RSG participants in the NWPP RSP control areas are considered firm with contingency reserves. As such, Barclays as price risk intermediary would not be required to provide any additional capacity or reserve products along with the physical energy schedules sourced from a NWPP RSG participant.

Upon approval and implementation of the pending BAL-002 protocal that WECC has submitted for NERC and FERC approval (or a similar standard for reliability), Northwestern and Barclays further agree that the reserve requirements will be met by either the source control area and/or Northwestern as Balancing Authority and that Barclays will not be required to procure any additional capacity or reserve products to meet its delivery obligations.

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.

BARCLAYS

NorthWestern™ Energy

OFFER SHEET 10/24/08

2008 Firm Electricity RFP

7 Year Product Commencing July 1, 2010

Counterparty Name: Barclays Bank PLC

Contact Name: Greg Wolfe/Stewart Rosman

Phone number: 503-535-8042/503-535-8062

Volume	Fixed Price ($/per MWh)	Index Price (Including discount, premium and named Index)	Delivery Point
25 MW	60.45		Mid-Columbia
25 MW	60.45		Mid-Columbia
25 MW	60.45		Mid-Columbia
25 MW	60.45		Mid-Columbia

Special Conditions:

Contingency Reserves:
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BARCLAYS

NorthWestern™ Energy

OFFER SHEET 10/24/08

2008 Firm Electricity RFP

10 Year Product Commencing July 1, 2010

Counterparty Name: Barclays Bank PLC

Contact Name: Greg Wolfe/Stewart Rosman

Phone number: 503-535-8042

Volume	Fixed Price ($/per MWh)	Index Price (Including discount, premium and named Index)	Delivery Point
25 MW	63.98		Mid-Columbia
25 MW	63.98		Mid-Columbia
25 MW	63.98		Mid-Columbia
25 MW	63.98		Mid-Columbia

Special Conditions:

Contingency Reserves:

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BARCLAYS

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This document shall not constitute an underwriting commitment or an offer of financing, which shall be subject to Barclays' internal approvals. No transaction or services related thereto is contemplated without Barclays' subsequent formal agreement. Barclays is acting solely as principal and not as advisor or fiduciary. Accordingly you must independently determine, with your own advisors, the appropriateness for you of the transaction before transacting. Barclays accepts no liability whatsoever for any consequential losses arising from the use of this document or reliance on the information contained herein.

Barclays does not guarantee the accuracy or completeness of information which is contained in this document and which is stated to have been obtained from or is based upon trade and statistical services or other third party sources. Any data on past performance, modelling or back-testing contained herein is no indication as to future performance. No representation is made as to the reasonableness of the assumptions made within or the accuracy or completeness of any modelling or back-testing. All opinions and estimates are given as of the date hereof and are subject to change. The value of any investment may fluctuate as a result of market changes. The information in this document is not intended to predict actual results and no assurances are given with respect thereto.

Barclays, its affiliates and the individuals associated therewith may (in various capacities) have positions or deal in transactions or investments (or related derivatives) identical or similar to those described herein.

IRS Circular 230 Disclosure: Barclays Capital and its affiliates do not provide tax advice. Please note that (i) any discussion of US tax matters contained in this communication (including any attachments) cannot be used by you for the purpose of avoiding tax penalties; (ii) this communication was written to support the promotion or marketing of the matters addressed herein; and (iii) you should seek advice based on your particular circumstances from an independent tax advisor.

BARCLAYS CAPITAL INC., THE UNITED STATES AFFILIATE OF BARCLAYS CAPITAL, THE INVESTMENT BANKING DIVISION OF BARCLAYS BANK PLC, ACCEPTS RESPONSIBILITY FOR THE DISTRIBUTION OF THIS DOCUMENT IN THE UNITED STATES. ANY TRANSACTIONS BY US PERSONS IN ANY INVESTMENT DISCUSSED HEREIN MUST ONLY BE CARRIED OUT THROUGH BARCLAYS CAPITAL INC., 200 PARK AVENUE, NEW YORK, NY 10166. ANY US PERSON WISHING TO EFFECT A TRANSACTION IN AN EXCHANGE TRADED FUTURE OR OPTION SHOULD DO SO ONLY BY CONTACTING A REPRESENTATIVE OF BARCLAYS CAPITAL INC. IN THE US, 200 PARK AVENUE, NEW YORK, NY 10166, WHO IS THE REGISTERED NATIONAL FUTURES ASSOCIATION ("NFA") MEMBER.

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Barclays Capital is the investment banking division of Barclays Bank PLC, which is authorised and regulated by the UK Financial Services Authority and a member of the London Stock Exchange.

BARCLAYS

Credit Limit $15,000,000

	25 MW Total Volume	Deal Price	Current Market Price	Current Market Value	Current MTM
Q3 - Q4 2010	109,800	62.10	56.91	6,248,718.00	(569,862)
Cal 2011	219,000	62.10	54.15	11,859,563.34	(1,740,337)
Cal 2012	219,000	62.10	53.51	11,719,322.68	(1,880,577)
Cal 2013	219,000	62.10	55.79	12,218,171.04	(1,381,729)
Cal 2014	219,000	62.10	57.91	12,683,199.91	(916,700)
Cal 2015	219,000	62.10	59.49	13,028,656.72	(571,243)
Cal 2016	219,000	62.10	61.29	13,423,464.50	(176,435)
Cal 2017	219,000	62.10	63.10	13,818,272.28	218,372
Cal 2018	219,000	62.10	64.99	14,232,820.45	632,920
Cal 2019	219,000	62.10	66.94	14,659,805.06	1,059,905
Q1 - Q2 2020	108,600	62.10	59.02	6,409,572.00	(334,488)
Total	2,189,400			130,301,565.99	(5,660,174)
	$ 6.85	$ 55.25		59.51	

	50 MW Total Volume	Deal Price	Current Market Price	Deal Value	Current MTM
Q3 - Q4 2010	219,600	62.10	56.91	12,497,436.00	(1,139,724)
Cal 2011	438,000	62.10	54.15	23,719,126.67	(3,480,673)
Cal 2012	438,000	62.10	53.51	23,438,645.36	(3,761,155)
Cal 2013	438,000	62.10	55.79	24,436,342.08	(2,763,458)
Cal 2014	438,000	62.10	57.91	25,366,399.83	(1,833,400)
Cal 2015	438,000	62.10	59.49	26,057,313.44	(1,142,487)
Cal 2016	438,000	62.10	61.29	26,846,929.00	(352,871)
Cal 2017	438,000	62.10	63.10	27,636,544.56	436,745
Cal 2018	438,000	62.10	64.99	28,465,640.90	1,265,841
Cal 2019	438,000	62.10	66.94	29,319,610.12	2,119,810
Q1 - Q2 2020	217,200	62.10	59.02	12,819,144.00	(668,976)
	4,378,800			260,603,131.97	(11,320,348)
	$ 4.57	$ 57.53		59.51	

Confidential Information

October 21, 2008

Mr. Kevin Markovich
NorthWestern Energy
40 E Broadway
Butte, MT 59701

Re: Northwestern Energy RFP – Firm Electricity

Dear Kevin:

Barclays Bank PLC is pleased to submit the following to Northwestern Energy in accordance with the Request for Proposal solicitation released on October 1, 2008. We have included offers for fixed-priced firm energy for 5, 7 and 10 year terms. All products are priced at the Mid Columbia delivery point. A draft EEI is attached with proposed credit terms. Should Northwestern select Barclays, we are prepared to discuss any aspect of this RFP including commercial, credit and legal terms.

All prices are subject to execution of a mutually agreeable contract. In addition to initially executing a physical transaction under an EEI, we can also consider an ISDA agreement at this time or in the future if Northwestern prefers to convert from a physical to a financial product.

Thank you again for extending Barclays Bank PLC the opportunity to participate in this process.

Best regards,

Greg Wolfe
Director

Stewart Rosman
Associate Director

BARCLAYS

Barclays' Information

Barclays Capital
1001 SW Fifth Ave
Suite 1100
Portland, OR 97204

Transaction counterparty is parent: **Barclays Bank PLC**

Stewart Rosman	Associate Director	Stewart.rosman@barcap.com
	Work Phone	503-535-8062
	Cell Phone	503-703-2792
Greg Wolfe	Director	Greg.wolfe@barcap.com
	Work Phone	503-535-8042
	Cell Phone	503-819-7783

Credit Information:
All public financial documents for **Barclays Bank PLC** are available on the Barclays website. Please refer to the following link for access to our 20-F and annual reports.

http://www.investorrelations.barclays.co.uk/BRC1/jsp/brccontrol?task=articleFWgroup&value=1168&target=_self&site=inv

Barclays Bank PLC Electric Tariff Information: FERC June 2, 2004 Docket #: ER04-734-000
D&B #: 210021531
Federal Tax ID #: 13-4942190

Barclays Bank PLC ratings

Agency	Long Term	Short Term
S&P	AA	A-1+
Moody's	Aa1	P-1
Fitch	AA	F1+

References:
Barclays is very active in the term markets throughout the WECC. The two references below represent counterparties that we have transacted with recently.

Pacific Gas & Electric
Matt Mullins
415-973-1613
smmn@pge.com

Puget Sound Energy
Nathan Adams
425-456-2411
Nathan.adams@pse.com

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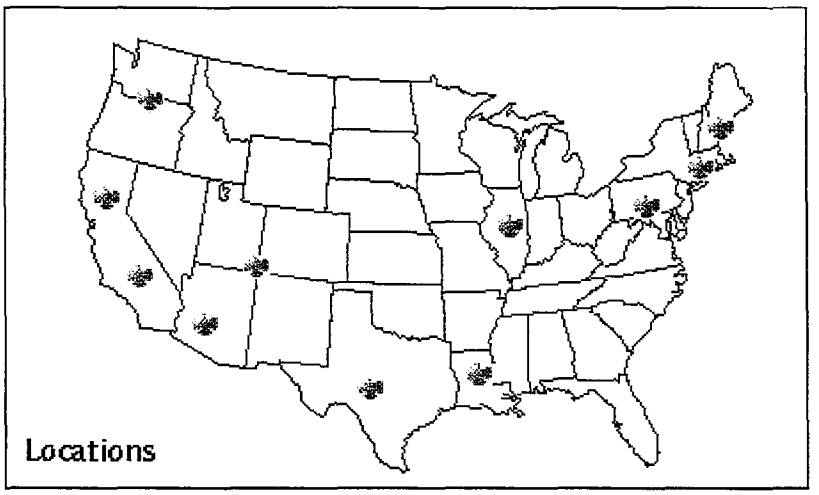

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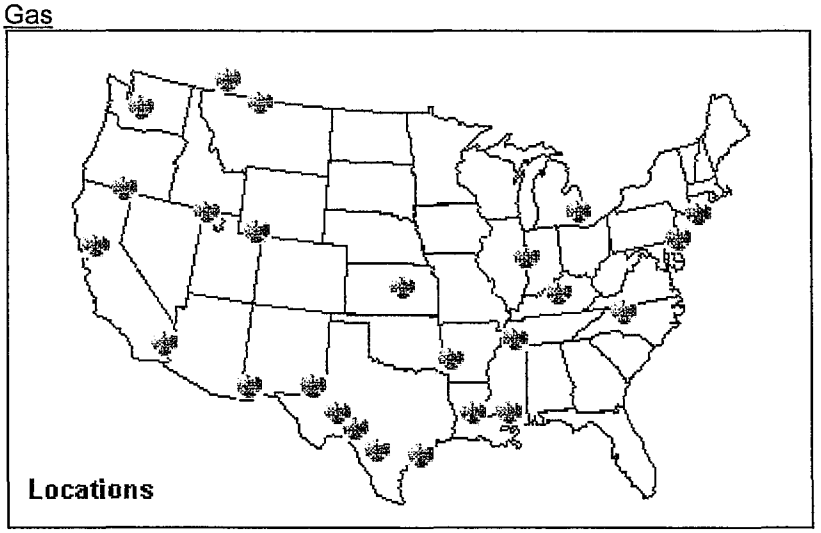
Confidential Information

Gas



Transco zone 6-N.Y.	Texas Eastern, ELA/STX	Questar
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NorthWestern Energy

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

Counterparty Name: Barclays Bank PLC

Contact Name: Greg Wolfe/Stewart Rosman

Phone number: 503-535-8042/503-535-8062

Volume	Fixed Price ($/per MWh)	Index Price (Including discount, premium and named Index)	Delivery Point
25 MW	59.46		Mid-Columbia
25 MW	59.46		Mid-Columbia
25 MW	59.46		Mid-Columbia
25 MW	59.46		Mid-Columbia

Special Conditions:

Contingency Reserves:
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BARCLAYS

NorthWestern™ Energy

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

Counterparty Name: Barclays Bank PLC

Contact Name: Greg Wolfe/Stewart Rosman

Phone number: 503-535-8042/503-535-8062

Volume	Fixed Price ($/per MWh)	Index Price (Including discount, premium and named Index)	Delivery Point
25 MW	61.60		Mid-Columbia
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25 MW	61.60		Mid-Columbia

Special Conditions:

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BARCLAYS

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2008 Firm Electricity RFP
10 Year Product Commencing July 1, 2010

Counterparty Name: Barclays Bank PLC

Contact Name: Greg Wolfe/Stewart Rosman

Phone number: 503-535-8042

Volume	Fixed Price ($/per MWh)	Index Price (Including discount, premium and named Index)	Delivery Point
25 MW	64.67		Mid-Columbia
25 MW	64.67		Mid-Columbia
25 MW	64.67		Mid-Columbia
25 MW	64.67		Mid-Columbia

Special Conditions:

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BARCLAYS

MASTER POWER PURCHASE AND SALE AGREEMENT

COVER SHEET

This *Master Power Purchase and Sale Agreement* ("*Master Agreement*") is made as of the following date: _____ ("Effective Date"). The *Master Agreement*, together with the exhibits, schedules and any written supplements hereto, the Party A Tariff, if any, the Party B Tariff, if any, any designated collateral, credit support or margin agreement or similar arrangement between the Parties and all Transactions (including any confirmations accepted in accordance with Section 2.3 hereto) shall be referred to as the "Agreement." The Parties to this *Master Agreement* are the following:

Name ("**Barclays Bank PLC**" or "Party A")

All Notices:

Street: 10 The South Colonnade, Canary Wharf
City: London, United Kingdom, E14 4PU
Attn: GTD&M Commodities Documentation
Phone: +44 207 773 6472 / 6482
Facsimile: +44 207 516 7484
Duns: 210021531
Federal Tax ID Number: 13-4942190

Invoices:
Attn: Operations Dept. (Mnisha Talwar)
Email: PGSettlements@barclayscapital.com
Phone: +44 207 773 6402
Facsimile: +44 207 516 7816/+44 207 773 6121

Scheduling:
Attn: Power Schedulers (Maria Valdes)
Phone: +1 212 412 1173
Facsimile: +1 212 412 1819

Payments:
Attn: Operations Dept. (Mnisha Talwar)
Email: PGSettlements@barclayscapital.com
Phone: +44 207 773 6402
Facsimile: +44 207 516 7816/+44 207 773 6121

Wire Transfer:
BNK: SWIFT: BARCUS33
ABA: 026002574
ACCT: 280231234

Credit and Collections:
Attn: Commodities Credit Dept. (Lorenzo Gaggini)
Phone: +1 212 412 3604
Facsimile: +1 212 412 1741

With additional Notices of an Event of Default or Potential Event of Default to:
Attn: General Counsel's Office
200 Park Avenue
New York, NY, USA 10166
Phone: +1 212 412 4000
Facsimile: +1 212 412 7519/7353

Name ("**Northwestern Corporation**" or "Party B")

All Notices:

Street: _____
City: _____ Zip: _____
Attn: Contract Administration
Phone: _____
Facsimile: _____
Duns: _____
Federal Tax ID Number: _____

Invoices:
Attn: _____
Phone: _____
Facsimile: _____

Scheduling:
Attn: _____
Phone: _____
Facsimile: _____

Payments:
Attn: _____
Phone: _____
Facsimile: _____

Wire Transfer:
BNK: _____
ABA: _____
ACCT: _____

Credit and Collections:
Attn: _____
Phone: _____
Facsimile: _____

With additional Notices of an Event of Default or Potential Event of Default to:
Attn: _____
Phone: _____
Facsimile: _____

The Parties hereby agree that the General Terms and Conditions are incorporated herein, and to the following provisions as provided for in the General Terms and Conditions:

Party A Tariff	Tariff FERC	Dated June 2, 2004	Docket Number ER04-734-000
Party B Tariff	Tariff	Dated	Docket Number

Article Two		
Transaction Terms and Conditions	[X] Optional provision in Section 2.4. If not checked, inapplicable.	
Article Four		
Remedies for Failure to Deliver or Receive	[X] Accelerated Payment of Damages. If not checked, inapplicable.	
Article Five	[X] Cross Default for Party A:	
Events of Default; Remedies	[X] Party A: Barclays Bank PLC	Cross Default Amount means an amount equal to three percent (3%) of shareholders' equity (determined in accordance with generally accepted accounting principles in Party A's jurisdiction of organization) as at the end of Party A's most recently completed fiscal year.
	[] Other Entity:_____	Cross Default Amount $_____
	[X] Cross Default for Party B:	
	[X] Party B: Northwestern Corporation	Cross Default Amount means an amount equal to three percent (3%) of shareholders' equity (determined in accordance with generally accepted accounting principles in Party A's jurisdiction of organization) as at the end of Party B's most recently completed fiscal year.
	[] Other Entity: Party B's Guarantor, if any.	Cross Default Amount means [an amount equal to three percent (3%) of shareholders' equity (determined in accordance with generally accepted accounting principles in Party A's jurisdiction of organization) as at the end of Party B's Guarantors most recently completed fiscal year.] or [USD [_____], or its equivalent in other currencies.]

5.6 Closeout Setoff

[ ] Option A (Applicable if no other selection is made.)

[X] Option B – As amended below. Affiliates shall have the meaning set forth in the Agreement unless otherwise specified as follows:

_____

[] Option C (No Setoff)

Article 8

Credit and Collateral Requirements

8.1 Party A Credit Protection:

(a) Financial Information:

[X] Option A
[X] Option B Specify: Party B's Guarantor, if any
[] Option C Specify: _____

(b) Credit Assurances:

[] Not Applicable
[X] Applicable

(c) Collateral Threshold:

[] Not Applicable
[X] Applicable

If applicable, complete the following:

Party B Collateral Threshold: See Collateral Annex

Party B Independent Amount: See Collateral Annex

Party B Rounding Amount: See Collateral Annex

(d) Downgrade Event:

[] Not Applicable
[X] Applicable

If applicable, complete the following:

[X] It shall be a Downgrade Event for Party B if Party B's Credit Rating falls below BBB- from S&P or Baa3 from Moody's or if Party B does not have a Credit Rating by either S&P or Moody's

[] Other:
Specify: It shall be a Downgrade Event for Party B if Party B's Guarantor's Credit Rating falls below BBB- from S&P or Baa3 from Moody's or if Party B's Guarantor does not have a Credit Rating by either S&P or Moody's

(e) Guarantor for Party B: none

Guarantee Amount: n/a

8.2 Party B Credit Protection:

(a) Financial Information:

[X] Option A
[] Option B Specify: _____
[] Option C Specify: _____

(b) Credit Assurances:

[] Not Applicable
[X] Applicable

(c) Collateral Threshold:

[] Not Applicable
[X] Applicable

If applicable, complete the following:

Party A Collateral Threshold: See Collateral Annex.

Party A Independent Amount: See Collateral Annex.

Party A Rounding Amount: See Collateral Annex.

(d) Downgrade Event:

[] Not Applicable
[X] Applicable

If applicable, complete the following:

[X] It shall be a Downgrade Event for Party A if Party A's Credit Rating falls below BBB- from S&P or Baa3 from Moody's or if Party A does not have a Credit Rating by either S&P or Moody's

[] Other:
Specify:_____

(e) Guarantor for Party A: None

Guarantee Amount: N/A

Article 10

Confidentiality [X] Confidentiality Applicable If not checked, inapplicable.

Schedule M

[] Party A is a Governmental Entity or Public Power System
[] Party B is a Governmental Entity or Public Power System
[] Add Section 3.6. If not checked, inapplicable
[] Add Section 8.4. If not checked, inapplicable

Other Changes Specify, if any: Please note changes as follows.

Article One: General Definitions

The following definitions shall be amended as follows:

1. Section 1.3: is amended in its entirety to read as follows:

    ""Bankrupt" means, with respect to any entity, that such entity (i) is dissolved (other than pursuant to a consolidation, amalgamation or merger); (ii) becomes insolvent or is unable to pay its debts or fails or admits in writing its inability generally to pay its debts as they become due; (iii) makes a general assignment, arrangement or composition with or for the benefit of its creditors; (iv) institutes or has instituted against it a proceeding seeking a judgment of insolvency or bankruptcy or any other relief under any bankruptcy or insolvency law or other similar law affecting creditors' rights, or a petition is presented for its winding-up or liquidation, and, in the case of any such proceeding or petition instituted or presented against it, such proceeding or petition (a) results in a judgment of insolvency or bankruptcy or the entry of an order for relief or the making of an order for its winding-up or liquidation or (b) is not dismissed, discharged, stayed or restrained, in each case within thirty (30) days of the institution or presentation thereof; (v) has a resolution passed for its winding-up, official management or liquidation (other than pursuant to a consolidation, amalgamation or merger); (vi) seeks or becomes subject to the appointment of an administrator, provisional liquidator, conservator, receiver, trustee, custodian or other similar official for it or for all or substantially all its assets; (vii) has a secured party take possession of all or substantially all its assets or has a distress, execution, attachment, sequestration or other legal process levied, enforced or sued on or against all or substantially all its assets and such secured party maintains possession, or any such process is not dismissed, discharged, stayed or restrained, in each case within 30 days thereafter; (viii) causes or is subject to any event with respect to it which, under the applicable laws of any jurisdiction, has an analogous effect to any of the events specified in clauses (i) to (vii) (inclusive); or (ix) takes any action in furtherance of, or indicating its consent to, approval of, or acquiescence in, any of the foregoing acts."

2. Sections 1.4 and 1.31 shall each be amended by inserting the following sentence at the end thereof:

    "For the purposes of this definition, the principal place of business of Barclays Bank PLC shall be deemed to be 200 Park Avenue, New York, New York, 10166."

3. Section 1.12 shall be amended by replacing "issues" with "issuer" in the fourth line.

4. Section 1.16 is deleted in its entirety and replaced with the following:

    "'Delivery Point' means the point at which the Product will be delivered and received, as specified in the Transaction; provided, however, that if, after the trade date, the Delivery Point is redefined, replaced or eliminated in the Transmission Provider's or other applicable tariff, then the Parties promptly shall enter into negotiations to specify a new Delivery Point(s) that allocates the economic benefits and burdens of the Transaction between the Parties in the same proportion as they were allocated on the trade date."

5. Section 1.27 is deleted in its entirety and replaced with the following:

    "Letter(s) of Credit" means one or more irrevocable, transferable, standby letters of credit, issued by a major U.S. commercial bank or the U.S. branch office of a foreign bank,, unaffiliated to either party, reasonably acceptable to the beneficiary, with, in either case, (A) subject to supervision or examination by a federal or state authority of the United States of America, (B) having a Credit Rating of "A+" or higher by S&P or "A1" or higher by Moody's, and (C) having a minimum asset base of at least USD10 billion in a form and an amount acceptable to the beneficiary. Costs of a Letter of Credit shall be borne by the applicant for such Letter of Credit.

6. Section 1.50 is amended by changing "Section 2.4" to "Section 2.5".

7. Section 1.51 shall be amended by (i) inserting the phrase "for delivery" immediately before the phrase "at the Delivery Point" in the second line and (ii) deleting the phrase "at Buyer's option" from the fifth line and replacing it with the following: "absent a purchase".

8. Section 1.53 shall be amended by (i) deleting the phrase "at the Delivery Point" from the second line, (ii) deleting the phrase "at Seller's option" from the fifth line and replacing with the following: "absent a sale", and (iii) inserting after the phrase "commercially reasonable manner" in the sixth line, the following phrase "; provided, however if the Seller is unable after using commercially reasonable efforts to resell all or a portion of the Product not received by Buyer, the Sales Price with respect to such Product shall be deemed equal to zero (0)".

Article Two: Transaction Terms and Conditions

Section 2.4 is amended by deleting from said section the phrase "either orally or".

Article Three: Obligations and Deliveries

Article Three is amended by the addition of a new Section 3.7 at the end thereof:

> "3.7 Agreement to Deliver Documents. Party A and Party B will deliver, upon execution of this Agreement such officer's certificate, incumbency certificate, resolutions and certified copies of organizational documents evidencing such Party's and such Party's Guarantor's (if any) capacity and authority to execute this Agreement and any guaranty, and authorizing the Party to enter into transactions of the type contemplated by the Parties under this Agreement, as shall be reasonably satisfactory in form and substance to the other Party."

Article Five: Events of Default; Remedies

Article Five is amended as follows:

1. Section 5.1(g)(ii) is amended by inserting the words "relating to indebtedness for borrowed money" prior to the words "in an aggregate amount". For the purposes of Article 5.1(g) the phrase "indebtedness for borrowed money" means any obligation (whether present or future, contingent or otherwise, as principal or surety or otherwise) in respect of borrowed money, provided that indebtedness or obligations in respect of deposits received in the ordinary course of banking business of such Party (or any other entity specified in the Cover Sheet for such Party) shall not constitute indebtedness for borrowed money.

2. Section 5.1(h)(ii) is amended by deleting the words "and such failure shall not be remedied within three (3) Business Days after written notice" from the third and fourth line thereof.

3. Section 5.1 is amended by adding new Clause 5.1(i) at the end thereof as follows:

> "(i) Such Party or its Guarantor (i) defaults under a Specified Agreement and, after giving effect to any applicable notice requirement or grace period, there occurs a liquidation of, an acceleration of all obligations under, or an early termination of, that Specified Agreement, (ii) defaults, after giving effect to any applicable notice requirement or grace period, in making any payment or delivery due on the last payment, delivery or exchange date of, or any payment on early termination of, a Specified Agreement (or such default continues for at least three Business Days if there is no applicable notice requirement or grace period) or (iii) disaffirms, disclaims, repudiates or rejects, in whole or in part, a Specified Agreement (or such action is taken by any person or entity appointed or empowered to operate it or act on its behalf), where "Specified Agreement" means between the Parties (a) any privately negotiated rate swap transaction, basis swap, forward rate transaction, commodity swap, commodity option, equity or equity index swap, equity or equity index option, bond option, interest rate option, foreign exchange transaction, cap transaction, floor transaction, collar transaction, currency swap transaction, cross-currency rate swap transaction, currency option, agreement for the purchase,

sale or transfer of any Commodity or any other Commodity trading transaction, transactions relating to transmission or storage of any Commodity, emission allowances transactions, or any similar transaction (including any option with respect to any of these transactions), and (b) any combination of these transactions. For this purpose, the term "Commodity" means any tangible or intangible commodity of any type or description (including, without limitation, electric power, electric power capacity, petroleum, natural gas, and byproducts thereof)."

4. Section 5.2 is amended by (i) reversing the placement of "(i)" and "to"; and (ii) adding at the end thereof:

"The Gains and Losses for each Terminated Transaction shall be determined by reference to the amount that would be incurred or realized to replace or to provide the economic equivalent of the remaining payments or deliveries in respect of that Terminated Transaction. The Non-Defaulting Party may determine its Gains and Losses by reference to information either available to it internally or supplied by one or more third parties including, without limitation, quotations of relevant rates, prices, price curves, yields, yield curves, volatilities, spreads or other relevant market data in the relevant markets. Third parties supplying such information may include, without limitation, dealers in the relevant markets, end-users of the relevant product, information vendors and other sources of market information."

5. Section 5.3 is amended by inserting the words "plus, at the option of the Non-Defaulting Party, any cash or other form of security then available to the Defaulting Party or its agent pursuant to Article Eight," after the first use of the words "due to the Non-Defaulting Party" in the sixth line.

6. Section 5.6 Option B is amended by (i) deleting the phrase "due and owing" and replacing it with the following "payable (whether at such time or in the future or upon the occurrence of a contingency)", (ii) deleting the phrase "by the Defaulting Party or any of its Affiliates" in the fourth line and replacing it with the phrase "by the Defaulting Party"; (iii) deleting the phrase "the Defaulting Party or any of its Affiliates" in the sixth line and replacing it with the phrase "the Defaulting Party"; and (iv) inserting the following sentence at the end thereof: "If an obligation is unascertained, the Non-Defaulting Party may in good faith estimate that obligation and set-off in respect of the estimate, subject to the relevant Party accounting to the other when the obligation is ascertained.".

Article Eight: Credit and Collateral Requirements

Sections 8.1(d) and 8.2(d) of Article Eight are each amended by inserting the words "or fails to maintain such Performance Assurance or guaranty or other credit assurance for so long as the Downgrade Event is continuing" in the fifth line thereof between the words "of receipt of notice" and the words ", then an Event of Default".

Article Nine: Governmental Charges

Article Nine shall be amended as follows:

1. Section 9.1 shall be amended to delete the word "taxes" and replace it with the following, "any and all federal, state, local or foreign taxes, fees, levies, licenses or charges imposed by any Governmental Authority, including, but not limited to ad valorem, property, income, profits, franchise, net worth, capital, value added, sales, use, gross receipts, consumption, occupation, privilege, excise, severance, generation, first use, environmental, conservation, Btu or energy, transmission, utility, recording, transfer, stamp, social security or employment taxes, as well as any interest, penalties and additions attributable to such taxes ("Governmental Charges")".

2. Section 9.2 is amended as follows:

(a) In the first sentence the words "taxes imposed by any government authority ("Governmental Charges")" shall be deleted and replaced with "Governmental Charges."

(b) The following sentence shall be added to the end of Section 9.2: "Buyer agrees to furnish Seller with all applicable tax exemption certificates and documentation (and subsequent required updates) where exemption from applicable Governmental Charges is claimed."

Article Ten: Miscellaneous

Article Ten shall be amended as follows:

1. Section 10.2(viii) is hereby amended by adding at the end thereof:

"; it is understood that information and explanations of the terms and conditions of each such Transaction shall not be considered investment or trading advice or a recommendation to enter into a Transaction; no communication (written or oral) received from the other party shall be deemed to be an assurance or guarantee as to the expected results of that Transaction; and the other party is not acting as a fiduciary for or an adviser to it in respect of that Transaction;"

2. Section 10.2 (ix) is amended to read in its entirety as follows:

"(ix) (1) it is a "forward contract merchant" within the meaning of the United States Bankruptcy Code; (2) it is an "eligible contract participant" as such term is defined in the Commodity Exchange Act, as amended 7 U.S.C. § 1 (a) (12); and (3) it is an "eligible commercial entity" as such term is defined in the Commodity Exchange Act, as amended 7 U.S.C. § 1 (a) (11);"

3. Section 10.5, Assignment, is amended by deleting it in its entirety and replacing it with the following:

"Neither Party shall assign this Agreement or its rights or obligations hereunder without the prior written consent of the other Party, which consent shall not be unreasonably withheld. Any assignment without such consent shall be void."

4. Section 10.7 is amended by deleting from the sixth line the words "at the close of business".

5. Section 10.9 is amended by inserting "copies of" between "to examine" and "the records" appearing in the second line.

6. Section 10.10 is amended by deleting the section in its entirety and replacing it with the following new provision:

"Bankruptcy Matters.

(a) Each Party acknowledges and agrees that (i) certain Transaction(s) constitute "forward contracts" within the meaning of title 11 of the United States Code (the "Bankruptcy Code"); (ii) each of Party A and Party B is a "forward contract merchant" within the meaning of the Bankruptcy Code with respect to any Transactions that constitute "forward contracts"; (iii) all payments made or to be made by one Party to the other Party pursuant to this Agreement constitute "settlement payments" within the meaning of the Bankruptcy Code; (iv) all transfers of Performance Assurance by one Party to the other Party under this Agreement constitute "margin payments" within the meaning of the Bankruptcy Code; and (v) each Party's rights under Sections 5.2 and 5.3 of this Agreement constitutes a "contractual right to liquidate" the Transactions within the meaning of the Bankruptcy Code.

(b) Each Party acknowledges and agrees that, for purposes of this Agreement, the other Party is not a "utility" as such term is used in Section 366 of the Bankruptcy Code, and each Party agrees to waive and not to assert the applicability of the provisions of Section 366 in any bankruptcy proceeding wherein such Party is a debtor. In any such proceeding, each Party further agrees to waive the right to assert that the other Party is a provider of last resort."

7. Section 10.11 is amended as follows:

(a) to add the words "or the completed Cover Sheet to this Master Agreement" immediately before the words "to a third party" and to add the words "or the Party's Affiliates'" immediately after the words "(other than the Party's";

(b) by inserting the phrase "and to the extent necessary to implement or bookout (or otherwise net-out the delivery obligations of the parties under) any transaction to" immediately after the phrase "except in order to" in the fifth line thereof; and by inserting the phrase "or request by a regulatory authority" in the seventh line between the phrase "court or regulatory proceeding" and the phrase "; provided, however, each Party shall," and

(c) by inserting at the end of Section 10.11 the following new sentence: "Notwithstanding the foregoing, it shall not be deemed a breach of this Section 10.11 if a Party discloses the terms or conditions of a Transaction, provided that the name of and any other identifying information relating to the other Party is redacted and otherwise not disclosed unless either Party specifies orally or in writing that such terms are to remain confidential."

8. Article Ten is amended by the addition of a new Section 10.12 at the end thereof:

"10.12 Venue. Each party hereto irrevocably (i) submits to the non-exclusive jurisdiction of the federal and state courts located in the State of New York; (ii) waives any objection which it may have to the laying of venue of any proceedings brought in any such court; and (iii) waives any claim that such proceedings have been brought in an inconvenient forum."

9. Article Ten is amended by the addition of a new Section 10.13 at the end thereof:

"10.13 Index Transactions. If the Contract Price for a Transaction is determined by reference to a third-party information source, then the following provisions shall be applicable to such Transaction.

(a) Market Disruption. If a Market Disruption Event occurs during a Determination Period, the Floating Price for the affected Trading Day(s) shall be determined by reference to the Floating Price specified in the Transaction for the first Trading Day thereafter on which no Market Disruption Event exists; provided, however, if the Floating Price is not so determined within three (3) Business Days after the first Trading Day on which the Market Disruption Event occurred or existed, then the Parties shall negotiate in good faith to agree on a Floating Price (or a method for determining a Floating Price), and if the Parties have not so agreed on or before the twelfth Business Day following the first Trading Day on which the Market Disruption Event occurred or existed, then the Floating Price shall be determined in good faith by taking the average of two dealer quotes obtained from independent dealers in the relevant market of the highest credit standing which satisfy all the criteria that the Seller applies generally at the time in deciding to offer or to make an extension of credit.

"Determination Period" means each calendar month a part or all of which is within the Delivery Period of a Transaction.

"Delivery Period" means the period for a Power Transaction, as specified in the Power Transaction.

"Exchange" means, in respect of a Transaction, the exchange or principal trading market specified in the relevant Transaction.

"Floating Price" means a Contract Price specified in a Transaction that is based upon a Price Source.

"Market Disruption Event" means, with respect to any Price Source, any of the following events: (a) the failure of the Price Source to announce or publish the specified Floating Price or information necessary for determining the Floating Price; (b) the failure of trading to commence or the permanent discontinuation or material suspension or limitation of trading in the relevant options contract or commodity on the Exchange or in the market specified for determining a Floating Price; (c) the temporary or permanent discontinuance or unavailability of the Price Source; (d) the temporary or permanent closing of any Exchange specified for determining a Floating Price; or (e) a material change in the content of or formula for or the method of determining the Floating Price.

"Price Source" means, in respect of a Transaction, the publication (or such other origin of reference, including an Exchange) containing (or reporting) the specified price (or prices from which the specified price is calculated) specified in the relevant Transaction.

"Trading Day" means a day in respect of which the relevant Price Source published the Floating Price.

(b) Corrections to Published Prices. For purposes of determining a Floating Price for any day, if the price published or announced on a given day and used or to be used to determine a relevant price is subsequently corrected and the correction is published or announced by the person responsible for that publication or announcement within two (2) years of the original publication or announcement, either Party may notify the other Party of (i) that correction and (ii) the amount (if any) that is payable as a result of that correction. If, not later than thirty (30) days after publication or announcement of that correction, a Party gives notice that an amount is so payable, the Party that originally either received or retained such amount will, not later than three (3) Business Days after the effectiveness of that notice, pay, subject to any applicable conditions precedent, to the other Party that amount, together with interest at the Interest Rate for the period from and including the day on which payment originally was (or was not) made to but excluding the day of payment of the refund or payment resulting from that correction.

(c) Calculation of Floating Price. For the purposes of the calculation of a Floating Price, all numbers shall be rounded to three (3) decimal places. If the fourth (4th) decimal number is five (5) or greater, then the third (3rd) decimal number shall be increased by one (1), and if the fourth (4th) decimal number is less than five (5), then the third (3rd) decimal number shall remain unchanged.

10. Article Ten is amended by the addition of a new Section 10.14 at the end thereof:

"10.14 FERC Standard of Review; Certain Covenants and Waivers.

(a) Absent the agreement of all Parties to the proposed change, the standard of review for changes to any section of this Master Agreement (including all Transactions and/or Confirmations) and any collateral annex, credit support document, guaranty or other related agreement specifying the rate(s) or other material economic terms and conditions agreed to by the Parties herein, whether proposed by a Party, a non-party or FERC acting sua sponte, shall be the "public interest" standard of review set forth in United Gas Pipe Line Co. v. Mobile Gas Service Corp., 350 U.S. 332 (1956) and Federal Power Commission v. Sierra Pacific Power Co., 350 U.S. 348 (1956)(the "Mobile-Sierra" doctrine).

(b) The Parties, for themselves and their successors and assigns, (i) agree that this "public interest" standard shall apply to any proposed changes in any other documents, instruments or other agreements executed or entered into by the Parties in connection with this Master Agreement and (ii) hereby expressly and irrevocably waive any rights they can or may have to the application of any other standard of review, including the "just and reasonable" standard, provided that this standard of review and the other provisions of this Section 10.14 shall only apply to proceedings before the FERC or appeals thereof.

(c) Notwithstanding the foregoing subsections (a) and (b), to the fullest extent permitted by applicable law, each Party, for itself and its successors and assigns, hereby also expressly and irrevocably waives any rights it can or may have, now or in the future, whether under §§ 205 and/or 206 of the Federal Power Act or otherwise, to seek to obtain from FERC by any means, directly or indirectly (through complaint, investigation or otherwise), and each hereby covenants and agrees not at any time to seek to so obtain, an order from FERC changing any section of this Master Agreement (including any applicable Transactions and/or Confirmations) specifying the rate(s) or other material economic terms and conditions agreed to by the Parties, it being the express intent of the Parties that, to the fullest extent permitted by applicable law, the "sanctity of contract" principles acknowledged by FERC in its Notice of Proposed Policy Statement (Issued August 1, 2002) in Docket No. PL02-7-000, Standard of Review for Proposed Changes to Market-Based Rate Contracts for Wholesale Sales of Electric Energy by Public Utilities, ("NPPS"), the NPPS shall prevail and neither of them shall unilaterally seek to obtain from FERC any relief changing the rate(s) and other material economic terms and conditions of their agreement(s), as set forth in this Master Agreement and in any Transactions or Confirmations,

notwithstanding any changes in applicable law or markets that may occur. To the extent that any non-party seeks such relief, or FERC acts sua sponte to consider any such changes, the Parties further covenant and agree to use commercially reasonable efforts (which efforts may include the costs and expense of appearing before FERC or in connection with any appeals of FERC orders but shall not otherwise require the payment of money by a Party), to cooperate to jointly oppose the entry of an order by FERC providing for any such changes. In the event it were to be determined that applicable law precludes the Parties from waiving their rights to seek changes from FERC to their market-based power sales contracts (including entering into covenants not to do so) then this Section 10.14(c) shall not apply, provided that, consistent with Section 10.14(a), neither Party shall seek any such changes except under the "public interest" standard of review and otherwise as set forth in Section 10.14(a).

(d) In connection with the foregoing, the Parties acknowledge that, pursuant to the NPPS, FERC has invited interested persons to submit comments with respect to the provisions thereof and therefore agree that, if and to the extent FERC adopts in a final or subsequent policy statement ("FPS") the use of specific language which varies from that set out in Section 10.14(a) above, then Section 10.14(a) shall, without further action of either Party, be deemed amended to reflect such specific language, provided that to the extent that the specific language adopted in an FPS is in any way inconsistent with the mutual intent of the Parties in this regard as currently set forth in Sections 10.14 (a) and (b), then the Parties agree to meet to attempt to negotiate in good faith an amendment to this Section 10.14 to address such inconsistencies, provided further that neither Party shall be obligated in any way to agree to any such amendment if to do so would be inconsistent with such current mutual intent as expressed herein or would expose such Party in any way to greater risk of changes being ordered by FERC to the Parties' agreements as set forth in this Master Agreement and any Transactions and/or Confirmations.

(e) The Parties agree that in the event that any portion of this Section 10.14 is determined to be invalid, illegal or unenforceable for any reason, the provisions of Section 10.14(a) shall be unaffected and unimpaired thereby, and shall remain in full force and effect, to the fullest extent permitted by applicable law."

11. Article Ten is amended by the addition of a new Section 10.15 at the end thereof:

"10.15 Standard of Review for ERCOT Transactions. Absent the agreement of all parties to the proposed change, the standard of review for changes to any portion of this Agreement with respect to any Transaction entered into hereunder in the Electric Reliability Council of Texas, whether proposed by a Party, a non-party, or the Public Utility Commission of Texas acting *sua sponte*, shall be the "public interest" standard of review set forth in High Plains Natural Gas Co. v, Railroad Commission, Tex. Civ. App. - Austin 1971, writ ref'd n.r.e.)."

SCHEDULE P

The following definitions are hereby added to Schedule P:

"CAISO Energy" means with respect to a Transaction, a Product under which the Seller shall sell and the Buyer shall purchase a quantity of energy equal to the hourly quantity without Ancillary Services (as defined in the Tariff) that is or will be scheduled as a schedule coordinator to schedule coordinator transaction pursuant to the applicable tariff and protocol provisions of the California Independent System Operator ("CAISO") (as amended from time to time, the "Tariff") for which the only excuse for failure to deliver or receive is an "Uncontrollable Force" (as defined in the Tariff).

"West Firm" means with respect to a Transaction, a Product that is or will be scheduled as firm energy consistent with the most recent rules adopted by the WECC for which the only excuses for failure to deliver or receive are if an interruption is (i) due to an Uncontrollable Force as provided in Section 10 of the WSPP Agreement; or (ii) where applicable, to meet Seller's public utility or statutory obligations to its customers. Notwithstanding any other provision in this Agreement, if Seller exercises its right to interrupt to meet its public utility or statutory obligations, Seller shall be responsible for payment of damages for failure to deliver firm energy as provided in Article 4 of this Agreement.

"WECC" means the Western Electricity Coordinating Council.

"WSPP Agreement" means the Western Systems Power Pool Agreement as amended from time to time.

"Hourly Transactions", the sale of energy on an hourly basis shall be deemed a "Non-Firm" product.

If the Parties agree to a service level/product defined by reference to a different agreement (e.g., the ERCOT Agreement, the MAPP Restated Agreement) for a particular Transaction, then, unless the Parties expressly state and agree that all the terms and conditions of such other agreement will apply, such reference to a service level/product shall be as defined by such other agreement, including if applicable, the regional reliability requirements and guidelines as well as the specific excuses for performance, Force Majeure, Uncontrollable Forces, or other such excuses applicable to such other agreement, to the extent inconsistent with the terms of this Agreement, but all other terms and conditions of this Agreement remain applicable.

The Parties agree that, notwithstanding the final sentence of Section 32.8 of the Western Systems Power Pool Agreement (Rate Schedule FERC No.6, as published by the Western Systems Power Pool effective February 1, 2005, as may be amended or supplemented or superseded from time to time, the "WSPPA") or any Confirmation issued by a party referencing the WSPPA, any physical electric capacity or energy transaction or any other product related thereto, including, without limitation, any transaction referencing a product defined in Schedule P of the pre-printed EEI Master Power Purchase & Sale Agreement (Version 2.1 modified 4/25/00, published by the Edison Electric Institute and National Energy Marketers Association, as may be amended by this Agreement) or defined by reference to a different agreement (e.g., the ERCOT Agreement, the MAPP Restated Agreement), shall, unless expressly agreed in writing or via a recorded oral agreement by the Parties otherwise, be a Transaction that forms part of, is governed by and is subject to this Agreement.

IN WITNESS WHEREOF, the Parties have caused this Master Agreement to be duly executed as of the date first above written.

BARCLAYS BANK PLC	**NORTHWESTERN CORPORATION**
By:	**By:**
Name:	**Name:**
Title:	**Title:**

DISCLAIMER: This Master Power Purchase and Sale Agreement was prepared by a committee of representatives of Edison Electric Institute ("EEI") and National Energy Marketers Association ("NEM") member companies to facilitate orderly trading in and development of wholesale power markets. Neither EEI nor NEM nor any member company nor any of their agents, representatives or attorneys shall be responsible for its use, or any damages resulting therefrom. By providing this Agreement EEI and NEM do not offer legal advice and all users are urged to consult their own legal counsel to ensure that their commercial objectives will be achieved and their legal interests are adequately protected.

PARAGRAPH 10
to the
COLLATERAL ANNEX
to the
EEI MASTER POWER PURCHASE AND SALE AGREEMENT

Party "A" is **BARCLAYS BANK PLC**
Party "B" is **NORTHWESTERN CORPORATION**

CREDIT ELECTIONS COVER SHEET

Paragraph 10. Elections and Variables

I. Collateral Threshold.

A. Party A Collateral Threshold.

☐ $_____ (the "Threshold Amount"); provided, however, that the Collateral Threshold for Party A shall be zero upon the occurrence and during the continuance of an Event of Default or a Potential Event of Default with respect to Party A; and provided further that, in the event that, and on the date that, Party A cures the Potential Event of Default on or prior to the date that Party A is required to post Performance Assurance to Party B pursuant to a demand made by Party B pursuant to the provisions of the Collateral Annex on or after the occurrence of such Potential Event of Default, (i) the Collateral Threshold for Party A shall automatically increase from zero to the Threshold Amount and (ii) Party A shall be relieved of its obligation to post Performance Assurance pursuant to such demand.

☐ (a) The amount (the "Threshold Amount") set forth below under the heading "Party A Collateral Threshold" opposite the Credit Rating for [Party A][Party A's Guarantor] on the relevant date of determination, or (b) zero if on the relevant date of determination [Party A][its Guarantor] does not have a Credit Rating from the rating agency specified below or an Event of Default or a Potential Event of Default with respect to Party A has occurred and is continuing; provided, however, in the event that, and on the date that, Party A cures the Potential Event of Default on or prior to the date that Party A is required to post Performance Assurance to Party B pursuant to a demand made by Party B pursuant to the provisions of the Collateral Annex on or after the occurrence of such Potential Event of Default, (i) the Collateral Threshold for Party A shall automatically increase from zero to the Threshold Amount and (ii) Party A shall be relieved of its obligation to post Performance Assurance pursuant to such demand.

Party A Collateral Threshold	Credit Rating
$_____	_____ (or above)
$_____	_____
$_____	_____
$_____	_____
$_____	Below _____

[X] (a) The amount (the "Threshold Amount") set forth below under the heading "Party A Collateral Threshold" opposite the Credit Rating for Party A on the relevant date of determination, and if Party A's Credit Ratings shall not be equivalent, the lower Credit Rating shall govern or (b) zero if on the relevant date of determination Party A does not have a Credit Rating from the rating agency(ies) specified below or an Event of Default or a Potential Event of Default with respect to Party A has occurred and is continuing; provided, however, in the event that, and on the date that, Party A cures the Potential Event of Default on or prior to the date that Party A is required to post Performance Assurance to Party B pursuant to a demand made by Party B pursuant to the provisions of the Collateral Annex on or after the occurrence of such Potential Event of Default, (i) the Collateral Threshold for Party A shall automatically increase from zero to the Threshold Amount and (ii) Party A shall be relieved of its obligation to post Performance Assurance pursuant to such demand.

Party A Collateral Threshold	**S&P Credit Rating**	**Moody's Credit Rating**
$60 million	A- (or above)	A3 (or above)
$50 million	BBB+	Baa1
$40 million	BBB	Baa2
$30 million	BBB-	Baa3
$10 million	BB+	Ba1
$0 (zero)	Below BB+ or unrated	Below Ba1 or unrated

☐ The amount of the Guaranty Agreement dated _____ from _____, as amended from time to time but in no event shall Party A's Collateral Threshold be greater than $_____.

☐ Other – see attached threshold terms

B. Party B Collateral Threshold.

☐ $_____ (the "Threshold Amount"); provided, however, that the Collateral Threshold for Party B shall be zero upon the occurrence and during the continuance of an Event of Default or a Potential Event of Default with respect to Party B; and provided further that, in the event that, and on the date that, Party B cures the Potential Event of Default on or prior to the date that Party B is required to post Performance Assurance to Party A pursuant to a demand made by Party A pursuant to the provisions of the Collateral Annex on or after the occurrence of such Potential Event of Default, (i) the Collateral Threshold for Party B shall automatically increase from zero to the Threshold Amount and (ii) Party B shall be relieved of its obligation to post Performance Assurance pursuant to such demand.

☐ (a) The amount (the "Threshold Amount") set forth below under the heading "Party B Collateral Threshold" opposite the Credit Rating for [Party B][Party B's Guarantor] on the relevant date of determination, or (b) zero if on the relevant date of determination [Party B][its Guarantor] does not have a Credit Rating from the rating agency specified below or an Event of Default or a Potential Event of Default with respect to Party B has occurred and is continuing; provided, however, in the event that, and on the date that, Party B cures the Potential Event of Default on or prior to the date that Party B is required to post Performance Assurance to Party A pursuant to a demand made by Party A pursuant to the provisions of the Collateral Annex on or after the occurrence of such Potential Event of Default, (i) the Collateral Threshold for Party B shall automatically increase from zero to the Threshold Amount and (ii) Party B shall be relieved of its obligation to post Performance Assurance pursuant to such demand:

Party B Collateral Threshold	Credit Rating
$_____	_____ (or above)
$_____	_____
$_____	_____
$_____	_____
$_____	Below _____

[X] (a) The amount (the "Threshold Amount") set forth below under the heading "Party B Collateral Threshold" opposite the Credit Rating for Party B on the relevant date of determination, and if Party B's Credit Ratings shall not be equivalent, the lower Credit Rating shall govern or (b) zero if on the relevant date of determination Party B does not have a Credit Rating from the rating agency(ies) specified below or an Event of Default or a Potential Event of Default with respect to Party B has occurred and is continuing; provided, however, in the event that, and on the date that, Party B cures the Potential Event of Default on or prior to the date that Party B is required to post Performance Assurance to Party A pursuant to a demand made by Party A pursuant to the provisions of the Collateral Annex on or after the occurrence of such Potential Event of Default, (i) the Collateral Threshold for Party B shall automatically increase from zero to the Threshold Amount and (ii) Party B shall be relieved of its obligation to post Performance Assurance pursuant to such demand:

Party B Collateral Threshold	S&P Credit Rating	Moody's Credit Rating
$60 million	A- (or above)	A3 (or above)
$50 million	BBB+	Baa1
$40 million	BBB	Baa2
$30 million	BBB-	Baa3
$10 million	BB+	Ba1
$0 (zero)	Below BB+ or unrated	Below Ba1 or unrated

☐ The amount of the Guaranty Agreement dated _____ from _____, as amended from time to time but in no event shall Party B's Collateral Threshold be greater than $_____.

☐ Other – see attached threshold terms

II. Eligible Collateral and Valuation Percentage.

The following items will qualify as "Eligible Collateral" for the Party specified:

		Party A	Party B	Valuation Percentage
(A)	Cash	X	X	100%
(B)	Letters of Credit	X	X	100% of the available balance thereof, unless either (i) a Letter of Credit Default shall have occurred and be continuing with respect to such Letter of Credit, or (ii) thirty (30) or fewer Business Days remain prior to the expiration of such Letter of Credit, in which cases the Valuation Percentage shall be zero (0).

III. Independent Amount.

A. Party A Independent Amount.

☐ Party A shall have a Fixed Independent Amount of $_____. If the Fixed Independent Amount option is selected for Party A, then Party A (which shall be a Pledging Party with respect to the Fixed IA Performance Assurance) will be required to Transfer or cause to be Transferred to Party B (which shall be a Secured Party with respect to the Fixed IA Performance Assurance) Performance Assurance with a Collateral Value equal to the amount of such Independent Amount (the "Fixed IA Performance Assurance"). The Fixed IA Performance Assurance shall not be reduced for so long as there are any outstanding obligations between the Parties as a result of the Agreement, and shall not be taken into account when calculating Party A's Collateral Requirement pursuant to the Collateral Annex. Except as expressly set forth above, the Fixed IA Performance Assurance shall be held and maintained in accordance with, and otherwise be subject to, Paragraphs 2, 5(b), 5(c), 6, 7 and 9 of the Collateral Annex.

[X] Party A shall have a Full Floating Independent Amount of $ 0 (zero). If the Full Floating Independent Amount option is selected for Party A, then for purposes of calculating Party A's Collateral Requirement pursuant to Paragraph 3 of the Collateral Annex, such Full Floating Independent Amount for Party A shall be added by Party B to its Exposure Amount for purposes of determining Net Exposure pursuant to Paragraph 3(a) of the Collateral Annex.

☐ Party A shall have a Partial Floating Independent Amount of $_____. If the Partial Floating Independent Amount option is selected for Party A, then Party A will be required to Transfer or cause to be Transferred to Party B Performance Assurance with a Collateral Value equal to the amount of such Independent Amount (the "Partial Floating IA Performance Assurance") if at any time Party A otherwise has a Collateral Requirement (not taking into consideration the Partial Floating Independent Amount) pursuant to Paragraph 3 of the Collateral Annex. The Partial Floating IA Performance Assurance shall not be reduced so long as Party A has a Collateral Requirement (not taking into consideration the Partial Floating Independent Amount). The Partial Floating Independent Amount shall not be taken into account when calculating a Party's Collateral Requirements pursuant to the Collateral Annex. Except as expressly set forth above, the Partial Floating Independent Amount shall be held and maintained in accordance with, and otherwise be subject to, the Collateral Annex.

B. Party B Independent Amount.

☐ Party B shall have a Fixed Independent Amount of $_____. If the Fixed Independent Amount Option is selected for Party B, then Party B (which shall be a Pledging Party with respect to the Fixed IA Performance Assurance) will be required to Transfer or cause to be Transferred to Party A (which shall be a Secured Party with respect to the Fixed IA Performance Assurance) Performance Assurance with a Collateral Value equal to the amount of such Independent Amount (the "Fixed IA Performance Assurance"). The Fixed IA Performance Assurance shall not be reduced for so long as there are any outstanding obligations between the Parties as a result of the Agreement, and shall not be taken into account when calculating Party B's Collateral Requirement pursuant to the Collateral Annex. Except as expressly set forth above, the Fixed IA Performance Assurance shall be held and maintained in accordance with, and otherwise be subject to, Paragraphs 2, 5(b), 5(c), 6, 7 and 9 of the Collateral Annex.

[X] Party B shall have a Full Floating Independent Amount of $ 0 (zero). If the Full Floating Independent Amount Option is selected for Party B then for purposes of calculating Party B's Collateral Requirement pursuant to Paragraph 3 of the Collateral Annex, such Full Floating Independent Amount for Party B shall be added by Party A to its Exposure Amount for purposes of determining Net Exposure pursuant to Paragraph 3(a) of the Collateral Annex.

☐ Party B shall have a Partial Floating Independent Amount of $_____. If the Partial Floating Independent Amount option is selected for Party B, then Party B will be required to Transfer or cause to be Transferred to Party A Performance Assurance with a Collateral Value equal to the amount of such Independent Amount (the "Partial Floating IA Performance Assurance") if at any time Party B otherwise has a Collateral Requirement (not taking into consideration the Partial Floating Independent Amount) pursuant to Paragraph 3 of the Collateral Annex. The Partial Floating IA Performance Assurance shall not be reduced for so long as Party B has a Collateral Requirement (not taking into consideration the Partial Floating Independent Amount). The Partial Floating Independent Amount shall not be taken into account when calculating a Party's Collateral Requirements pursuant to the Collateral Annex. Except as expressly set forth above, the Partial Floating Independent Amount shall be held and maintained in accordance with, and otherwise be subject to, the Collateral Annex.

IV. Minimum Transfer Amount.

A. Party A Minimum Transfer Amount: $ 250,000

B. Party B Minimum Transfer Amount: $ 250,000

V. Rounding Amount.

A. Party A Rounding Amount: $ 10,000

B. Party B Rounding Amount: $ 10,000

VI. Administration of Cash Collateral.

A. Party A Eligibility to Hold Cash.

☐ Party A shall not be entitled to hold Performance Assurance in the form of Cash. Performance Assurance in the form of Cash shall be held in a Qualified Institution in accordance with the provisions of Paragraph 6(a)(ii)(B) of the Collateral Annex. Party A shall pay to Party B in accordance with the terms of the Collateral Annex the amount of interest it receives from the Qualified Institution on any Performance Assurance in the form of Cash posted by Party B.

[X] Party A shall be entitled to hold Performance Assurance in the form of Cash provided that the following conditions are satisfied: (1) it is not a Defaulting Party or subject to a Potential Event of Default, (2), Party A has a Credit Rating from S&P and/or Moody's and the lowest Credit Rating for Party A is BBB+ (S&P) or Baa1 (Moody's); and (3) Cash shall be held only in any jurisdiction within the United States. To the extent Party A is entitled to hold Cash, the Interest Rate payable to Party B on Cash shall be as selected below:

Party A Interest Rate.

[X] Federal Funds Effective Rate - the rate for that day opposite the caption "Federal Funds (Effective)" as set forth in the weekly statistical release designated as H.15(519), or any successor publication, published by the Board of Governors of the Federal Reserve System.

☐ Other - _____

B. Party B Eligibility to Hold Cash.

☐ Party B shall not be entitled to hold Performance Assurance in the form of Cash. Performance Assurance in the form of Cash shall be held in a Qualified Institution in accordance with the provisions of Paragraph 6(a)(ii)(B) of the Collateral Annex. Party B shall pay to Party A in accordance with the terms of the Collateral Annex the amount of interest it receives from the Qualified Institution on any Performance Assurance in the form of Cash posted by Party A.

[X] Party B shall be entitled to hold Performance Assurance in the form of Cash provided that the following conditions are satisfied: (1) it is not a Defaulting Party or subject to a Potential Event of Default, (2), [Party B] [Party B's Guarantor] has a Credit Rating from S&P and/or Moody's and the lowest Credit Rating for [Party B] [Party B's Guarantor] is BBB+ (S&P) or Baa1 (Moody's); and (3) Cash shall be held only in any jurisdiction within the United States. To the extent Party B is entitled to hold Cash, the Interest Rate payable to Party A on Cash shall be as selected below:

Party B Interest Rate.

[X] Federal Funds Effective Rate - the rate for that day opposite the caption "Federal Funds (Effective)" as set forth in the weekly statistical release designated as H.15(519), or any successor publication, published by the Board of Governors of the Federal Reserve System.

☐ Other - _____

VII. Notification Time.

☐ Other - _____

VIII. General.

With respect to the Collateral Threshold, Independent Amount, Minimum Transfer Amount and Rounding Amount, if no selection is made in this Cover Sheet with respect to a Party, then the applicable amount in each case for such Party shall be zero (0). In addition, with respect to the "Administration of Cash Collateral" section of this Paragraph 10, if no selection is made with respect to a Party, then such Party shall not be entitled to hold Performance Assurance in the form of Cash and such Cash, if any, shall be held in a Qualified Institution pursuant to Paragraph 6(a)(ii)(B) of the Collateral Annex. If a Party is eligible to hold Cash pursuant to a selection in this Paragraph 10 but no Interest Rate is selected, then the Interest Rate for such Party shall be the Federal Funds Effective Rate as defined in Section VI of this Paragraph 10.

IX Amendments to the Collateral Annex

A. For good order's sake the parties agree to the following changes to the Collateral Annex:

1. Within the definition of "Credit Rating Event", change "(iii)" to "(ii)".
2. The definition of "Letter of Credit Default" is amended by deleting "or" in the third line and replacing it with "and".
3. Within the definition of "Notification Time", add "a.m." immediately after "11:00".
4. Within the definition of "Performance Assurance", change "6(a)(iv)" to "6(a)(iii)".
5. Within the definition of "Secured Party", change "(b)" to "(a)".
6. Within Paragraph 6(a)(ii)(B), change "Non-Downgraded Party" to "non-Downgraded Party".
7. Paragraph 8(b) is amended by replacing the term "Secured Party" with "Pledging Party" at the beginning of the 2nd line.

B. Replace the definition of "Credit Rating" in the Collateral Annex with the definition given in the EEI Master Power Purchase & Sale Agreement. Within the definition replace "an issues rating" with "an issuer rating".

C. Replace the definition of "Letter of Credit" in the Collateral Annex with the definition given in the EEI Master Power Purchase & Sale Agreement.

D. Letter of Credit Default: The Credit Ratings set forth in the definition of "Letter of Credit Default" are deleted and replaced as follows: "A-" by S&P is replaced with "A+" by S&P and "A3" by Moody's is replaced with "A1" by Moody's.

E. The definition of "Qualified Institution" is amended and replaced in its entirely as follows"

> "Qualified Institution" means the United States office of a commercial bank or trust company organized under the laws of the United States or a political subdivision thereof or a U.S. branch of a foreign bank (provided that such bank is not an Affiliate of either Party) and, in either case, (A) subject to supervision or examination by a federal or state authority of the United States of America, (B) having a Credit Rating of "A+" or higher by S&P and "A1" or higher by Moody's and (C) having assets of at least USD10,000,000,000.

F. Paragraph 5(a) is amended by (i) inserting "so long as the amount of the requested reduction is equal to or greater than the Minimum Transfer Amount" after "the Pledging Party for the benefit of the Secured Party" in the third line thereof (ii) deleting "before the Notification Time on a Business Day" in line eighteen thereof and replacing it with "before the Notification Time on a Local Business Day."

G. Paragraph 6(a)(ii)(B), in the 10th and 11th lines, the words "to perfect the security interest of the Non-Downgraded Party" are deleted and replaced with the words "to perfect the security interest of the Downgraded Party".

H. Paragraph 6(a)(iii), shall be amended by deleting "the later of (A)" in the twelfth line thereof, and by deleting the phrase "or (B) the third Local Business Day after the day on which such invoice is received".

I. Paragraph 6(b)(iii) is amended by deleting the parenthetical, and the language contained therein, at the end thereof.

J. Paragraph 8 is amended by inserting the following new subparagraph 8(c) at the end thereof:

> (c) Each quotation from a Reference Market-maker will be for an amount, if any, that would be paid to the Party requesting the quotation (expressed as a negative number) or by the Party requesting the quotation (expressed as a positive number) in consideration of an agreement between such Party (taking into account this Collateral Annex and the existence of any Guarantor with respect to the obligations of such Party) and the quoting Reference Market-maker to enter into a transaction that would have the effect of preserving for the Party requesting the quotation the economic equivalent of any payment or delivery (whether the underlying obligation was absolute or contingent and assuming the satisfaction of each applicable condition precedent) by the Parties in respect of such Transaction or group of Transactions. The costs of retaining Reference Market-makers for the purposes of this Paragraph 8 shall be borne equally by the Secured Party and the Pledging Party. The determination made by such Reference Market-makers shall be binding and conclusive on the Parties absent manifest error.

IN WITNESS of this agreement the Parties have executed this Collateral Annex on the respective dates set out below with effect from the date set out above.

BARCLAYS BANK PLC	**NORTHWESTERN CORPORATION**
By:	By: .....
(Signature)	(Signature)
Name:	Name: .....
Title:	Title: .....
Date:	Date: .....
(Print)	(Print)

2008 ELEC RFP - TRANSALTA

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Markovich, Kevin J

From: Markovich, Kevin J
Sent: Wednesday, October 22, 2008 7:35 AM
To: 'Duncan W Anderson'
Subject: RE: TransAlta RFP offer (resned - with the credit language attached)

No problem - it does not disqualify you. Thanks.

From: Duncan W Anderson [mailto:DuncanW_Anderson@transalta.com]
Sent: Tuesday, October 21, 2008 8:17 PM
To: Markovich, Kevin J
Cc: Lance Henderson
Subject: TransAlta RFP offer (resned - with the credit language attached)

Hi Kevin,

As per my phone message earlier, please find attached the TransAlta offer sheet with the appropriate credit language attached. Not sure how the 2nd page was lost on the first e-mail, but you will notice that nothing else has been altered.

Please let me know if this disqualifies us from the process. I really hope that it does not.

Regards,
Duncan

Duncan Anderson
Manager, West Origination
TransAlta Energy Marketing
110 - 12th Ave SW, Calgary, AB T2P 2M1
ph (403) 267-6993
cel (403) 826-5261

NorthWestern™ Energy

OFFER SHEET

2008 Firm Electricity RFP

59 Month Product Commencing July 1, 2010

Counterparty Name: TransAlta Energy Marketing (U.S.) Inc.

Contact Name: Duncan Anderson

Phone number: 403 267 6993 or 403 826 5261

Volume	Fixed Price ($/per MWh)	Index Price (Including discount, premium and named Index)	Delivery Point
25 MW	USD 64.06		Garrison

Special Conditions:

1) Washington State Engrossed Senate Substitute Bill 6001 ("ESSB 6001") Compliance

   Both parties acknowledge and agree that ESSB 6001 is not applicable to this Transaction as NorthWestern Energy is not an "Electric Utility" operating or serving customers within the State of Washington and the term of the deal does not constitute a "Long Term Financial Commitment" as both such terms are defined in ESSB 6001.

2) The flat price will be broken into the following strips on the confirm:
   Jul 2010 – Dec 2010 @ USD 71.48/MWh
   Jan 2011 – Dec 2011 @ USD 62.96/MWh
   Jan 2012 – Dec 2012 @ USD 64.84/MWh
   Jan 2013 – Dec 2013 @ USD 63.58/MWh
   Jan 2014 – Dec 2014 @ USD 64.92/MWh
   Jan 2015 – May 2015 @ USD 54.82/MWh

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

59 Month Product Commencing July 1, 2010

3) Credit

Collateral threshold based on the senior unsecured credit ratings by S&P and Moody's. In the event of a split rating, the lower of the two shall apply.

Rating S&P/Moody's	Collateral threshold
BBB+/Baa1	$40M USD
BBB/Baa2	$25M USD
BBB-/Baa3	$15M USD
BB+/Ba1 or lower	$0 USD

Collateral cap of $75 million USD for both parties should the senior unsecured credit ratings stay at or above BBB- and Baa3. Should the senior unsecured credit ratings fall below one of those levels, then the collateral cap would increase to $125 million USD.

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.

Markovich, Kevin J

From: Duncan W Anderson [DuncanW_Anderson@transalta.com]
nt: Tuesday, October 21, 2008 4:30 PM
: Markovich, Kevin J
Cc: Origination
Subject: TransAlta RFP response

Good afternoon Kevin,

Please find attached the offer from TransAlta Energy Marketing (U.S.) Inc. in response to the Northwestern Energy 2008 Firm Electricity RFP.

Please contact me with any questions or concerns.

Regards,
Duncan

Duncan Anderson
Manager, West Origination
TransAlta Energy Marketing
110 - 12th Ave SW, Calgary, AB T2P 2M1
ph (403) 267-6993
cel (403) 826-5261

NorthWestern™ Energy

OFFER SHEET

2008 Firm Electricity RFP

59 Month Product Commencing July 1, 2010

Counterparty Name: TransAlta Energy Marketing (U.S.) Inc.

Contact Name: Duncan Anderson

Phone number: 403 267 6993 or 403 826 5261

Volume	Fixed Price ($/per MWh)	Index Price (Including discount, premium and named Index)	Delivery Point
25 MW	USD 64.06		Garrison

Special Conditions:

1) Washington State Engrossed Senate Substitute Bill 6001 ("ESSB 6001") Compliance

   Both parties acknowledge and agree that ESSB 6001 is not applicable to this Transaction as NorthWestern Energy is not an "Electric Utility" operating or serving customers within the State of Washington and the term of the deal does not constitute a "Long Term Financial Commitment" as both such terms are defined in ESSB 6001.

2) The flat price will be broken into the following strips on the confirm:
   Jul 2010 – Dec 2010 @ USD 71.48/MWh
   Jan 2011 – Dec 2011 @ USD 62.96/MWh
   Jan 2012 – Dec 2012 @ USD 64.84/MWh
   Jan 2013 – Dec 2013 @ USD 63.58/MWh
   Jan 2014 – Dec 2014 @ USD 64.92/MWh
   Jan 2015 – May 2015 @ USD 54.82/MWh

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.

2008 ELEC RFP - PPL

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PPL EnergyPlus, LLC
45 Basin Creek Road
Butte, MT 59701-9704
Tel: 406.533.3400
Fax: 406.533.0208

October 21, 2008

Kevin Markovich
NorthWestern Energy
40 East Broadway
Butte, MT 59701

Re: NorthWestern Energy Request for Proposals – Firm Electricity dated October 1, 2008

Dear Kevin:

PPL EnergyPlus, LLC ("PPL") is pleased to submit a proposal in response to the NorthWestern Energy ("NWE") Request for Proposals ("RFP") for Firm Electricity dated October 1, 2008.

Attached please find two term sheets setting forth certain terms and conditions of PPL's proposal. Term Sheet 1 describes the terms of a proposed Fixed Price Product, and Term Sheet 2 describes the terms of a proposed Index Price Product. The deadline for accepting the fixed price offer outlined in PPL's Term Sheet 1 is noon Mountain Prevailing Time on Wednesday, October 22. After that time, any continuing effectiveness of the offer prior to NWE's final selection shall be subject to PPL refreshing the price. All offers are contingent on PPL management approval and NWE and PPL reaching mutually agreeable terms, including with respect to credit.

PPL served the bulk of NWE's retail electrical load through two wholesale electricity supply agreements from December 17, 1999 through June 30, 2002. Since that time, PPL has continued to be a major supplier to NWE. PPL thus possesses substantial experience in serving NWE's load obligations. Due to PPL's mix of thermal and hydro electric generation resources located within NWE's balancing authority area and throughout NWE's transmission system, PPL is also uniquely qualified to serve NWE.

MPSC?

PPL considers this offer to be proprietary and confidential. Accordingly, PPL's response to this RFP shall not be disclosed, in whole or in part, by NWE to the public without the express written permission of PPL.

We appreciate the opportunity to participate in this RFP process and look forward to working with NWE to provide for its future energy needs.

Any questions, notices, or other matters related to this RFP can be directed to Sheryl Mayo at (406) 533-3526.

Sincerely,

Sheryl Mayo

Sheryl Mayo
Manager, Energy Marketing
PPL EnergyPlus, LLC

Cc: Joel Cook, Vice President – Trading
Rose Spear, Manager – Power Trading & Operations
Alison Spencer, Contract Administrator

Term Sheet 1
PPL EnergyPlus and NorthWestern Energy
October 21, 2008
Fixed Price Product

Buyer:	NorthWestern Corporation, doing business as NorthWestern Energy
Seller:	PPL EnergyPlus, LLC
Contract:	EEI Master Power Purchase & Sale Agreement dated as of October 15, 2001, as amended, with Confirmation detailing the Transaction.
Contract Term:	From execution and delivery of the Confirmation through the end of the selected Delivery Term
Delivery Term:	Term 1: July 1, 2010 through June 30, 2013 (3 years) or Term 2: July 1, 2010 through June 30, 2015 (5 years)
Product:	Firm Energy delivered Hour Ending ("HE") 0100 through HE 2400 Pacific Prevailing Time Monday through Sunday, including NERC Holidays. Buyer and Seller will adhere to the NERC and WECC rules regarding responsibility for providing contingency reserves. However, Seller shall not be obligated to provide contingency reserves of a higher quality or larger quantity than required at the time the Confirmation is executed and delivered. Seller is not obligated to provide any other ancillary services, including, without limitation, Frequency Responsive Reserve.
Quantity:	Buyer shall be entitled to purchase up to 100 MWh per hour under this Term Sheet 1; provided, however, that the hourly quantity selected by Buyer for purchase under this Term Sheet 1, together with the hourly quantity selected by Buyer for purchase under Term Sheet 2 (Index Price Product) for the Delivery Term selected by Buyer under Term Sheet 2, may not, during any hour of any Delivery Term, exceed 100 MWh; and provided, further, that the hourly quantities selected by Buyer under the Term Sheets shall in each instance be required to be in increments of 25 MWh. The hourly quantity purchased by Buyer ~~under~~ each Term Sheet shall be fixed for each hour of the applicable Delivery Term; provided, however, that in the event that the Delivery Term selected under this Term Sheet 1 terminates prior to the Delivery Term selected under Term Sheet 2, Buyer may elect, at the time of entering into the Confirmation reflecting the Transaction proposed in Term Sheet 2, to increase the hourly quantity purchased by Buyer under Term Sheet 2, in increments of 25 MWh, up to a fixed maximum quantity of 100 MWh per hour for the remainder of the applicable Delivery Term.

Time
If Fixed < Index
3 7
i.e.
3 yr Fixed for 50 mw,
7 yr index for 50 mw,
then can purchase a total
of 100 mw index during
years 4-7.

Contract Price:	Term	Flat
	Term 1	$57.60/MWh - 3yr
	Term 2	$61.00/MWh - 5yr

Delivery Point: Seller's choice of Delivery Points into NWE's transmission system. Seller shall be responsible only for transmission arrangements and costs to deliver and transmit the Quantity to the Delivery Point. Buyer will be responsible for transmission arrangements and costs to receive the Quantity at and transmit the Quantity from the Delivery Point.

If there are competing uses for Buyer's limited transmission capacity, the Quantity shall receive the highest scheduling priority from Buyer. Competing uses may include, but are not limited to, Buyer's use of its owned or controlled transmission capacity for energy purchases from other third parties or affiliates of Buyer.

Confidentiality: The information in this offer is confidential and may not be released by either party during negotiations.

Contingencies: The Contract Price is subject to refresh by Seller prior to any acceptance by Buyer in the event that Buyer has not accepted Seller's proposal prior to noon Mountain Prevailing Time on Wednesday, October 22. This offer is subject to Seller's management approval and Buyer and Seller agreeing to mutually acceptable terms, including credit terms.

Term Sheet 2
PPL EnergyPlus and NorthWestern Energy
October 21, 2008
Index Price Product

Buyer:	NorthWestern Corporation, doing business as NorthWestern Energy
Seller:	PPL EnergyPlus, LLC
Contract:	EEI Master Power Purchase & Sale Agreement dated as of October 15, 2001, as amended, with Confirmation detailing the Transaction.
Contract Term:	From execution and delivery of the Confirmation through the end of the selected Delivery Term
Delivery Term:	Term 1: July 1, 2010 through June 30, 2015 (5 years) or Term 2: July 1, 2010 through June 30, 2017 (7 years) or Term 3: July 1, 2010 through June 30, 2020 (10 years)
Product:	Firm Energy delivered Hour Ending ("HE") 0100 through HE 2400 Pacific Prevailing Time Monday through Sunday, including NERC Holidays. Buyer and Seller will adhere to the NERC and WECC rules regarding responsibility for providing contingency reserves. However, Seller shall not be obligated to provide contingency reserves of a higher quality or larger quantity than required at the time the Confirmation is executed and delivered. Seller is not obligated to provide any other ancillary services, including, without limitation, Frequency Responsive Reserve. Conflicting Statement
Quantity:	Buyer shall be entitled to purchase up to 100 MWh per hour under this Term Sheet 2; provided, however, that the hourly quantity selected by Buyer for purchase under this Term Sheet 2, together with the hourly quantity selected by Buyer for purchase under Term Sheet 1 (Fixed Price Product) for the Delivery Term selected by Buyer under Term Sheet 1, may not, during any hour of any Delivery Term, exceed 100 MWh; and provided, further, that the hourly quantities selected by Buyer under the Term Sheets shall in each instance be required to be in increments of 25 MWh. The hourly quantity purchased by Buyer under each Term Sheet shall be fixed for each hour of the applicable Delivery Term; provided, however, that in the event that the Delivery Term selected under Term Sheet 1 terminates prior to the Delivery Term selected under Term Sheet 2, Buyer may elect, at the time of entering into the Confirmation reflecting the Transaction proposed in this Term Sheet 2, to increase the hourly quantity purchased by Buyer under Term Sheet 2, in increments of 25 MWh, up to a fixed maximum quantity of 100 MWh per hour for the remainder of the applicable Delivery Term.

Price:	Term 1	Firm Index minus $2.00/MWh	5 yr
	Term 2	Firm Index minus $2.25/MWh	7 yr
	Term 3	Firm Index minus $2.50/MWh	10 yr

Firm Index: "Firm Index" means, for any day other than a Sunday or a NERC holiday, the Dow Jones Daily On-Peak Firm Mid-Columbia Index (as amended) for On-Peak Hours and Dow Jones Daily Off-Peak Firm Mid-Columbia Index (as amended) for Off-Peak Hours, and, for any Sunday or NERC holiday, the Dow Jones Mid-Columbia Sunday and NERC 24 Hour Price Index (as amended). For purposes of this definition, On-Peak hours shall include HE 0700 through HE 2200 Pacific Prevailing Time ("PPT") and Off-Peak hours shall include HE 0100 through HE 0600 and HE 2300 through HE 2400 PPT, Monday through Saturday and HE 0100 through 2400 Sundays and NERC holidays.

This definition of "Firm Index" may be altered during the term of this Agreement if the Dow Jones Daily Firm Mid-Columbia Index for On-Peak or Off-Peak Hours ceases to be published or upon written mutual agreement of the Parties; provided, however, that if the Dow Jones Daily Firm Mid-Columbia Index for On-Peak or Off-Peak Hours ceases to be published, the Parties shall agree on a domestic published replacement index for Mid-Columbia.

Delivery Point: Seller's choice of Delivery Points into NWE's transmission system. Seller shall be responsible only for transmission arrangements and costs to deliver and transmit Energy to the Delivery Point. Buyer will be responsible for transmission arrangements and costs to receive at and transmit Energy from the Delivery Point.

If there are competing uses for Buyer's limited transmission capacity, Seller's Energy shall receive the highest scheduling priority from Buyer. Competing uses may include, but are not limited to Buyer's use of its owned or controlled transmission capacity for energy purchases from third parties or affiliates.

Confidentiality: The information in this offer is confidential and may not be released by either party during negotiations.

Contingencies: This offer is subject to Seller's management approval and Buyer and Seller agreeing to mutually acceptable terms, including credit terms.

2008 ELEC RFP- MacQuarie Cook

Docket D2011.5.38
Data Request PSC-006(c) Attachment
Page 93 of 172

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10/21/2008

Macquarie Cook

MACQUARIE

MACQUARIE COOK POWER INC.

Non Binding and Indicative RFP Response for PPAs

This non-binding, indicative proposal document ("Indicative Proposal") is provided on a strictly confidential basis by Macquarie Cook Power Inc. ("MCP").

This Indicative Proposal may contain information about MCP, its ultimate parent Macquarie Group Limited, the controlled entities of Macquarie Group Limited and the funds managed by the controlled entities of Macquarie Group Limited (collectively, the "Macquarie Group"). Accordingly, MCP requests and requires that this Indicative Proposal be treated as strictly confidential and is provided on the basis that it only be used for the purposes of analysing this Indicative Proposal. The Indicative Proposal is submitted on the basis that it, including the fact of its existence or any of its terms and contents, may not be disclosed to anyone (including, without limitation, any other prospective purchaser) other than those employees and advisers who have a need to know and agree to keep its terms confidential, without obtaining the prior written consent of MCP.

This Indicative Proposal expresses current intentions only. It is not an offer capable of acceptance or intended to otherwise give rise to a binding contract. It does not constitute a commitment to acquire, sell, underwrite, place and/or distribute any assets, financing or securities in relation to the proposed transaction with **NorthWestern Energy** ("NWE"). Unless and until a definitive agreement is entered into regarding a proposed transaction or the provision of financing or securities, MCP will not be under any obligation whatsoever with respect to the proposed transactions, including, without limitation, to negotiate terms of the proposed transactions with NWE..

The information contained in the Indicative Proposal is based on present circumstances, market conditions, assumptions, and beliefs. Any final, binding offer would be subject to the receipt of all necessary internal, external, and regulatory approvals, the finalisation of relevant agreements for any transaction to the satisfaction of MCP or any other relevant entity within the Macquarie Group and satisfaction of the other conditions referred to in this Indicative Proposal.

In submitting this Indicative Proposal, neither MCP nor Macquarie Group has an obligation to update this Indicative Proposal or to submit a binding offer.

Neither MCP nor any of its respective directors, officers, employees or advisers or any other person including its subsidiaries makes any promise, guarantee, representation or warranty (express or implied) to any person as to the fairness, accuracy or completeness of this Indicative Proposal, or of any other information, materials or opinions, whether written or oral, that have been, or may be, prepared or furnished by MCP, including, without limitation, economic and financial projections and risk evaluation. To the extent permitted by law, no responsibility or liability whatsoever (in negligence or otherwise) is accepted by any persons for any errors, mis-statements or omissions in this Indicative Proposal or any other such information or materials. Without prejudice to the foregoing, neither MCP, nor any of its directors, officers, employees or advisers nor any other person including its affiliates shall be liable for any loss or damage (whether direct, indirect or consequential) suffered by any person as a result of relying on any statement in or omission from this Indicative Proposal. Nothing in this Indicative Proposal should be construed as legal, financial, accounting or tax advice.

No person has been authorised to give any information or to make any representation not contained in this Indicative Proposal and, if given or made, any such information or representation may not be relied upon as having been authorised by MCP. This Indicative Proposal should be interpreted under the laws of the state of New York.

[illegible]

Macquarie Cook Power Inc. ("MCP") is pleased to present **NorthWestern Energy** ("NWE") with the following non-binding indicative offers for fixed price power purchase agreements in response to the 2008 NWE RFP for firm energy. Macquarie Cook Power Inc. ("MCP") is responding with a 50MW, 5 year offer for fixed price 7x24 WSPP Schedule C Firm Power at the Mid Columbia Trading Hub commencing July 1, 2010. The terms and conditions of this agreement shall be governed under the WSPP Agreement with any amendments to be negotiated prior to execution of a final offer. Scheduling and tagging of the power shall be done in accordance with the WSPP Pre-scheduling Calendar as published at www.wspp.org, While this offer is non-binding MCP would be happy to present **NorthWestern Energy** with a refreshed binding offer once credit and contract enabling has been completed.

[illegible]

Macquarie Cook Power Inc. ("MCP") is a customer focused organization, specializing in providing hedges and price risk management products to entities with exposure to wholesale power markets. Where it furthers the commercial strategy of MCP and enables MCP to better serve its customers, MCP or other parts of the Macquarie Group will acquire and develop renewable generation resources. This willingness and desire to hold long term power assets reflects the commitment of Macquarie Group to the long term sustainability of its power business.

The leadership of MCP is composed of individuals with more than a decade of experience in managing generation assets and serving load, as well as developing financial derivative products to manage risk. Their responsibilities included managing and trading a large portfolio of plants in the Western Electricity Coordinating Council ("WECC"). This experience and familiarity with the issues NWE is facing has encouraged MCP to respond to this RFP.

Established in 2006 and based in Houston, Texas, MCP is an electricity trading and marketing company servicing North American electricity generators, utilities, municipalities and cooperatives. MCP combines the extensive physical experience of its power trading and marketing staff to deliver superior risk management products to its customers. MCP maintains a customer focus and the capabilities to meet physical customer needs. Unlike many financial institutions, MCP has the ability to own or dispatch physical assets. A strong physical focus is key to MCP's business strategy. MCP is currently trading in PJM, MISO, CAISO, and the entirety of WECC markets. Further MCP is expanding its business into additional market areas including NEPOOL and NYISO in 2008.

MCP sits alongside Macquarie Cook Energy, LLC's natural gas business, which provides gas supply, storage and transportation services, and hedging solutions to wholesale gas customers. Macquarie Cook Energy's ("MCE") core business is focused on the full range of physical natural gas in North America, including transportation, storage, balancing, and ultimately receipt or delivery of physical natural gas from production to end user. Founded in 1990 as an energy trading and marketing company headquartered in Los Angeles, MCE has a successful 17 year track record of serving North America's largest natural gas producers, utilities, industrial users, and other large wholesale energy players at all major points in the United States and Western Canada while maintaining a low risk, focused and tightly controlled trading operation. MCE trades more than 2.8 billion cubic feet of gas per day.

Both MCP and MCE (collectively "Macquarie Cook") have experienced staff that are actively seeking asset acquisition and development opportunities that complement its trading, marketing and origination activities. Macquarie Cook seeks to make investments in North American power generation- fossils and renewables, electric transmission, and gas storage and transportation. Macquarie Cook is willing to accept merchant commodity risk as well as development, construction and operational risk. Macquarie Cook has a preference for investments that allow the company to fully utilize its commodity trading and optimization capabilities, with a geographic preference for the West, Midwest, Mid Atlantic and Northeast. Macquarie Cook's development interests include greenfield and re-powering projects, equipment, transmission lines, gas storage and transportation.

Although still relatively new, Macquarie Cook Power is staffed by a customer-oriented team, with many in the front office having more than 10 years of experience in various aspects of managing physical power assets and serving load. MCP staff has worked for companies which have developed and managed over 8000 MW of generation facilities in the United States. MCP's staff has worked on all aspects of the development and management of generation including fuel management for and power sales and scheduling of the units.

MCP activities are supported by MCP's fully-staffed 24 hour real-time trading desk. MCP is an affiliate of Duquesne Power and Light and, pending regulatory approval, will be an affiliate of Puget Sound Energy.

MCP is a wholly owned subsidiary of Macquarie Group Limited, based in Sydney, Australia, and publicly traded under MQG on the Australian Stock Exchange. Macquarie Group Limited is a diversified, global financial services organization with total assets under management of approximately US$200 billion. MCP's trading business may request the issuance of guarantees from Macquarie Bank Limited which is rated A by Standard and Poor's, A1 by Moody's, and A+ by Fitch. Consolidated financials through MGL and MBL can be found at the following website:
http://www.macquarie.com/com/about_macquarie/investor_information.htm

Specific annual reports as requested in the RFP can be found at the following links:

MGL 2008 Financial Report:
http://www.macquarie.com.au/au/about_macquarie/acrobat/annual_report2008_MGL.pdf

MBL 2007 Financial Report:
http://www.macquarie.com.au/au/about_macquarie/acrobat/financialreport2007.pdf

MBL 2006 Financial Report:
http://www.macquarie.com.au/au/about_macquarie/acrobat/financialreport2006.pdf

MBL 2005 Financial Report:
http://www.macquarie.com.au/au/about_macquarie/acrobat/financialreport2005.pdf

NorthWestern™ Energy

OFFER SHEET

2008 FIRM ELECTRICITY RFP

5 Year Product Commencing July 1, 2010

Counterparty Name: Macquarie Cook Power Inc.

Contact Name: Mark Guzman

Phone number: 713-255-5858

Volume	Fixed Price ($/per MWh)	Index Price (Including discount, premium and named Index)	Delivery Point
25 MW	$60.00	N/A	Mid Columbia
25 MW	$60	N/A	Mid Columbia
25 MW		N/A	
25 MW		N/A	

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.

If shortlisted on this proposal, MCP would like to negotiate an enabling agreement and submit initial comments to the proposed transaction.

CREDIT REQUIREMENTS:

To be discussed and negotiated should MCP be shortlisted.

NON-BINDING INDICATIVE PROPOSAL:

This is not an offer which can be accepted. Neither NWE nor MCP would have any obligation pursuant to these or any other terms until such terms have been agreed to in an executed definitive agreement approved by each party's management. The non-binding and indicative nature of this proposal extends to all attached materials included in this submission which may or may not have been provided by NWE.

To discuss any aspect of this Indicative Offer, please contact:

Mark Guzman
Vice President

Macquarie Cook Power Inc.
500 Dallas Street, Level 31
Houston, TX 77002 USA
Phone: 713 255 5837
Mobile: 713 444 2722

Mark.Guzman@macquarie.com

Alternative Contact:

Ryan Belgram
Associate

Macquarie Cook Power Inc.
500 Dallas Street, Level 31
Houston, TX 77002 USA
Phone: 713 255 5858
Mobile: 713 444 9513
Ryan.Belgram@macquarie.com

We look forward to your response and to working with you towards a successful conclusion to the procurement process.

Yours sincerely,

Mark Guzman

Vice President

Macquarie Cook Power Inc.

The opinions and strategies in this document are based on certain assumptions and market conditions at the time of publication. If those underlying assumptions or market conditions change, the opinions and strategies will change. All quotations are indicative only. A firm quotation will be provided upon request.

The information provided in this document is believed to be accurate, although it has not been independently verified by Macquarie Bank Limited ("MBL"), Macquarie Cook Energy, LLC ("MCE "), Macquarie Cook Power Inc. ("MCP"), or Macquarie Cook Energy Canada Ltd. ("MCEC"). No Macquarie entity gives any warranties or representations in relation to this information nor does any Macquarie entity accept liability or responsibility for any loss arising as a result of a person acting on this information and advice, whether such loss is caused by negligence or otherwise. This document and its contents are confidential to the person(s) to whom it is delivered and should not be copied or distributed, in whole or in part, or its contents disclosed by such person(s) to any other person. MBL maintains Representative Offices in New York, California, Washington, Illinois and Texas and is not licensed to conduct banking business in the US. In the UK, MBL is authorised and regulated by the Financial Services Authority ("FSA"). MCP, MCE , and MCEC are not authorised deposit-taking institutions for the purposes of the Banking Act of Australia and the obligations of MCP, MCE, and MCEC do not represent deposits or other liabilities of Macquarie Bank Limited ABN 46 008 583 542. The transmission of this document to any other person in the UK other than the categories stated above is unauthorized and may contravene the UK Financial Services and Markets Act 2000. Unless otherwise explicitly agreed to between MBL and a customer of an MBL affiliate, MBL does not guarantee or otherwise provide assurance in respect of the obligations of that subsidiary.

2008 ELEC RFP - Credit Suisse

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CREDIT SUISSE

Patricia Smith
Vice President
Credit Suisse Energy LLC
11 Madison Avenue
New York, NY 10010-3629
Patricia.smith@credit-suisse.com

VIA EMAIL

October 21, 2008

Kevin Markovich
Director Marketing Operations
NorthWestern Energy – Energy Supply
40 E. Broadway
Butte, MT 59701
kevin.markovich@northwestern.com

Dear Mr. Markovich:

Re: Credit Suisse Energy, LLC's ("CSE") Response to NorthWestern Energy's ("NWE") Request for Proposal dated October 1, 2008.

Response Subject to Refresh:
CSE's attached proposed terms and conditions are indicative and for discussion purposes only. CSE will provide NWE with updated pricing upon request. The offers will not be open for acceptance until such time as verbally confirmed over the telephone between CSE and NWE.

Description of CSE Offer:
CSE is pleased to offer NWE two (2) seperate transactions. Transaction 1 is an offer for a physical sale of fixed price energy at Mid-C. Transaction 2 is a bid for an exchange of physical energy (Mid-C / NorthWestern System). NWE may select Transaction 1, Transaction 2, or a combination of Transaction 1 and 2.

Terms and Conditions of Offer:
CSE has provided the forms of confirmation under which Transaction 1 and/or Transaction 2 would be governed. The confirmations are attached in Appendix A – Transaction 1 and Appendix B – Transaction 2. They include the following information:

- Volume
- Term
- Delivery Point(s)
- Pricing
- Additional Credit Conditions if applicable

Please note – With respect to Transaction 2, pricing is sensitive to credit terms. CSE is willing to discuss different options and impacts to pricing.

CREDIT SUISSE

Contract:
In the event CSE and NWE enter into a transaction it will be governed by the WSPP Agreement. In the event CSE and NWE execute Transaction 1, it is the intention of the parties to negotiate an EEI or ISDA and novate the transaction to it.

BAL-002 Considerations:
CSE is offering WSPP Schedule C, Liquidated Damages. CSE will continue to provide this product consistent with how it is traded in the market.

Scheduling and Tagging Provisions:
Scheduling and tagging will be done in accordance with WECC standards.

Please do not hesitate to call me if you require any clarification or require updated pricing information.

Sincerely,

Patti Smith
Vice President

Encl.

Appendix A – Transaction 1 Form of Confirmation

DRAFT
Form of Confirmation

[DD Month YYYY]

NorthWestern Corporation
125 South Dakota Avenue
Sioux Falls, SD 57104
United States

Reference ID: [TBD]

---

1. This confirmation letter shall confirm the Transaction agreed to on [DD Month YYYY] (Trade Date) between Credit Suisse Energy, LLC ("CSE") and NorthWestern Corporation ("Counterparty") regarding the sale/purchase of the Product under the terms and conditions as follows:

Buyer:	Counterparty
Seller:	CSE
Product:	Physical Power
Delivery Period: Begin Date:	1 July 2010
End Date:	30 June 2015
Schedule:	Hour Ending (HE) 0100 through (HE) 2400 (24 hours each day), Monday through Sunday, Pacific Prevailing Time (PPT)
Contract Quantity:	100 MW per hour
Total Contract Quantity:	4,382,400 MWH
Delivery Point:	Mid - C
Contract Price:	USD 64.00 per MWH

Service Type:	WSPP Schedule C with Liquidated Damages
NERC Holiday:	North American Electricity Reliability Council (NERC) as reflected from time to time on its website currently located at http://www.nerc.com/~oc/offpeaks.html, or any successor thereto.

2. This transaction is governed by definitions and provisions of the WSPP Agreement, as such agreement may be amended from time to time. In the event of any inconsistency between the WSPP Agreement and this Confirmation, this Confirmation will prevail.

3. Credit Support Provisions

The parties agree to use all reasonable efforts promptly to negotiate, execute and deliver an agreement in the form of a 1994 ISDA Credit Support Annex (New York law) (the "CSA"), which will constitute a Credit Support Document under the Agreement and this Confirmation between the parties, with such modifications as the parties will in good faith agree. Until we execute and deliver the CSA, any amounts deposited by one party (the "Pledgor") to another party (the "Secured Party"), in order to support and secure the obligations of the Secured Party under this Transaction, will be deemed to be held by the Secured Party in accordance with and subject to the terms of the CSA as if we had executed an agreement in such form on the Trade Date, and the terms of the CSA are hereby incorporated by reference into this Confirmation, with the following elections and modifications:

(i) "Eligible Collateral" means the following:

Eligible Collateral	**V**
Cash	100%

(ii) "Threshold" means with respect to CSE and Counterparty,

S&P Fixed Amount	Moody's	Unsecured Threshold Counterparty	CSE
AAA	Aaa	$60,000,000	$60,000,000
AA+	Aa1	$60,000,000	$60,000,000
AA	Aa2	$60,000,000	$60,000,000
AA-	Aa3	$60,000,000	$60,000,000
A+	A1	$55,000,000	$55,000,000
A	A2	$55,000,000	$55,000,000

A-	A3	$55,000,000	$55,000,000
BBB+	Baa1	$50,000,000	$50,000,000
BBB	Baa2	$50,000,000	$50,000,000
BBB-	Baa3	$50,000,000	$50,000,000
BB+	Ba1	$30,000,000	$30,000,000
BB	Ba2	$20,000,000	$20,000,000
BB-	Ba3	$10,000,000	$10,000,000
<B+	<B1	$0	$0

(iii) "Minimum Transfer Amount" means with respect to CSE and Counterparty USD 100,000.00

(iv) Rounding. The Delivery Amount and the Return Amount will be rounded up and down respectively to the nearest integral multiple of USD 25,000.00.

(v) "Valuation Agent" means CSE.

(vi) "Valuation Date" means each Local Business Day.

(vii) "Valuation Time" means the close of business in the city of the Valuation Agent on the Local Business Day before the Valuation Date or date of calculation, as applicable, provided that the calculations of Value and Exposure will be made as of approximately the same time on the same date.

(viii) "Notification Time" means 10:00 a.m., New York time, on a Local Business Day.

(ix) The "Interest Rate" will be, the effective rate for Federal Funds, as reported in the Federal Reserve Publication H.15-519 (or any successor publication), provided that if, for any reason, such rate should be unavailable the Interest Rate shall be such rate as the Secured Party shall reasonably determine.

(x) The Transfer of the Interest Amount will be made on the second Local Business Day following the end of each calendar month, to the extent that a Delivery Amount would not be created or increased by that transfer in which event such Interest Amount will be retained by the Secured Party, and on any Local Business Date on which all Posted Collateral in the form of Cash is Transferred to the Pledgor pursuant to Paragraph 3(b).

(xi) The provisions of Paragraph 6(d)(ii) will apply and for the purposes of calculating the Interest Amount the amount of interest calculated for each day of the Interest Period shall be compounded daily.

(xii) Eligibility to Hold Collateral: Counterparty or its Credit Support Provider must have senior unsecured ratings of at least BBB- by Standard & Poor's Ratings Group, or any successor, and Baa3 by Moody's to hold cash collateral. A

Custodian holding cash collateral must be a commercial bank or trust company organized under the laws of the United States or a political division thereof, with such entity having a capital and surplus of $1 Billion and senior unsecured ratings of at least A- by S&P and A3 by Moody's.

(xiii) Paragraph 7 shall be amended so that the references in Paragraph 7(ii) and Paragraph 7(iii) to "five Local Business Days" and "thirty days" respectively, shall instead be replaced by "three Local Business Days" and "three Local Business Days" respectively.

Upon any default by Counterparty in the performance of its obligations to CSE hereunder or under any other Transaction with CSE, CSE shall have all rights of a secured creditor under the New York Uniform Commercial Code in respect of the Eligible Collateral.

(xviii) Demands, specifications and notices:

CSE	One Madison Avenue New York, NY 10010 Attn: Collateral Management Unit	Telephone: Fax:	**212-538-5500** **212-538-5559**
[TO BE COMPLETED]			

or at such other address as the relevant party may from time to time designate by giving notice (in accordance with the terms of this paragraph) to the other party. All such notices shall (unless otherwise stated) be deemed to be effective at the time such notice is actually received unless such notice is received on a day which is not a Local Business Day or after the Notification Time on any Local Business Day in which event such notice shall be deemed to be effective on the next succeeding Local Business Day.

Please execute and return this Confirmation to us, or provide notice of a dispute of any terms, or request a correction of any error via fax at (212) 951-8823, herein within five (5) Local Business Days of the date written above. Your failure to respond within such period shall not affect the enforceability of the Transaction as against you.

Yours faithfully,

Credit Suisse Energy LLC

By:_____
Name: Dean Brier
Title: Vice President

Confirmed as of the date first written above:
NorthWestern Corporation

By:_____
Name:
Title:

Appendix B – Transaction 2 Form of Confirmation

DRAFT
Form of Confirmation

[DD Month YYYY]

NorthWestern Corporation
125 South Dakota Avenue
Sioux Falls, SD 57104
United States

Reference ID: [TBD]

---

1. This confirmation letter shall confirm the Transaction agreed to on [DD Month YYYY] (Trade Date) between Credit Suisse Energy, LLC ("CSE") and NorthWestern Corporation ("Counterparty") regarding the sale/purchase of the Product under the terms and conditions as follows:

Exchange Fee Payer:	CSE
Exchange Fee Receiver:	Counterparty
Product:	**Physical Power Exchange** Where Physical Power Exchange shall mean Exchange Fee Payor shall receive Contract Quantity from Exchange Fee Receiver at CSE Point of Receipt and simultaneously Exchange Fee Payor shall deliver Contract Quantity at to Exchange Fee Receiver at CSE Point of Delivery
Delivery Period: Begin Date:	1 July 2010
End Date:	30 June 2015
Schedule:	Hour Ending (HE) 0100 through (HE) 2400 (24 hours each day), Monday through Sunday, Pacific Prevailing Time (PPT)

Contract Quantity:	100 MW per hour
Total Contract Quantity:	4,382,400 MWH
CSE Point of Receipt:	Mid - C
CSE Point of Delivery:	NWE System: where NWE System means any available interconnection point on the NorthWestern Energy transmission system where Counterparty can take delivery pursuant to its existing Network Transmission Agreement
Exchange Fee:	USD 2.25 per MWH
Service Type:	WSPP Schedule C with Liquidated Damages
NERC Holiday:	North American Electricity Reliability Council (NERC) as reflected from time to time on its website currently located at http://www.nerc.com/~oc/offpeaks.html, or any successor thereto.

2. This transaction is governed by definitions and provisions of the WSPP Agreement, as such agreement may be amended from time to time. In the event of any inconsistency between the WSPP Agreement and this Confirmation, this Confirmation will prevail.

Please execute and return this Confirmation to us, or provide notice of a dispute of any terms, or request a correction of any error via fax at (212) 951-8823, herein within five (5) Local Business Days of the date written above. Your failure to respond within such period shall not affect the enforceability of the Transaction as against you.

Yours faithfully,

Credit Suisse Energy LLC

By:_____
Name: Dean Brier
Title: Vice President

Confirmed as of the date first written above:
NorthWestern Corporation

By:_____
Name:
Title:

2008 ELEC RFP - SEMPRA

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Called @ 5:00 I told him we would get back to him in the morning.

Markovich, Kevin J

From: Alvarez, Roy [Roy.Alvarez@rbssempra.com]
Sent: Tuesday, October 21, 2008 4:56 PM
To: Markovich, Kevin J
Cc: Kenney, Erin; Heinz, Dennis; Silva, Jeanny
Subject: FW: NorthWestern Energy RFP for Firm Electric Supply
Importance: High

Kevin,
Attached you'll find Sempra Energy Trading LLC indicative offer for the 5 year product. Additionally, Jeanny Silva from our credit department is already in discussions with Dennis regarding credit requirements.

Please contact either Erin or myself if you require anything else. Thanks.

From: Markovich, Kevin J [mailto:Kevin.Markovich@northwestern.com]
Sent: Wednesday, October 01, 2008 1:21 PM
To: undisclosed-recipients
Subject: NorthWestern Energy RFP for Firm Electric Supply

Attached is an RFP for firm electric supply issued by NorthWestern Energy. We are soliciting 50 – 100 MW of firm baseload power for 5, 7, or 10 years beginning July 1, 2010, delivered to either Mid C or the NorthWestern Energy Transmission system. You are free to make offers on any or all of the three terms, up to 100 MW each, but the maximum amount of energy NWE will procure is 100 MW over any combination of the three terms.

Offer Sheets are attached that we ask you to use if you are interested in participating. If you are not the appropriate person at your company to receive this request I ask that you forward it on.

Thank you for your consideration.

Kevin Markovich
406-497-3336
Kevin.Markovich@northwestern.com

This message is for the named person's use only. It may contain confidential, proprietary or legally privileged information. No confidentiality or privilege is waived or lost by any mistransmission. If you receive this message in error, please immediately delete it and all copies of it from your system, destroy any hard copies of it and notify the sender. You must not, directly or indirectly, use, disclose, distribute, print, or copy any part of this message if you are not the intended recipient. NorthWestern Corporation and its subsidiaries each reserve the right to monitor all e-mail communications through its network.

****
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LLP are not regulated by the California Public Utilities Commission.

RBS Sempra Metals and RBS Sempra Energy Europe are businesses of The Royal Bank of Scotland plc. Registered in Scotland No 90312. Registered Office: 36 St Andrew Square, Edinburgh EH2 2YB. The Royal Bank of Scotland plc is authorized and regulated by the Financial Services Authority.

Each of the following companies is a subsidiary of The Royal Bank of Scotland plc: RBS Sempra Energy Europe Limited, registered in England & Wales No. 3704235 registered office 155 Bishopsgate, London EC2M 3TZ United Kingdom. RBS Sempra Energy Trading (UK) Limited, authorized and regulated by the Financial Services Authority, registered in England & Wales No. 3526627 registered office 155 Bishopsgate, London EC2M 3TZ United Kingdom FSA firm reference number 188751. RBS Sempra Energy Trading Holdings Limited, registered in England & Wales No. 3704239 registered office 155 Bishopsgate, London EC2M 3TZ United Kingdom.
****

NorthWestern Energy

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

Counterparty Name: Sempra Energy Trading LLC

Contact Name: Roy Alvarez

Phone number: 203-962-3610

Volume	Fixed Price ($/per MWh)	Index Price (Including discount, premium and named Index)	Delivery Point
100 MW	$59.50		Mid-C Hub
25 MW			
25 MW			
25 MW			

Special Conditions:
Offers are indicative and subject to disclaimer below.

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.

2008 ELEC RFP - Morgan Stanley

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Markovich, Kevin J

From: Travis, Arlin (COMMOD) [Arlin.Travis@morganstanley.com]
Sent: Tuesday, October 21, 2008 5:40 PM
To: Markovich, Kevin J
Cc: Gill, Kiran (COMMOD)
Subject: 20081015 MSCG_NWE RFP_Response 3

Kevin sent you three responses to your request for proposals The 2nd and this 3rd response are mutually exclusive. In other words you could chooose one or the other. I don't know that either quite gets it right but am looking forward to discussing the possibility. Thank you.

Best regards,

Arlin

This is not an offer (or solicitation of an offer) to buy/sell the securities/instruments mentioned or an official confirmation. Morgan Stanley may deal as principal in or own or act as market maker for securities/instruments mentioned or may advise the issuers. This is not research and is not from MS Research but it may refer to a research analyst/research report. Unless indicated, these views are the author's and may differ from those of Morgan Stanley research or others in the Firm. We do not represent this is accurate or complete and we may not update this. Past performance is not indicative of future returns. For additional information, research reports and important disclosures, contact me or see https://secure.ms.com/servlet/cls. You should not use e-mail to request, authorize or effect the purchase or sale of any security or instrument, to send transfer instructions, or to effect any other transactions. We cannot guarantee that any such requests received via e-mail will be processed in a timely manner. This communication is solely for the addressee(s) and may contain confidential information. We do not waive confidentiality by mistransmission. Contact me if you do not wish to receive these communications. In the UK, this communication is directed in the UK to those persons who are professional and eligible counterparties (as defined in the UK Financial Services Authority's rules).

Morgan Stanley

Morgan Stanley Capital Group, Inc.
2000 Westchester Avenue
Purchase, NY 10577

October 21, 2008

VIA EMAIL

NorthWestern Energy
40 E. Broadway
Butte, MT 59701

Attn: Kevin Markovich

Re: MSCG Response to NorthWestern Energy Request for Proposal

Dear Mr. Markovich,

Morgan Stanley Capital Group Inc. ("MSCG") is pleased to submit herewith its offer to NorthWestern ("NWE") in response to NWE's "Request for Proposal – Firm Electricity dated October 1, 2008 ("RFP"). .

MSCG is a wholly-owned subsidiary of Morgan Stanley, the New York-based Bank Holding Organization. MSCG has over 24 years of experience in energy price risk management and trades commodities 24-hours a day, worldwide (e.g., electricity, natural gas, liquid fuels, metals and currencies) and is consistently rated one of the top commodity risk managers by the industry. Financial information concerning Morgan Stanley can be found on its website, www.morganstanley.com.

Transaction Details

Firm Supply:	7x24 Firm Energy sold pursuant to the terms specified in Schedule C of the WSPP Agreement, with contingency reserves provided by Seller available 7x24 throughout the delivery term.
Tenor:	July 1, 2010 start for 5, 7, or 10 years
Delivery Point(s):	Mid-Columbia.
Pricing:	$/MWh (See Attachment A)
Volume:	MW (See Attachment A)
Pricing Expiration:	12:00 pm Mountain Standard Time on Friday October 24, 2008
Master Agreement:	MSCG and Northwestern Energy have an ISDA Master Agreement dated March 3, 2006 with both Power and Gas Annexes, and a CSA, any RFP trades will be fully governed by these documents.
Credit:	As negotiated and mutually agreed.

Morgan Stanley

Morgan Stanley Capital Group, Inc.
2000 Westchester Avenue
Purchase, NY 10577

Description of Firm Supply:

Buyer and Seller to be in compliance of NERC reliability standards currently contemplated to include Bal-002.

Scheduling and Tagging Provisions:

In accordance with standard and customary WECC practice.

Additional Non-Price Terms and Conditions:

As appropriate or customary and mutually agreed.

Additional Administrative Matters:

As appropriate or customary and mutually agreed.

MSCG Contact Information

Legal Contact:
Credit Contact:

This offer, including but not limited to any pricing provided by MSCG herein, is conditioned upon senior management approval.

We are submitting a total of 3 offers 1) 5 Year, 2) 7 Year, and 3) 10 Year in 25MW Tiers, NWE can elect any combination of these products but not to exceed 50MW in any hour. MSCG deems all information contained in this Conditional Offer to be confidential.

MSCG appreciates the opportunity to work on this NWE RFP.

Sincerely,

XX
Morgan Stanley Capital Group Inc.

Morgan Stanley

Morgan Stanley Capital Group, Inc.
2000 Westchester Avenue
Purchase, NY 10577

Offer Sheet
2008 Firm Electricity RFP

Counterparty Name:
Contact Name:
Phone Number:

5 Year Product Commencing July 1, 2010

Volume	Fixed Price $/MWh	Index Price	Delivery Point
25MW	60.02		Mid-Columbia
25MW	60.02		Mid-Columbia
			Mid-Columbia
			Mid-Columbia

7 Year Product Commencing July 1, 2010

Volume	Fixed Price $/MWh	Index Price	Delivery Point
25MW	63.88		Mid-Columbia
25MW	63.88		Mid-Columbia
			Mid-Columbia
			Mid-Columbia

10 Year Product Commencing July 1, 2010

Volume	Fixed Price $/MWh	Index Price	Delivery Point
25MW	66.44		Mid-Columbia
25MW	66.44		Mid-Columbia
			Mid-Columbia
			Mid-Columbia

Special Conditions:

This material has been prepared for information purposes to support the promotion or marketing of the transaction or matters addressed herein. It is not a solicitation of any offer to buy or sell any security or other financial instrument or to participate in any trading strategy. This is not a research report and was not prepared by the Morgan Stanley research department. It was prepared by Morgan Stanley sales, trading, banking or other non-research personnel. This material was not intended or written to be used, and it cannot be used by any taxpayer, for the purpose of avoiding penalties that may be imposed on the taxpayer under U.S. federal tax laws. Each taxpayer should seek advice based on the taxpayer's particular circumstances from an independent tax advisor. Past performance is not necessarily a guide to future performance. Please see additional important information and qualifications at the end of this material.

Morgan Stanley

Morgan Stanley Capital Group, Inc.
2000 Westchester Avenue
Purchase, NY 10577

The terms in this Conditional Offer are indicative, non-binding and submitted solely for discussion purposes. MSCG reserves the right to modify and/or withdraw this Conditional Offer at any time. No valid and binding agreement will exist until the execution and delivery by both parties of a definitive written purchase agreement. Until such execution and delivery, any proposed agreement is subject to further MSCG management, credit, tax and legal review and approval. Each party acknowledges that the other party is negotiating at arms-length and may terminate the negotiations at any time for any reason or for no reason prior to the execution and delivery of a definitive agreement. Reliance by either party on the consummation of a transaction prior to the execution and delivery of a definitive agreement shall be at that party's risk and shall not give rise to liability sounding in contract, tort, promissory estoppel or otherwise. This paragraph supercedes any other conflicting language in this Conditional Offer or any statement made by any officer, agent, representative or employee of MSCG. This Conditional Offer is proprietary and confidential and shall not be revealed to third parties without MSCG's prior written consent.

This material was prepared by sales, trading, banking or other non-research personnel of one of the following: Morgan Stanley & Co. Incorporated, Morgan Stanley & Co. International Limited, Morgan Stanley Japan Limited and/or Morgan Stanley Dean Witter Asia Limited (together with their affiliates, hereinafter "Morgan Stanley"). This material was not produced by a Morgan Stanley research analyst, although it may refer to a Morgan Stanley research analyst or research report. Unless otherwise indicated, these views (if any) are the author's and may differ from those of the Morgan Stanley fixed income or equity research department or others in the firm.

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Options are not for everyone. Before purchasing or writing options, investors should understand the nature and extent of their rights and obligations and be aware of the risks involved, including the risks pertaining to the business and financial condition of the issuer and the security/instrument. A secondary market may not exist for these securities. For Morgan Stanley customers who are purchasing or writing exchange-traded options, please review the publication 'Characteristics and Risks of Standardized Options,' which is available from your account representative.

The value of and income from investments may vary because of changes in interest rates, foreign exchange rates, default rates, prepayment rates, securities/instruments prices, market indexes, operational or financial conditions of companies or other factors. There may be time limitations on the exercise of options or other rights in securities/instruments transactions. Past performance is not necessarily a guide to future performance. Estimates of future performance are based on assumptions that may not be realized. Actual events may differ from those assumed and changes to any assumptions may have a material impact on any projections or estimates. Other events not taken into account may occur and may significantly affect the projections or estimates. Certain assumptions may have been made for modeling purposes only to simplify the presentation and/or calculation of any projections or estimates, and Morgan Stanley does not represent that any such assumptions will reflect actual future events. Accordingly, there can be no assurance that estimated returns or projections will be realized or that actual returns or performance results will not materially differ from those estimated herein. Some of the information contained in this document may be aggregated data of transactions in securities or other financial instruments executed by Morgan Stanley that has been compiled so as not to identify the underlying transactions of any particular customer.

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In the UK, this communication is directed in the UK to those persons who are market counterparties or intermediate customers (as defined in the UK Financial Services Authority's rules). In Japan, this communication is directed to the sophisticated institutional investors as defined under the Foreign Broker Dealer Law of Japan and the ordinances thereunder. For additional information, research reports and important disclosures see https://secure.ms.com/servlet/cls. The trademarks and service marks contained herein are the property of their respective owners. Third-party data providers make no warranties or representations of any kind relating to the accuracy, completeness, or timeliness of the data they provide and shall not have liability for any damages of any kind relating to such data.

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Purchase, NY 10577

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Morgan Stanley Capital Group, Inc.
2000 Westchester Avenue
Purchase, NY 10577

October 21, 2008

VIA EMAIL

NorthWestern Energy
40 E. Broadway
Butte, MT 59701

Attn: Kevin Markovich

Re: MSCG 2nd Response to NorthWestern Energy Request for Proposal

Dear Mr. Markovich,

Morgan Stanley Capital Group Inc. ("MSCG") is pleased to submit herewith its offer to NorthWestern ("NWE") in response to NWE's "Request for Proposal – Firm Electricity dated October 1, 2008 ("RFP"). .

MSCG is a wholly-owned subsidiary of Morgan Stanley, the New York-based Bank Holding Organization. MSCG has over 24 years of experience in energy price risk management and trades commodities 24-hours a day, worldwide (e.g., electricity, natural gas, liquid fuels, metals and currencies) and is consistently rated one of the top commodity risk managers by the industry. Financial information concerning Morgan Stanley can be found on its website, www.morganstanley.com.

Transaction Details

Firm Supply:	7x24 Firm Energy sold pursuant to the terms specified in Schedule C of the WSPP Agreement, with contingency reserves provided by Seller available 7x24 throughout the delivery term.
Tenor:	July 1, 2010 start for 5, 7, or 10 years
Delivery Point(s):	Glacier wind project bus bar on the NorthWestern Energy system.
Pricing:	Mid C Day Ahead Index On-Peak or Off-Peak as applicable minus $4.00/Mwh if scheduled by Seller on a Day Ahead basis or minus $6.00/Mwh if scheduled by Seller on an hour ahead basis.
Volume:	Up to 50 MW's per hour.
Pricing Expiration:	12:00 pm Mountain Standard Time on Friday October 24, 2008
Master Agreement:	MSCG and Northwestern Energy have an ISDA Master Agreement dated March 3, 2006 with both Power and Gas Annexes, and a CSA, any RFP trades will be fully governed by these documents.

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Morgan Stanley Capital Group, Inc.
2000 Westchester Avenue
Purchase, NY 10577

Credit: As negotiated and mutually agreed.

Description of Firm Supply:
Buyer and Seller to be in compliance of NERC reliability standards currently contemplated to include Bal-002.

Scheduling and Tagging Provisions:
In accordance with standard and customary WECC practice.

Additional Non-Price Terms and Conditions:
As appropriate or customary and mutually agreed.

Additional Administrative Matters:
As appropriate or customary and mutually agreed.

MSCG Contact Information

Legal Contact:
Credit Contact:

This offer, including but not limited to any pricing provided by MSCG herein, is conditioned upon senior management approval.

MSCG appreciates the opportunity to work on this NWE RFP.

Sincerely,

Arlin Travis
Morgan Stanley Capital Group Inc.

Morgan Stanley

Morgan Stanley Capital Group, Inc.
2000 Westchester Avenue
Purchase, NY 10577

Morgan Stanley

Morgan Stanley Capital Group, Inc.
2000 Westchester Avenue
Purchase, NY 10577

October 21, 2008

VIA EMAIL

NorthWestern Energy
40 E. Broadway
Butte, MT 59701

Attn: Kevin Markovich

Re: MSCG 3rd Response to NorthWestern Energy Request for Proposal

Dear Mr. Markovich,

Morgan Stanley Capital Group Inc. ("MSCG") is pleased to submit herewith its offer to NorthWestern ("NWE") in response to NWE's "Request for Proposal – Firm Electricity dated October 1, 2008 ("RFP"). .

MSCG is a wholly-owned subsidiary of Morgan Stanley, the New York-based Bank Holding Organization. MSCG has over 24 years of experience in energy price risk management and trades commodities 24-hours a day, worldwide (e.g., electricity, natural gas, liquid fuels, metals and currencies) and is consistently rated one of the top commodity risk managers by the industry. Financial information concerning Morgan Stanley can be found on its website, www.morganstanley.com.

Transaction Details

Firm Supply:	7x24 Firm Energy sold pursuant to the terms specified in Schedule C of the WSPP Agreement, with contingency reserves provided by Seller available 7x24 throughout the delivery term.
Tenor:	July 1, 2010 start for 5, 7, or 10 years
Delivery Point(s):	Mid C or the Glacier wind project bus bar on the NorthWestern Energy system.
Pricing:	5yrs = $60.02/Mwh; 7yrs = $63.88/Mwh; and 10yrs = $66.64/Mwh Provided that if Seller schedules MWs at the Glacier Bus bar the Attachment A Price minus $4.00/Mwh if scheduled by Seller on a Day Ahead basis or the Attachment A Price minus $6.00/Mwh if scheduled by Seller on an hour ahead basis.
Volume:	Up to 50 MW's per hour at either the Mid C or Glacier bus bar delivery point provided that if Seller elects to deliver at the Glacier bar is must schedule in 25 MW/hr blocks, such that Seller may schedule only 0, 25 or 50 MWs at the Glacier bus bar and accordingly only 50, 25 and at the Mid C delivery point and in so doing there will be a flat 50 MWs/hr delivered to Buyer for each

Morgan Stanley

Morgan Stanley Capital Group, Inc.
2000 Westchester Avenue
Purchase, NY 10577

hour of the term Provided further that MSCG response 2 and this MSCG response 3 are mutually exclusive.

Pricing Expiration: 12:00 pm Mountain Standard Time on Friday October 24, 2008

Master Agreement: MSCG and Northwestern Energy have an ISDA Master Agreement dated March 3, 2006 with both Power and Gas Annexes, and a CSA, any RFP trades will be fully governed by these documents.

Credit: As negotiated and mutually agreed.

Description of Firm Supply:
Buyer and Seller to be in compliance of NERC reliability standards currently contemplated to include Bal-002.

Scheduling and Tagging Provisions:
In accordance with standard and customary WECC practice.

Additional Non-Price Terms and Conditions:
As appropriate or customary and mutually agreed.

Additional Administrative Matters:
As appropriate or customary and mutually agreed.

MSCG Contact Information

Legal Contact:
Credit Contact:

This offer, including but not limited to any pricing provided by MSCG herein, is conditioned upon senior management approval.

MSCG appreciates the opportunity to work on this NWE RFP.

Sincerely,

Arlin Travis
Morgan Stanley Capital Group Inc.

Morgan Stanley

Morgan Stanley Capital Group, Inc.
2000 Westchester Avenue
Purchase, NY 10577

2008 ELEC RFP - POWEREX

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Markovich, Kevin J

From: Corrigan, Michael [Michael.Corrigan@powerex.com]
Sent: Tuesday, October 21, 2008 5:14 PM
To: Markovich, Kevin J
Subject: RE: NorthWestern Energy - 2008 Firm Electricity RFP

You bet.

The last condition in these offers may be a bit confusing – re: converting to a fixed price deal. Powerex is willing to convert an index based deal to a fixed price deal. For a number of reasons we were time-limited in responding to this RFP. The time constraint limited our response in this RFP to only index based offers (given fixed price contracts require considerably more lead time for approvals on our end). Should NWE find either of the offers acceptable, Powerex is willing, subject to the time/approvals, etc required on our side, to work with NWE to convert the contracts to a fixed price.

Give me a shout (on my cell, if you are trying tomorrow) if you need some clarification.

Mike.

Michael Corrigan
Marketing Manager
Powerex
1400 - 666 Burrard St
Vancouver, BC V6C 2X8
P. 604.891.5082
F. 604.891.5052
M. 604.617.7029
michael.corrigan@powerex.com

From: Markovich, Kevin J [mailto:Kevin.Markovich@northwestern.com]
Sent: October 21, 2008 4:07 PM
To: Corrigan, Michael
Subject: RE: NorthWestern Energy - 2008 Firm Electricity RFP

Got it - thanks!

From: Corrigan, Michael [mailto:Michael.Corrigan@powerex.com]
Sent: Tuesday, October 21, 2008 5:00 PM
To: Markovich, Kevin J
Subject: NorthWestern Energy - 2008 Firm Electricity RFP

Kevin, attached please find two offers from Powerex for your RFP. As discussed, I will call you on Thursday for a preliminary sense of these bids.

Michael Corrigan
Marketing Manager
Powerex
1400 - 666 Burrard St
Vancouver, BC V6C 2X8
P. 604.891.5082
F. 604.891.5052
M. 604.617.7029
michael.corrigan@powerex.com

Markovich, Kevin J

From: Corrigan, Michael [Michael.Corrigan@powerex.com]

Sent: Tuesday, October 21, 2008 5:00 PM

To: Markovich, Kevin J

Subject: NorthWestern Energy - 2008 Firm Electricity RFP

Kevin, attached please find two offers from Powerex for your RFP. As discussed, I will call you on Thursday for a preliminary sense of these bids.

Michael Corrigan
Marketing Manager
Powerex
1400 - 666 Burrard St
Vancouver, BC V6C 2X8
P. 604.891.5082
F. 604.891.5052
M. 604.617.7029
michael.corrigan@powerex.com

NorthWestern™ Energy

OFFER SHEET

2008 Firm Electricity RFP

5 Year Product Commencing July 1, 2010

Counterparty Name: ___POWEREX_____

Contact Name: ____Michael Corrigan_____

Phone number: _____604-891-5082_____

Offer Volume: _____**50MWs**_____

Volume	Fixed Price ($/per MWh)	Index Price (Including discount, premium and named Index)	Delivery Point
25 MW		DowJones MidC HLH, LLH, or	Any unconstrained point
25 MW		Sunday/Holiday Index – **$2.00**	on the NWE system.
25 MW			
25 MW			

Special Conditions:
(Attach sheet if necessary)

1) The above offer is conditional upon Powerex and BC Hydro management approval. Such approval is expected by 12:00 MPT, Friday October 24, 2008.
2) NorthWestern shall have the option of varying the amount of their daily delivery under this contract by 10mw, plus or minus. In the normal preschedule window, NorthWestern shall indicate to Powerex whether they wish to schedule 40mw, 50mw, or 60mw per hour at the contract price. For each Quarter during the year, the volumetric total taken by NorthWestern shall be the equivalent of 50mw per hour for each scheduling day during the quarter.
3) Powerex shall schedule the energy for delivery under this contract in either Preschedule or Real-Time.
4) Powerex shall be held harmless in the event of a change in environmental law, including any levy, tax or similar type of up-lift charge which is not captured in the index pricing. NorthWestern shall be responsible for any such environmental levies on energy delivered under this contract.
5) Powerex is willing to work with NWE to convert an index based contract to a fixed price deal price to the commencement of the contract term.

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

5 Year Product Commencing July 1, 2010

Counterparty Name: ___POWEREX_____

Contact Name: ____Michael Corrigan_____

Phone number: _____604-891-5082_____

Offer Volume: _____**50MWs**_____

Volume	Fixed Price ($/per MWh)	Index Price (Including discount, premium and named Index)	Delivery Point
25 MW		DowJones MidC HLH, LLH, or	Mid-C
25 MW		Sunday/Holiday Index + **$0.50**	
25 MW			
25 MW			

Special Conditions:
(Attach sheet if necessary)

1) The above offer is conditional upon Powerex and BC Hydro management approval. Such approval is expected by 12:00 MPT, Friday October 24, 2008.
2) NorthWestern shall have the option of varying the amount of their daily delivery under this contract by 10mw, plus or minus. In the normal preschedule window, NorthWestern shall indicate to Powerex whether they wish to schedule 40mw, 50mw, or 60mw per hour at the contract price. For each Quarter during the year, the volumetric total taken by NorthWestern shall be the equivalent of 50mw per hour for each scheduling day during the quarter.
3) Powerex shall schedule the energy for delivery under this contract in either Preschedule or Real-Time.
4) Powerex shall be held harmless in the event of a change in environmental law, including any levy, tax or similar type of up-lift charge which is not captured in the index pricing. NorthWestern shall be responsible for any such environmental levies on energy delivered under this contract.
5) Powerex is willing to work with NWE to convert an index based contract to a fixed price deal price to the commencement of the contract term.

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.

2008 ELEC RFP – CALPINE

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Markovich, Kevin J

From: Gevan Reeves [greeves@calpine.com]
Sent: Tuesday, October 21, 2008 4:29 PM
To: Markovich, Kevin J
Cc: Gevan Reeves; Heinz, Dennis
Subject: Calpine Indicative Response to Northwestern RFO

The terms and conditions summarized in this non-binding, indicative offer response are for discussion purposes only and are not intended to and do not constitute a binding agreement between the parties. Such terms and conditions are subject to further negotiations. Furthermore, this document does not obligate either party to enter into any agreement or to proceed with any possible relationship or transaction. Either party may terminate discussions and/or negotiations regarding the subject of this document at any time without further liability.

Dear Kevin:

Attached please find Calpine's indicative response to your October 1, 2008 RFO for Firm Electricity.

Calpine is making two mutually exclusive five year proposals:

Proposal 1
5 year offer up to 100MW
Mid-C delivery point
Years 1 through 3 are fixed price
Years 4 through 5 are index price (to mitigate green house gas risk)
Other Special Conditions per the Offer Sheet

Proposal 2
5 year offer up to 100MW
Mid-C delivery point
Years 1 through 3 are fixed price
Years 4 through 5 are fixed price, but are priced to include green house gas risk
Other Special Conditions per the Offer Sheet

Please call me if you have any questions, and we look forward to working with you in the near future.

Regards,
Gevan

Gevan Reeves
Director, Origination
Calpine Corporation
3875 Hopyard Road, Suite 345
Pleasanton, CA 94588
greeves@calpine.com
(w) 925.479.6748
(c) 415.860.3099
(f) 925.479.7300

NorthWestern Energy

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

Counterparty Name: Calpine Energy Services, L.P.

Contact Name: Gevan Reeves (greeves@calpine.com)

Phone number: (925) 479-6748

PROPOSAL 1

Volume	Fixed Price ($/per MWh)	Index Price (Including discount, premium and named Index)	Delivery Point
25 MW	Yrs 1-3: $56.70	Years 4-5: Mid-C on/off-peak plus $0.10	Mid-C
25 MW	same	same	same
25 MW	same	same	same
25 MW	same	same	same

Special Conditions:
(Attach sheet if necessary)

1. Final Terms and Conditions to be negotiated under a Master EEI agreement and subject to Calpine Senior Management approval.
2. Calpine has two indicative 5 year offers. This particular offer is for a Fixed Price for the first three years, and an Index Price for the final two years (to mitigate greenhouse gas risk).
3. Calpine is offering up to 100MW at the above pricing.
4. For Credit, Calpine will discuss a Collateral Annex to the EEI with mark-to-market credit requirements. Calpine seeks a $5 million credit threshold and a $20 million credit cap (based on 100MW quantity).
5. Ability to perform. Calpine owns the 600MW combined cycle Hermiston Power Plant located in Oregon. Additionally, as future references, Calpine has long term agreements with PG&E and SCE.

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
5 Year Product Commencing July 1, 2010

Counterparty Name: Calpine Energy Services, L.P.

Contact Name: Gevan Reeves (greeves@calpine.com)

Phone number: (925) 479-6748

PROPOSAL 2

Volume	Fixed Price ($/per MWh)	Index Price (Including discount, premium and named Index)	Delivery Point
25 MW	Yrs1-3: $56.70; Yrs4-5: $67.50		Mid-C
25 MW	same		same
25 MW	same		same
25 MW	same		same

Special Conditions:
(Attach sheet if necessary)

1. Final Terms and Conditions to be negotiated under a Master EEI agreement and subject to Calpine Senior Management approval.
2. Calpine has two indicative 5 year offers. This particular offer is for a Fixed Price for the first three years, and a Fixed Price for the final two years (inclusive of a greenhouse gas adder).
3. Calpine is offering up to 100MW at the above pricing.
4. For Credit, Calpine will discuss a Collateral Annex to the EEI with mark-to-market credit requirements. Calpine seeks a $5 million credit threshold and a $20 million credit cap (based on 100MW quantity).
5. Ability to perform. Calpine owns the 600MW combined cycle Hermiston Power Plant located in Oregon. Additionally, as future references, Calpine has long term agreements with PG&E and SCE.

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.

2008 ELEC RPP – Montgomery Energy

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Montgomery Energy

Vignesh Gulasingam
Vice President
403 Corporate Woods Drive
Magnolia, TX 77354
Phone: (281) 252-5214
Fax: (832) 442-5720
E-mail: Vignesh@MontgomeryPowerPartners.com

October 21, 2008

TRANSMITTAL VIA E-MAIL

Attention: Kevin Markovich
NorthWestern Energy
Kevin.Markovich@northwestern.com

Dear Mr. Markovich,

Re: Montgomery Great Falls Energy Partners LP Response to NorthWestern Energy RFP – Bid II

On behalf of Montgomery Great Falls Energy Partners LP ("Montgomery"), I would like to submit the following proposal in response to the NorthWestern Energy ("NorthWestern") RFP issued on 10/01/2008.

Please note that this response includes a **7-year and a 10-year base load product along with a 10-20 year regulation service product**, which we believe will be a much more valuable product to NorthWestern in not only meeting its base load needs but also the regulation service needs.

Furthermore, if NorthWestern desires, Montgomery will consider a Build-Own-Transfer option of the generating asset (Great Falls Energy Center to be interconnected at the 230kV Great Falls substation in Great Falls, Montana) at a pre-determined price, which can provide several products including regulation service to the customers in Montana. Montgomery is open to discussing this option including the terms and conditions of this potential transaction with NorthWestern.

If you have any inquiries and/or requests for additional information regarding our proposal please feel free to contact the individual(s) identified in the "Contact" section of this proposal.

Thank you for giving us an opportunity to participate in the RFP.

Sincerely,

V.N. Gulasingam

Vignesh Gulasingam
Vice President of its general partner

Special Conditions / Qualifications:

1. Contract
   Montgomery Energy Great Falls LP ("Montgomery") intends to transact under an **EEI Master Agreement.** However, Montgomery will be willing to consider other standard agreements, if required by NorthWestern Energy ("NorthWestern").

2. Price of Service & Firm Supply
   The index-based energy products are to provide firm energy with Contingency Reserves. Montgomery will adhere to the rules of the Balancing Authority regarding who is responsible for providing contingency reserves, if and when NERC enacts BAL-002 or similar standards for reliability.

   If possible, Montgomery, through its assigned investment-grade Energy Manager will provide NorthWestern with the right to trigger index prices to fixed prices based on then current market conditions. This proposal in addition to the firm base load product offers a **firm regulation service product and pricing for both products are included in the offer sheets attached herewith.**

3. Credit
   Montgomery will be willing to accept NorthWestern parent guarantee as an adequate assurance for performance as long as the parent stays at or above investment grade as rated by S&P or Moody's throughout the term of this contract. Montgomery's pricing to this RFP response assumes that NorthWestern maintains its investment grade ratings throughout the term of this contract. Montgomery may, upon reasonable consent from NWEC, supply the index supply through its investment-grade Energy Manager. Alternatively, Montgomery is capable and willing to provide the 25% Full Floating Independent Amount on a 60-day receivable cycle as collateral ninety days prior to the commencement of this contract, subject to parties executing a definitive agreement. Furthermore, Montgomery will be willing to post a letter of credit or some other form of acceptable collateral to NorthWestern, if required.

4. Scheduling and Tagging
   Montgomery plans on utilizing a Balancing Agent and an Energy Manager to ensure the efficient scheduling and balancing of firm energy with reserves to NorthWestern.

   Montgomery, or its agent, will provide the Index supply on a pre-schedule basis under NERC, WECC and WSPP scheduling protocols, including assisting with NERC tagging requirements.

5. Ability to Perform Service

Montgomery is an affiliate of Navasota Energy Partners LP ("Navasota"), which provides firm supply to counterparties in ERCOT. Navasota presently owns and operates two combined cycle plants (each consisting of two trains totaling 550 MW) of similar technology as proposed at Great Falls totaling 1,100 MW. It is worthwhile noting that Navasota developed and constructed these two Greenfield projects, Colorado Bend Energy Center and Quail Run Energy Center, in 15 months (from ground breaking to commercial operations). If you need more information please visit www.navasotaenergy.com.

See below references of counterparties who have obtained firm supply from Navasota. If required, Montgomery will be happy to provide contact names and telephone numbers of individuals at these organizations.

a. Eagle Energy Partners I, L.P.
   4700 West Sam Houston Pkwy. N., Ste. 250
   Houston, Texas 77041

b. J.P. Morgan Ventures Energy Corporation
   245 Park Avenue 11th Floor
   New York, New York 10017

Montgomery plans to supply the above mentioned product from one or more of its portfolio of resources such as contracted generation, its proposed natural gas-fired combined cycle plant in Great Falls, Montana and the wholesale market to ensure that uninterrupted firm supply is delivered to NorthWestern per the terms of this RFP.

Montgomery is currently in the final stages of negotiating a Standard Large Generator Interconnection Agreement with NorthWestern, which is expected to be executed within the next two weeks.

Montgomery has secured all the necessary permits to begin construction and possesses site control at this time. Furthermore, Montgomery has secured/have definite slots for all major equipment necessary to build out the Great Falls Energy Center.

6. Other Items

If NorthWestern desires, Montgomery will consider a Build-Own-Transfer option of the generating asset (Great Falls Energy Center to be interconnected at the 230kV Great Falls substation in Great Falls, Montana) at a pre-determined price, which can provide several products including regulation service to the customers in Montana. Montgomery is open

to discussing this option including the terms and conditions of this potential transaction with NorthWestern at the appropriate time.

7. Contact Person
   Vignesh Gulasingam
   Montgomery Great Falls Energy Partners LP
   403 Corporate Woods
   Magnolia, TX 77354
   Telephone: (281) 252-5214
   Fax: (832) 442-5720
   E-mail: Vignesh@montgomerypowerpartners.com

7 Year Base Load Product and a 10-20 Year Regulation Service Product

NorthWestern Energy

OFFER SHEET

2008 Firm Electricity RFP

7 Year Base-Load Product Commencing July 1, 2010

Counterparty Name: Montgomery Great Falls Energy Partners LP

Contact Name: Vignesh Gulasingam

Phone number: (281) 252-5214

Volume	Fixed Price ($/per MWh)	Index Price (Including discount, premium and named Index)	Delivery Point
25 MW		Mid-C ICE On-Peak & Off Peak Index LESS $3.00/MWh	NWEC System
25 MW		Mid-C ICE On-Peak & Off Peak Index LESS $3.00/MWh	NWEC System
25 MW		Mid-C ICE On-Peak & Off Peak Index LESS $3.00/MWh	NWEC System
25 MW		Mid-C ICE On-Peak & Off Peak Index LESS $3.00/MWh	NWEC System

Special Conditions:

1) This is a conforming bid for Base-Load Product with a **Regulation Service** (or Load Following) product tied to it, which is much more attractive product for NorthWestern energy.
2) Minimum election of this Base-Load Product is 75 MW. Election of this Base-Load Product requires NorthWestern Energy accepting a minimum of 80 MW of the Regulation Service Product offered herein (see next page for a separate offer sheet for the Regulation Service Product).
3) ELECTRICITY-MID C (or Mid Columbia) PEAK-ICE/10X DAILY POWER in respect of any On-Peak Hour and ELECTRICITY-MID C (or Mid Columbia) OFF-PEAK-ICE/10X DAILY POWER in respect of any Off-Peak Hour, expressed in $/MWh.
4) NWEC System is defined as any point at which NWDS can receive energy, including a transmission interconnection or on-system generation resource, provided that Seller will identify source on a pre-schedule basis.

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
10-20 Year Regulation Service Product Commencing July 1, 2010

Counterparty Name: Montgomery Great Falls Energy Partners LP

Contact Name: Vignesh Gulasingam

Phone number: (281) 252-5214

Volume	Fixed Capacity Price ($/per KW-Month)	Index Price (Including discount, premium and named Index)	Delivery Point
40 MW (Years 1-10)	$10.75	Energy – (see Special Conditions below)	NWEC System
80 MW (Years 1-10)	$10.25	Energy – (see Special Conditions below)	NWEC System
120 MW (Years 1-10)	$9.75	Energy – (see Special Conditions below)	NWEC System
120 MW Years 11-20	$9.00	Energy – (see Special Conditions below)	NWEC System

Special Conditions:

1) NWEC System is defined as any point at which NWDS can receive energy, including a transmission interconnection or on-system generation resource, provided that Seller will identify source on a month ahead basis.
2) On-Peak energy sales to NWEC shall be calculated on the integrated hourly volume and shall be priced as follows: The **higher of** i) ELECTRICITY-MID C (Mid Columbia) PEAK-ICE/10X DAILY POWER in respect of any On-Peak Hour expressed in $/MWh, plus $3.00/MWh; or ii) the product of the AECO NIT GDD (expressed in US$) multiplied by 9.00.
3) Off-Peak energy sales to NWEC shall be calculated on the integrated hourly volume and shall be priced as follows: The **higher of** i) ELECTRICITY-MID C (Mid Columbia) OFF-PEAK-ICE/10X DAILY POWER in respect of any Off-Peak Hour, expressed in $/MWh, plus $3.00/MWh; or ii) the product of the AECO NIT GDD (expressed in US$) multiplied by 9.00.
4) On-Peak energy purchases from NWEC shall be calculated on the integrated hourly volume and shall be priced as follows: The **lower of** i) ELECTRICITY-MID C (Mid Columbia) PEAK-ICE/10X DAILY POWER in respect of any On-Peak Hour, expressed in $/MWh, less $5.00/MWh; or ii) the product of the AECO NIT GDD (expressed in US$) multiplied by 7.10.
5) Off-Peak energy purchases from NWEC shall be calculated on the integrated hourly volume and shall be priced as follows: The **lower of** i) ELECTRICITY-MID C OFF-PEAK-ICE/10X DAILY POWER in respect of any Off-Peak Hour, expressed in $/MWh, less $6.00/MWh; or ii) the product of the AECO NIT GDD (expressed in US$) multiplied by 6.0.

6) Interpretation of Fixed Capacity Price: For example if 80 MW is selected then the fixed capacity price will be $10.25/kW month and NOT tiered based on the volumes.
7) **Optional:** If NorthWestern Energy desires, the Seller will consider a Build-Own-Transfer option of the generating asset at a pre-determined price which can provide regulation service. Seller is willing to negotiate terms directly with NorthWestern Energy.

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.

10 Year Base Load Product and a 10-20 Year Regulation Service Product

NorthWestern Energy

OFFER SHEET
2008 Firm Electricity RFP
10 Year Base-Load Product Commencing July 1, 2010

Counterparty Name: Montgomery Great Falls Energy Partners LP

Contact Name: Vignesh Gulasingam

Phone number: (281) 252-5214

Volume	Fixed Price ($/per MWh)	Index Price (Including discount, premium and named Index)	Delivery Point
25 MW		Mid-C ICE On-Peak & Off Peak Index LESS $3.25/MWh	NWEC System
25 MW		Mid-C ICE On-Peak & Off Peak Index LESS $3.25/MWh	NWEC System
25 MW		Mid-C ICE On-Peak & Off Peak Index LESS $3.25/MWh	NWEC System
25 MW		Mid-C ICE On-Peak & Off Peak Index LESS $3.25/MWh	NWEC System

Special Conditions:

1) This is a conforming bid for Base-Load Product with a **Regulation Service** (or Load Following) product tied to it, which is much more attractive product for NorthWestern energy.
2) Minimum election of this Base-Load Product is 75 MW. Election of this Base-Load Product requires NorthWestern Energy accepting a minimum of 80 MW of the Regulation Service Product offered herein (see next page for a separate offer sheet for the Regulation Service Product).
3) ELECTRICITY-MID C (or Mid Columbia) PEAK-ICE/10X DAILY POWER in respect of any On-Peak Hour and ELECTRICITY-MID C (or Mid Columbia) OFF-PEAK-ICE/10X DAILY POWER in respect of any Off-Peak Hour, expressed in $/MWh.
4) NWEC System is defined as any point at which NWDS can receive energy, including a transmission interconnection or on-system generation resource, provided that Seller will identify source on a pre-schedule basis.

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
10-20 Year Regulation Service Product Commencing July 1, 2010

Counterparty Name: Montgomery Great Falls Energy Partners LP

Contact Name: Vignesh Gulasingam

Phone number: (281) 252-5214

Volume	Fixed Capacity Price ($/per KW-Month)	Index Price (Including discount, premium and named Index)	Delivery Point
40 MW (Years 1-10)	$10.75	Energy – (see Special Conditions below)	NWEC System
80 MW (Years 1-10)	$10.25	Energy – (see Special Conditions below)	NWEC System
120 MW (Years 1-10)	$9.75	Energy – (see Special Conditions below)	NWEC System
120 MW Years 11-20	$9.00	Energy – (see Special Conditions below)	NWEC System

Special Conditions:

1) NWEC System is defined as any point at which NWDS can receive energy, including a transmission interconnection or on-system generation resource, provided that Seller will identify source on a month ahead basis.
2) On-Peak energy sales to NWEC shall be calculated on the integrated hourly volume and shall be priced as follows: The **higher of** i) ELECTRICITY-MID C (Mid Columbia) PEAK-ICE/10X DAILY POWER in respect of any On-Peak Hour expressed in $/MWh, plus $3.00/MWh; or ii) the product of the AECO NIT GDD (expressed in US$) multiplied by 9.00.
3) Off-Peak energy sales to NWEC shall be calculated on the integrated hourly volume and shall be priced as follows: The **higher of** i) ELECTRICITY-MID C (Mid Columbia) OFF-PEAK-ICE/10X DAILY POWER in respect of any Off-Peak Hour, expressed in $/MWh, plus $3.00/MWh; or ii) the product of the AECO NIT GDD (expressed in US$) multiplied by 9.00.
4) On-Peak energy purchases from NWEC shall be calculated on the integrated hourly volume and shall be priced as follows: The **lower of** i) ELECTRICITY-MID C (Mid Columbia) PEAK-ICE/10X DAILY POWER in respect of any On-Peak Hour, expressed in $/MWh, less $5.00/MWh; or ii) the product of the AECO NIT GDD (expressed in US$) multiplied by 7.10.
5) Off-Peak energy purchases from NWEC shall be calculated on the integrated hourly volume and shall be priced as follows: The **lower of** i) ELECTRICITY-MID C OFF-PEAK-ICE/10X DAILY POWER in respect of any Off-Peak Hour, expressed in $/MWh, less $6.00/MWh; or ii) the product of the AECO NIT GDD (expressed in US$) multiplied by 6.0.

6) Interpretation of Fixed Capacity Price: For example if 80 MW is selected then the fixed capacity price will be $10.25/kW month and NOT tiered based on the volumes.
7) **Optional:** If NorthWestern Energy desires, the Seller will consider a Build-Own-Transfer option of the generating asset at a pre-determined price which can provide regulation service. Seller is willing to negotiate terms directly with NorthWestern Energy.

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
10 Year Product Commencing July 1, 2010

Counterparty Name: Montgomery Great Falls Energy Partners LP

Contact Name: Vignesh Gulasingam

Phone number: (281) 252-5214

Volume	Fixed Price ($/per MWh)	Index Price (Including discount, premium and named Index)	Delivery Point
25 MW		Mid-C ICE On-Peak & Off Peak Index LESS $1.50/MWh	NWEC System
25 MW		Mid-C ICE On-Peak & Off Peak Index LESS $1.50/MWh	NWEC System
25 MW		Mid-C ICE On-Peak & Off Peak Index LESS $3.00/MWh	NWEC System
25 MW		Mid-C ICE On-Peak & Off Peak Index LESS $5.00/MWh	NWEC System

Special Conditions:
(Attach sheet if necessary)

1) ELECTRICITY-MID C (or Mid Columbia) PEAK-ICE/10X DAILY POWER in respect of any On-Peak Hour and ELECTRICITY-MID C (Mid Columbia) OFF-PEAK-ICE/10X DAILY POWER in respect of any Off-Peak Hour, expressed in $/MWh.
2) NWEC System is defined as any point at which NWDS can receive energy, including a transmission interconnection or on-system generation resource, provided that Seller will identify source on a pre-schedule basis.
3) The volumes (or blocks) need to be selected in sequential order. In other words, the third 25 MW block cannot be selected unless the first and second 25 MW blocks are selected.

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: Montgomery Great Falls Energy Partners LP

Contact Name: Vignesh Gulasingam

Phone number: (281) 252-5214

Volume	Fixed Price ($/per MWh)	Index Price (Including discount, premium and named Index)	Delivery Point
25 MW		Mid-C ICE On-Peak & Off Peak Index LESS $1.50/MWh	NWEC System
25 MW		Mid-C ICE On-Peak & Off Peak Index LESS $1.50/MWh	NWEC System
25 MW		Mid-C ICE On-Peak & Off Peak Index LESS $2.75/MWh	NWEC System
25 MW		Mid-C ICE On-Peak & Off Peak Index LESS $4.25/MWh	NWEC System

Special Conditions:
(Attach sheet if necessary)

1) ELECTRICITY-MID C (or Mid Columbia) PEAK-ICE/10X DAILY POWER in respect of any On-Peak Hour and ELECTRICITY-MID C (Mid Columbia) OFF-PEAK-ICE/10X DAILY POWER in respect of any Off-Peak Hour, expressed in $/MWh.
2) NWEC System is defined as any point at which NWDS can receive energy, including a transmission interconnection or on-system generation resource, provided that Seller will identify source on a pre-schedule basis.
3) The volumes (or blocks) need to be selected in sequential order. In other words, the third 25 MW block cannot be selected unless the first and second 25 MW blocks are selected.

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.

to discussing this option including the terms and conditions of this potential transaction with NorthWestern at the appropriate time.

7. Contact Person
Vignesh Gulasingam
Montgomery Great Falls Energy Partners LP
403 Corporate Woods
Magnolia, TX 77354
Telephone: (281) 252-5214
Fax: (832) 442-5720
E-mail: Vignesh@montgomerypowerpartners.com

5. Ability to Perform Service

Montgomery is an affiliate of Navasota Energy Partners LP ("Navasota"), which provides firm supply to counterparties in ERCOT. Navasota presently owns and operates two combined cycle plants (each consisting of two trains totaling 550 MW) of similar technology as proposed at Great Falls totaling 1,100 MW. It is worthwhile noting that Navasota developed and constructed these two Greenfield projects, Colorado Bend Energy Center and Quail Run Energy Center, in 15 months (from ground breaking to commercial operations). If you need more information please visit www.navasotaenergy.com.

See below references of counterparties who have obtained firm supply from Navasota. If required, Montgomery will be happy to provide contact names and telephone numbers of individuals at these organizations.

a. Eagle Energy Partners I, L.P.
   4700 West Sam Houston Pkwy. N., Ste. 250
   Houston, Texas 77041

b. J.P. Morgan Ventures Energy Corporation
   245 Park Avenue 11th Floor
   New York, New York 10017

Montgomery plans to supply the above mentioned product from one or more of its portfolio of resources such as contracted generation, its proposed natural gas-fired combined cycle plant in Great Falls, Montana and the wholesale market to ensure that uninterrupted firm supply is delivered to NorthWestern per the terms of this RFP.

Montgomery is currently in the final stages of negotiating a Standard Large Generator Interconnection Agreement with NorthWestern, which is expected to be executed within the next two weeks.

Montgomery has secured all the necessary permits to begin construction and possesses site control at this time. Furthermore, Montgomery has secured/have definite slots for all major equipment necessary to build out the Great Falls Energy Center.

6. Other Items

If NorthWestern desires, Montgomery will consider a Build-Own-Transfer option of the generating asset (Great Falls Energy Center to be interconnected at the 230kV Great Falls substation in Great Falls, Montana) at a pre-determined price, which can provide several products including regulation service to the customers in Montana. Montgomery is open

Special Conditions / Qualifications:

1. Contract
   Montgomery Energy Great Falls LP ("Montgomery") intends to transact under an **EEI Master Agreement.** However, Montgomery will be willing to consider other standard agreements, if required by NorthWestern Energy ("NorthWestern").

2. Price of Service
   The index-based energy products are to provide firm energy with Contingency Reserves. Montgomery will adhere to the rules of the Balancing Authority regarding who is responsible for providing contingency reserves, if and when NERC enacts BAL-002 or similar standards for reliability.

   If possible, Montgomery, through its assigned investment-grade Energy Manager will provide NorthWestern with the right to trigger index prices to fixed prices based on then current market conditions.

3. Credit
   Montgomery will be willing to accept NorthWestern parent guarantee as an adequate assurance for performance as long as the parent stays at or above investment grade as rated by S&P or Moody's throughout the term of this contract. Montgomery's pricing to this RFP response assumes that NorthWestern maintains its investment grade ratings throughout the term of this contract. Montgomery may, upon reasonable consent from NWEC, supply the index supply through its investment-grade Energy Manager. Alternatively, Montgomery is capable and willing to provide the 25% Full Floating Independent Amount on a 60-day receivable cycle as collateral ninety days prior to the commencement of this contract, subject to parties executing a definitive agreement. Furthermore, Montgomery will be willing to post a letter of credit or some other form of acceptable collateral to NorthWestern, if required.

4. Scheduling and Tagging
   Montgomery plans on utilizing a Balancing Agent and an Energy Manager to ensure the efficient scheduling and balancing of firm energy with reserves to NorthWestern.

   Montgomery, or its agent, will provide the Index supply on a pre-schedule basis under NERC, WECC and WSPP scheduling protocols, including assisting with NERC tagging requirements.

Montgomery Energy

Vignesh Gulasingam
Vice President
403 Corporate Woods Drive
Magnolia, TX 77354
Phone: (281) 252-5214
Fax: (832) 442-5720
E-mail: Vignesh@MontgomeryPowerPartners.com

October 21, 2008

TRANSMITTAL VIA E-MAIL

Attention: Kevin Markovich
NorthWestern Energy
Kevin.Markovich@northwestern.com

Dear Mr. Markovich,

Re: Montgomery Great Falls Energy Partners LP Response to NorthWestern Energy RFP – Bid I

On behalf of Montgomery Great Falls Energy Partners LP, I would like to submit the following proposal in response to the NorthWestern Energy RFP issued on 10/01/2008.

If you have any inquiries and/or requests for additional information regarding our proposal please feel free to contact the individual(s) identified in the "Contact" section of this proposal.

Thank you for giving us an opportunity to participate in the RFP.

Sincerely,

V. N. Gulasingam

Vignesh Gulasingam
Vice President of its general partner

PSC-007

Regarding: Comprehensive Rate Case
Witnesses: Corcoran

a. Please specify when NorthWestern Energy is planning to file its next rate case.

b. Is NorthWestern Energy planning to file the next rate case as a comprehensive rate case, including cost of service studies for transmission and distribution, energy supply, Colstrip Unit 4 (CU4), and DGGS?

c. Please describe in general terms the cost of service studies that will be used to allocate costs or design rates for energy supply, CU4, and DGGS.

RESPONSE:

a. NorthWestern has not made such a determination at this time.

b. NorthWestern has not made such a determination at this time.

c. NorthWestern plans on using the methodologies similar to those presented in Docket No. D2009.9.129.

PSC-008

Regarding: Market Purchases
Witness: Markovich

a. Please describe whether and how NorthWestern Energy changed its hedging strategy in response to low market prices during the 2010-2011 tracker period.

b. Please describe any program NorthWestern Energy participated in to receive electric supply from the Bonneville Power Administration (BPA) during the 2010-2011 tracker period, and indicate the cost and quantity of electricity received from BPA as a separate line in Exhibit FVB-1 (or identify where in Exhibit FVB-1 those costs are reflected).

c. Please quantify the cost and amount of any electricity supply resources that NorthWestern displaced with market purchases in response to low market prices during the 2010-2011 tracker period.

d. Please quantify the extent to which NorthWestern backed down CU4 in response to low market prices during the 2010-2011 tracker period.

e. Please describe NorthWestern's economic dispatch strategy and how it informs dispatch and curtailment of its electricity supply resources.

RESPONSE:

a. See response to Data Request MCC-40.

b. NWE did not participate in any formal program to receive supply from BPA during the 2010-2011 tracker period.

c. See response to Data Request MCC-14.

d. See response to Data Request MCC-14.

e. On a day-ahead or hour-ahead basis, when market prices are higher than the variable costs to operate a dispatchable unit, the unit(s) is dispatched and either used to serve load or make economy sales. When market prices are lower than the variable cost to operate a dispatchable unit, the unit is not dispatched and replacement energy is procured in the market.

PSC-009

Regarding: Peaking Power
Witness: Markovich

Please provide the two 25 MW contracts for heavy load that NorthWestern Energy entered into on September 21, 2010.

RESPONSE:

See response to Data Request MCC-15.

PSC-010

Regarding Citigroup Purchase Power Agreement
Witness: Markovich

Please provide the Citigroup contract that expires on June 30, 2020.

RESPONSE:

See attached.

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

citi

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.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

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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

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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.

Threshold	S&P Credit Rating	Moody's Credit Rating
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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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.

Threshold	S&P Credit Rating	Moody's Credit Rating
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.

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(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;

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(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 27-0069674. 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

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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 FORMUM 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.

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(j) **Survival.** Notwithstanding the termination or expiration of the Transaction provided for under this Confirmation, all terms and conditions of this Confirmation shall survive any such termination or expiration and remain in full force and effect as to each and every Confirmation and Transaction entered into hereunder.

(k) **Capitalized Terms.** Capitalized terms not otherwise defined in this Confirmation shall have the meaning ascribed to them, as applicable, in the ISDA Form, Power Annex, the Commodity Definitions and CSA, as applicable.

6. Account Details:

Payments to CEI:

Account for payments: Acct Name: Citigroup Energy Inc.
ABA #: 021000089
Account No.: 30569329
Reference: CEI Power

Payments to Counterparty: As per settlement invoice

Accepted and confirmed as of the date first written:

Northwestern Corporation dba Northwestern Energy

By:
Name: PAUL J. EVANS
Title: TREASURER

Citigroup Energy Inc.

By:
Name: Dale Neuner
Title: Vice President

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

EXHIBIT A
to Confirmation

Form of Letter of Credit

IRREVOCABLE TRANSFERABLE STANDBY LETTER OF CREDIT

Letter of Credit No._____ Issue Date: _____, 20__

Beneficiary:

[Citigroup Energy Inc.]
[Address]
Attn: _____

Account Party:

[Name of Account Party]
[Address of Account Party]
Attn: _____

Ladies and Gentlemen:

We hereby establish in favor of you, **Citigroup Energy Inc.** (the "Beneficiary"), at the request and for the account of [name of account party] (the "Account Party"), with respect to the Confirmation dated as of _____, 20___, by and between you and the Account Party, as may be amended from time to time, our Irrevocable Transferable Standby Letter of Credit No. _____ (the "Credit") whereby we irrevocably authorize you to draw on us, in accordance with the terms and conditions hereinafter set forth, in an amount not to exceed in the aggregate $_____.

Subject to the terms hereof, funds are available to you hereunder against presentation of a completed certificate (a "Certificate"), dated and signed by your representative, including one of the following statements:

1. An Event of Default (as defined in the Confirmation dated as of _____, 20___, by and between you and [name of Account Party], as may be amended from time to time) has occurred and is continuing with respect to the Account Party under the Confirmation. Therefore the Beneficiary does hereby demand payment of the entire undrawn amount of the Credit; or

2. An Early Termination Date (as defined in the Confirmation dated as of _____, 20___, by and between you and [name of Account Party], as may be amended from time to time) has occurred as a result of a Termination Event (as defined in such Confirmation) and Account Party has failed to make payments in an aggregate amount of $_____ due and owing to the Beneficiary in accordance with the terms of the Confirmation. Wherefore the Beneficiary does hereby demand payment of $_____.

Partial drawings are allowed under this Credit. The amount which may be drawn under this Credit shall be automatically reduced by the amount of any drawings previously paid by us hereunder.

Presentation of your Certificate shall be made on any day which is a New York Banking Day for us at or prior to [5:00 p.m. (New York time)] at our office located at _____. Presentation must be made by hand, mail or courier service, to such address[, or by tested telex or SWIFT]. If your presentation is made at such office, in compliance with the other terms and conditions of this Credit, on or prior to

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Houston, TX 77056

the expiry date hereof, we hereby irrevocably undertake to honor such presentation [by close of business on the next New York Banking Day].

This Credit is effective immediately and expires at our close of business on _____, 20__, [(the "Initial Expiry Date"); provided however, that this Credit shall be automatically extended without amendment for one or more additional one-year periods from the Initial Expiry Date or any subsequent expiry date, unless at least 60 days prior to such date you receive a notice in writing by certified mail, [tested telex or SWIFT] at the above address, that we elect not to extend this Credit for such additional period. Upon your receipt of such a notice of non-extension, you shall be entitled to make immediate demand for payment of the full amount available under this Credit, by presentation of your Certificate.

This Credit shall be subject to the provisions of the International Standby Practices 1998, International Chamber of Commerce Publication No. 590 ("ISP"), and as to matters not addressed by ISP, shall be governed by the laws of the State of New York and applicable U.S. federal laws.

This Credit is transferable, and we hereby consent to such transfer, but otherwise may not be amended, changed or modified without our express written consent and that of the Beneficiary and the Account Party.

Very truly yours,

[ISSUING BANK]

PSC-011

Regarding: Net Short-Term Purchases
Witness: Bennett

a. Please provide a detailed description of all of the short-term transactions for the 2010-2011 tracker period, including the date, supplier, cost and quantity.

b. Please explain why NorthWestern forecasts no fixed price transactions from August 2011 to June 2012.

RESPONSE:

a. Please refer to the invoices included on the CD provided in response to Data Request PSC-001(e).

b. The tracker reflects all actual fixed price base contracts in place at the time the tracker was prepared. There were no non-base fixed price transactions to reflect in the non-base market section of the tracker.

PSC-012

Regarding: 2011 Tracking Period
Witness: Bennett

a. Please provide all documents and work papers used to calculate the table that summarized the 12 months ended June 2011, as indicated in Mr. Bennett's electricity supply testimony on pages 12-13.

b. Please provide all documents and work papers used to calculate the table that summarized the 12 months ended June 2011, as indicated in Mr. Bennett's CU4 testimony on pages 4-5.

c. Please provide all documents and work papers used to calculate the table that summarized the 12 months ended June 2011, as indicated in Mr. Bennett's DGGS testimony on page 4.

RESPONSE:

a. The document used to compile the summary table that appears on pages 12-13 of the Prefiled Direct Testimony of Frank Bennett for the Electric Supply Tracker was Exhibit__(FVB-1)_10-11 which has been updated for 12 months of actual data in Exhibit__(FVB-1_Rev)_10-11.

b. The document used to compile the summary table that appears on pages 4-5 of the Prefiled Direct Testimony of Frank Bennett for the Colstrip Unit 4 Generation Asset was Exhibit__(FVB-4)_10-11 which has been updated for 12 months of actual data in Exhibit__(FVB-4_Rev)_10-11.

c. The document used to compile the summary table that appears on pages 4-5 of the Prefiled Direct Testimony of Frank Bennett for the Dave Gates Generating Station Generation Asset was Exhibit__(FVB-6)_10-11 which has been updated for 12 months of actual data in Exhibit__(FVB-6_Rev)_10-11.

PSC-013

Regarding: 2012 Tracking Period
Witness: Bennett

a. Please provide all documents and work papers used to calculate the table that summarized the 12 months ended June 2012, as indicated in Mr. Bennett's electricity supply testimony on pages 15-17.

b. Please provide all documents and work papers used to calculate the table that summarized the 12 months ended June 2012, as indicated in Mr. Bennett's CU4 testimony on page 6.

c. Please provide all documents and work papers used to calculate the table that summarized the 12 months ended June 2012, as indicated in Mr. Bennett's DGGS testimony on pages 5-6.

RESPONSE:

a. The document used to compile the summary table that appears on pages 15-17 of the Prefiled Direct Testimony of Frank Bennett for the Electric Supply Tracker was Exhibit__(FVB-2)_11-12.

b. The document used to compile the summary table that appears on page 6 of the Prefiled Direct Testimony of Frank Bennett for the Colstrip Unit 4, Generation Asset was Exhibit__(FVB-5)_11-12.

c. The document used to compile the summary table that appears on pages 5-6 of the Prefiled Direct Testimony of Frank Bennett for the Dave Gates Generating Station, Generation Asset was Exhibit__(FVB-7)_11-12.

PSC-014

Regarding: Deferred Account
Witness: Bennett

a. Please provide all documents and work papers used to calculate the Deferred Account forecast balance of $20,715,501 under collection, as indicated in Mr. Bennett's electricity supply testimony on line 18 of page 6.

b. Please provide all documents and work papers used to calculate the beginning Deferred Account balance as of July 2010 of $6,980,033 under collection, as indicated in Mr. Bennett's electricity supply testimony on line 15 of page 6.

RESPONSE:

a. Please note that the Electric Supply Deferred Account ending value has been updated for 12 months of actual data in Exhibit__(FVB-2_Rev)_10-11 to $24,426,468. Refer also to PSC-001(e) for supporting documents.

b. The beginning Electric Supply Deferred Account value of $6,980,033 was the ending Deferred Account balance brought forward from the 12 months actual tracker filed in Docket No. D2010.5.50 as Exhibit__(FVB-2_Rev)_09-10. The value is found on page 2, line 11 of that Exhibit.

PSC-015

Regarding: CU4 Deferred Value
Witness: Bennett

a. Please provide all documents and work papers used to calculate the Deferred Value forecast balance of $24,472,321 over collection, as indicated in Mr. Bennett's CU4 testimony on line 14 of page 4.

b. Please provide all documents and work papers used to calculate the beginning Deferred Account balance as of June 2010 of $7,944,355 over collection, as indicated in Mr. Bennett's CU4 testimony on line 11 of page 4.

RESPONSE:

a. Please note that the CU4 Deferred Account ending value has been updated for 12 months of actual data in Exhibit__(FVB-4_Rev)_10-11 to $25,950,940. Refer also to PSC-001(e) for supporting documents.

b. The beginning CU4 Deferred Account value of $7,944,355 was the ending Deferred Account balance brought forward from the 12 months actual tracker filed in Docket No. D2010.5.50 as Exhibit__(FVB-2_Rev)_09-10. The value is found on page 6, line 60.

PSC-016

Regarding: DGGS Deferred Value
Witness: Bennett

Please provide all documents and work papers used to calculate the beginning Deferred Account balance as of June 2011 of $942,215 under collection, as indicated in Mr. Bennett's DGGS testimony line 20 of page 3.

RESPONSE:

Please note that the DGGS Deferred Account ending value has been updated for 12 months of actual data in Exhibit__(FVB-6_Rev)_10-11 to $1,476,330. Refer also to PSC-001(e) for supporting documents.

PSC-017

Regarding: Administrative expenses
Witness: Bennett

Please provide a detailed breakdown of all costs included in Administrative expense of $2,050,405 for the 2010-2011 tracker period.

RESPONSE:

Please note that the Administrative expense has been updated for 12 months of actual values to $2,012,272 in Exhibit__(FVB-1_Rev)_10-11. See attached.

	A	B	C	D	E	F	G	H	I	J	K	L	M	N
1	PSC-017 Docket D2011.5.38 Actual Admin Costs													
2			Jul-10	Aug-10	Sep-10	Oct-10	Nov-10	Dec-10	Jan-11	Feb-11	Mar-11	Apr-11	May-11	Jun-11
3		Taxes												
4		MPSC Tax Collection	$68,761.78	$79,175.66	$72,405.59	$71,057.21	$74,293.96	$87,236.98	$86,867.32	$84,017.58	$84,200.84	$76,013.02	$69,744.99	$67,467.48
5		MCC Tax Collection	$5,575.29	$6,419.65	$5,870.72	$18,657.13	$19,457.94	$22,847.77	$22,750.96	$22,004.61	$22,052.60	$19,908.18	$18,266.55	$17,670.06
6			$74,337.07	$85,595.31	$78,276.31	$89,714.34	$93,751.90	$110,084.75	$109,618.28	$106,022.19	$106,253.44	$95,921.20	$88,011.54	$85,137.54
7														
8		Modeling												
9		Lands Energy	$11,479.16		$22,366.44	$6,645.83	$6,250.00			$7,120.08	$6,687.50		$6,875.00	($41,760.94)
10		Power Cost Inc.	$31,667.00		$63,334.00	$31,667.00	$31,667.00			$63,334.00		$63,334.00	$31,667.00	$63,334.00
11		Great Divide Energy	$840.00	$4,340.00	$3,990.00	$2,100.00	$14,263.60	$11,981.60	$9,100.00	$6,720.00	$2,170.00	$1,960.00	$1,884.00	$4,340.00
12		Kristi Wallis Law Office (modeling facilitator)	$321.21	$1,054.38	$754.18	$703.18	$4,497.98	$5,905.32	$873.81	$320.11	($110.60)	$1,281.06	$3,111.90	$7,154.35
13		Total Real-time & Modeling	$44,307.37	$5,394.38	$90,444.62	$41,116.01	$56,678.58	$17,886.92	$9,973.81	$77,494.19	$8,746.90	$66,575.06	$43,537.90	$33,067.41
14		Real-time Desk Labor	$6,096.77											
15														
16		Pricing Information												
17		ICE	$6,250.00	$6,250.00	$6,250.00	$6,250.00	$6,250.00	$6,250.00	$6,250.00	$6,250.00	$6,250.00	$4,250.00	$4,250.00	$4,250.00
18		TFS	$1,020.00		$1,020.00			$1,530.00		$1,020.00	$510.00	$510.00	$510.00	
19		Telvent (DTN)	$2,262.00		$2,262.00	$1,131.00	$1,131.00			$2,964.00	$1,151.00	$1,640.00		$2,302.00
20		Tullet-Prebon		$514.00	$120.00	$300.00		$1,162.00	$300.00		$300.00		$150.00	$912.00
21		Total Trading & Marketing	$9,532.00	$6,764.00	$9,652.00	$7,681.00	$7,381.00	$8,942.00	$6,550.00	$10,234.00	$8,211.00	$6,400.00	$4,910.00	$7,464.00
22														
23		Admin Misc												
24		Credit Management System									$3,520.00			
25		Moody's (Accrued Use)								$69,971.00				
26		Oati Software	$4,400.00	$4,400.00	$4,400.00	$4,400.00	$4,400.00	$4,400.00	$4,400.00	$4,400.00	$4,400.00	$4,400.00		$4,400.00
27		Bison Engineering				$9,998.75								
28		WSI Corp (weather service)			$2,700.00	$2,700.00				$2,700.00			$2,700.00	
29		Orcapoint Consulting (BPA ratecase)	$168.36		$673.42	$155.40				$524.48	$1,245.05	$2,064.60	$1,246.90	$580.90
30		Power Group Inc. (pricing software)		$30,000.00										
31		Navigant Consulting (FERC market authority)			$3,920.25		$1,719.43			$751.40				
32		MCDC (biomass study)			$15,000.00									
33		Det Norski Veritas Renewables (RFI evaluation)			$52,405.31		$9,549.07	$8,155.00						
34		MDA Info Systems (weather package)			$3,060.00									
35		CME Group (index service)					$4,500.00							
36		TFS Weather Services												$510.00
37		DNV Renewable USA										$15,587.50		
38		Total Administration General	$4,568.36	$34,400.00	$82,158.98	$17,254.15	$20,168.50	$12,555.00	$4,400.00	$78,346.88	$9,165.05	$22,052.10	$3,946.90	$5,490.90
39		**Tracker Administrative Expenses**	**$138,842**	**$132,154**	**$260,532**	**$155,766**	**$177,980**	**$149,469**	**$130,542**	**$272,097**	**$132,376**	**$190,948**	**$140,406**	**$131,160**
40														

PSC-018

Regarding: Transmission Costs
Witness: Bennett

a. Please provide all documents supporting the transmission costs of $4,878,139 for the 2010-2011 default supply tracker period.

b. Please provide all documents supporting the forecast transmission costs of $168,833 for the 12 months ended June 2012 found in Exhibit FVB-16.

RESPONSE:

a. Please note that the transmission costs have been updated for 12 months of actual data in Exhibit__(FVB-1_Rev)_10-11 to $5,062,048. Refer to PSC-001(e) for supporting documents.

b. Please see the CD attached to the response to Data Request PSC-001(a) for the 2011-2012 tracker period Exhibit__(FVB-2)_11-12. This exhibit provides the monthly detail of the forecast transmission costs shown on page FVB-16 of my Prefiled Direct Testimony regarding the Electricity Supply Tracker.

PSC-019

Regarding: Puget revenue credits
Witness: Bennett

Please provide a detailed explanation of the Puget revenue credits and provide the supporting work papers that show the calculation of the ($21,771,863) Puget revenue credits figure shown in the table in Mr. Bennett's CU4 testimony on page 4.

RESPONSE:

Please see page PRC-17 of Pat Corcoran's Prefiled Testimony from Docket No. D2008.6.69 attached, for a detailed explanation of the Puget revenue credits. Refer to the CD attached to the response to Data Request PSC-001(e) for supporting documents.

Attachment 4

Q. Please further describe the Revenue Credits and Miscellaneous Revenues on Lines 29 and 30 of Page 1 of Exhibit__(PRC-1) that were deducted from the Total Revenue Requirement on Line 27.

A. In determining the Revenue Requirement, the entire cost of service related to Colstrip Unit 4 must be included. Revenue Credits on Line 29 reflect net payments received from Puget Power (Puget) for power supplied to them.

The payments received from Puget vary from year to year and include revenues received for power supplied to Puget offset by expenses for: 1) wheeling the power across NWE's transmission system from the plant to Garrison; 2) wheeling the power across BPA's transmission system from Garrison to the Puget delivery point and; 3) the provision of operating reserves. The Revenue Credit reflects the 2008 budget for all of these items. The sale to Puget ends in December 2010.

Miscellaneous Revenues on Line 30 include Miscellaneous Rents and Other Miscellaneous Revenues at 2007 levels. Other Miscellaneous Revenues include an annual amortization of the consent fee paid by Deutsche to NorthWestern Corporation in relation to the prior assignment of the DBPPA from Duke Energy Trading and Marketing to Deutsche and an amortization of the gain on the Colstrip 4 Sale/Leaseback. These amortizations also end December 2010.

Revenue Credits and Miscellaneous Revenues are discussed in further detail below.

PSC-020

Regarding: Non-Base Energy Requirements
Witness: Bennett

a. Please explain how NorthWestern estimated net non-base transactions for the 2011-2012 tracker period.

b. Please explain the decrease of approximately 11 percentage points for projected net non-base transactions, from 25.65% of annual supply requirements during the 2010-2011 tracker period to 14.2% during the 2011-2012 tracker period.

RESPONSE:

a. NorthWestern uses the forecasts of tracker period loads provided by Electric Load Services and compares those volumes against all known contracts. The remaining volumes are reflected as net non-base transactions.

b. The majority of the difference results from the expiration of the Puget contract in December 2010. Additionally, there is a difference between actual and forecasted loads, as well as differences in volumes of market purchases.

PSC-021

Regarding: Plants Owned
Witness: Bennett

a. Please explain why supply from CU4 dropped to 57,818 MWh in April 2011.

b. Please explain why supply from DGGS increased to 26,981 MWh in April 2011.

RESPONSE:

a. CU4 supply volume reflects an outage during April.

b. The DGGS output is based on the amount of regulation needed on the system.

PSC-022

Regarding: Wind Other Costs
Witness: Bennett

a. Please list and describe all costs considered "Invenergy costs" on line 18 of page 9.

b. Please explain the difference between "wind modeling" and "3-Tier services," and provide any invoices related to these services.

c. Please provide all invoices and contracts associated with services provided by Fergus Electric to met tower sites during the 2010-2011 tracker period.

d. Please provide all invoices, contracts and other documents associated with "site rents" and "other direct wind costs" during the 2010-2011 tracker period.

RESPONSE:

a. Invenergy costs include any invoices received from Invenergy. Those invoices are typically for any county impact fees, taxes, and any contract charges. See also response to Data Request PSC-001(e).

b. Wind modeling includes any parties other than 3-Tier that provide services directly related to wind analysis. Please refer to PSC-001(e) for supporting documents.

c. Please refer to the CD attached to the response to Data Request PSC-001(e) for invoices. NorthWestern's Fergus Electric application for membership and for electric service is attached.

d. Please refer to the CD attached to the response to Data Request PSC-001(e) for supporting documents. I have been informed by NorthWestern's Lands and Permitting Department that the site leases for the met towers have been converted to easements and will no longer require yearly rental payments. Please refer to the CD attached to the response to Data Request PSC-001(e) for supporting documents.

D2011.5.38
PSC 022c
Fergus Elect Service Agmt
Page 1 of 1

PLEASE SIGN THE BACK OF THIS CARD AND RETURN IT TO FERGUS ELECTRIC COOPERATIVE.

Location Number 0332M-E

Account Number 330778

Member Number 100021

Northwestern Energy,
40 E Broadway St
Butte, MT 59701-9350

Fergus Electric Cooperative, Inc.
LEWISTOWN, MT
Your Touchstone Energy® Partner

84423 US Highway 87, Lewistown MT 59457-2058
406-538-3465 • fax 406-538-7391
e-mail: fergus electric@fergus electric.coop

NAP/FEC17 04/04 5(

APPLICATION FOR MEMBERSHIP AND FOR ELECTRIC SERVICE

The undersigned (hereinafter called Applicant) hereby applies for membership in the Fergus Electric Cooperative, Inc. (hereinafter called Cooperative), and the Applicant and Cooperative agree as follows:

1. The Applicant agrees that his/her membership is automatically effective upon compliance by the Applicant with all requirements of the rules, regulations, and Bylaws of the Cooperative as well as applicable law. It is understood that this membership is not transferable.

2. The Applicant, by becoming a member, assumes no personal liability or responsibility for any debts or liabilities of the Cooperative, and it is expressly understood that under the law his/her private property cannot be attached for any such debts or liabilities.

3. The Applicant also agrees to deposit with the Cooperative such consumer's deposit as required by the rules and regulations of the Cooperative; it being expressly understood that such deposit shall be non interest bearing and that any portion of said deposit not applied to the payment of bills due the Cooperative shall be refunded to the Applicant upon termination of service.

4. Production or use of electric energy on members premises, regardless of the source thereof, by means of facilities which shall be interconnected with the Cooperative facilities, shall be subject to appropriate regulations as shall be fixed from time to time by the Cooperative. Payments for electric service are due on receipt of the monthly bill, delinquent 15 days after the date of the bill. Service may be disconnected without further notice.

5. The Applicant will cause his premises to be wired in accordance with wiring specifications approved by the State of Montana Electrical Board.

6. The Applicant will comply with and be bound by the provisions of the Articles of Incorporation and Bylaws of the Cooperative and such rules, regulations, service policies and billing procedures as may from time to time be adopted by the Cooperative.

7. The new applicant, if a landowner, hereby grants to the Cooperative, a perpetual easement which shall run with the land, proceeding through my property on a reasonable route, free of charge, for the extension of lines for service for myself and other members and to place, construct, operate, repair and maintain on my premises, and in or upon all streets, roads or highways abutting said premises, its electric distribution and service lines and appliances and also the right to cut or trim trees necessary to keep them clear of all parts of the electric system.

8. The Applicant, if a land owner, agrees that all poles, wires and other facilities, including any main service entrance equipment, installed on the premises at the Cooperative's expense shall remain the property of the Cooperative, removable at the option of the Cooperative upon termination of service to or on said premises.

9. If, after notice has been given as directed by the Board of Trustees, neither I nor my heirs or assigns can be found when it is time to distribute the capital credits earned in this account then but not before the following assignment shall become finally binding and effective. In consideration of the Cooperative, rendering to me the service of delivering electrical energy, I hereby assign, all of my right, title and interest in and to all capital credits earned in this account to the said Cooperative to be dealt with thereafter in accordance with the policies of the said Cooperative.

10. The acceptance of this application by the Cooperative shall constitute an agreement between the Applicant and the Cooperative, and the contract for electric service shall continue in force from the date service is made available by the Cooperative to the Applicant, and thereafter until cancelled by at least 30 days written notice given by either party to the other.

Applicant (Print or Type)	Applicant (Print or Type)
Signature	Signature
SS#/Tax ID # 46 0172280	SS#/Tax ID #
Date 10-12-[illegible] Mailing Address 10 E Broadway	
Phone [illegible] City, State, Zip Butte MT [illegible]	

Keep YELLOW original. Return WHITE card.

PSC-023

Regarding: Line Losses
Witnesses: Hansen

a. Please describe how NorthWestern Energy monitors, studies and quantifies actual line losses on its system.

b. Please provide paper and working electronic copies of all working papers and calculations used to derive the loss factors on page 3 of Exhibit CAH-2.

c. Please provide NorthWestern Energy's most recent study of actual, physical line losses.

d. Please provide NorthWestern Energy's actual line losses in megawatt-hours by month during the 2010-2011 tracker period.

RESPONSE:

a. NorthWestern Energy does not monitor, study or quantify actual line losses on a system-wide basis.

b. See the attached page from the Docket No. D2001.10.144, Order No. 6382d Default Supply Compliance Filing made June 21, 2002. This is from the Default Supply Cost Recovery Mechanism Narrative provided as an explanation of the Default Supply Cost Recovery Mechanism, now referred to as the "Electric Supply Tracker" model. The paragraph labeled "Losses" identifies the source of the loss factors as the allocated cost of service information from Docket No. D97.7.90.

c. See the response to part (b) above. NorthWestern Energy has not performed a more recent system loss study.

d. This information is not available.

Losses – line 28: This line shows the total losses for the total monthly deliveries for each calendar month. The losses are computed by customer class using the following loss factors: GS-1 Primary – 5.54%, GS-2 Substation – 4.63%, GS-2 Transmission – 4.00%, and for all other classes – 8.51%. The loss factors are based on the allocated cost of service information from Docket No. D97.7.90.

Total Supply Requirements - line 30: This line, which is the sum of total monthly deliveries on line 26 plus losses on line 28, represents the total energy (delivered to the NWE transmission system) necessary to meet the estimated monthly load.

Electric Resources – lines 32 through 40: This section summarizes the supply resources which are shown in detail on page 4 of 6.

Net Difference – line 42: This line represents the monthly imbalance, which is the difference between the actual monthly energy delivered to the Default Supply customers and the actual energy procured to meet that load.

Page 2 of 6: Supply Revenue/Cost Calculations

MWH – line 6: This line represents the total billed volumes for each month, and is shown in detail on lines 6 through 14 on page 1. Billed volumes are used in this instance to derive billed revenues.

Supply Cost – line 7: This line includes the average revenue component for electricity supply that will be included in rates. Electricity supply costs, according to §69-8-103 (12)(a) of Montana Statute means actual costs of the electricity. Actual costs include fuel, ancillary service costs, transmission costs including congestion and losses, and any other costs directly related to the purchase of electricity and management of electricity costs or a related service. All cost components included in the tracker are shown on lines 15 through 39 and are described in detail below.

Once all the cost components have been included, the unit supply cost on line 7 is determined (using an iterative process) when the twelve month total for deferred costs on line 43 is as close to zero as practical. This derived unit cost is then applied to the monthly billed volumes to establish the estimated revenue needed to meet the incurred expenses. This is simply the computation of the average Electricity Supply unit cost. As explained below, specific costs recovered through this unit cost include: the electric supply costs, reserves, ancillary service costs, incremental administrative costs, the Wholesale Energy Transition Tax (WET Tax), and interest associated with the deferred account.

Prior Year(s) Deferred Expense – line 8: In the future, this line will compute the unit cost or refund of the amortization of prior years deferred account balances.

Electric Supply – line 11: This line represents the billed revenue associated with the electricity supply component of rates.

PSC-024

Regarding: Billing Cycle Adjustment
Witnesses: Bennett, Hansen

a. Please list, describe and quantify everything that accounts for the difference in Exhibit FVB-1 between "total delivered supply" on line 51 of page 3 and "total sales" on line 7 of page 1.

b. Please provide paper and working electronic copies of all working papers and calculations used to adjust for the difference between billing cycles and calendar months.

RESPONSE:

a. A number of factors account for the difference between “total delivered supply” and “total sales.” These factors include cyclical to calendar month adjustments, known change adjustments, inclusion of forecast data, different voltage levels, losses, energy imbalance and hourly real-time transactions. NorthWestern has not performed any quantitative analysis related to this difference for this set of data.

b. It is not clear to NorthWestern the reference point of this data request; however, to respond, NorthWestern will specifically address Exhibit__(CAH-1).11-12. See the CD attached to the response to Data Request PSC-001(a) for an electronic copy of this exhibit, which provides additional detail regarding specific calculations. Also, see the Electric Supply Tracker Prefiled Direct Testimony of Cheryl Hansen on pages 3 through 7 for an explanation of each table provided in the exhibit.

PSC-025

Regarding: Typical Bill Application
Witness: Hansen

Please provide working electronic copies of NorthWestern Energy's Typical Bill Computation spreadsheet with all supporting files and links intact.

RESPONSE:

See the CD attached to the response to Data Request PSC-001(a).

PSC-026

Regarding: Rate Design
Witness: Corcoran

a. Please explain the rationale for capping supply rates so that the percentage rate increase for each customer class is no greater than the Residential customer rate class increase.

b. Please explain NorthWestern Energy's position regarding whether it should continue to apply the residential cap to supply rates in future tracker dockets.

c. Please provide the most recent study and documentation of how NorthWestern Energy's supply costs vary seasonally.

d. Please explain NorthWestern Energy's position regarding the appropriate forum for addressing cost of service and rate design issues related to electric supply rates (i.e., tracker proceedings or general rate case proceedings).

e. Please describe whether and how NorthWestern could improve the rate design for any customer class.

RESPONSE:

a. See attached. This is a "Fact Sheet" page from the Docket No. D2001.10.144, Order No. 6382d Default Supply Compliance Filing made June 21, 2002 describing the Electric Default Supply Rate Design used in the Electric Supply Tracker. This rate design has not changed since it was first introduced in the referenced filing.

b. NWE proposed to establish marginal cost pricing methods in the electric supply rate design studies filed in both Dockets D2007.7.82 and D2009.9.129, which would have eliminated the cap. However, in Final Order No. 7046h in D2009.9.129/D2007.7.82, the Commission found that "…because parties neither engaged NWE's proposal nor robustly debated NWE's method of estimating marginal supply costs, the PSC is reluctant to adopt the cost allocation approach in this case." *Finding of Fact No. 249, Docket Nos. D2009.9.129/D2007.7.82, Order No. 7046h*.

c. Please see the attached.

PSC-026 cont'd

d. In the Letter of Transmittal in this Docket, NWE stated: "Regarding updating the marginal supply cost study as suggested in Final Order No. 7046h, Paragraph 249, NWE feels this issue would be better addressed as part of a General Revenue Requirement and Allocated Cost of Service\Rate Design filing," which was recently included in both Dockets D2007.7.82 and D2009.9.129. See response to Part (b) above.

e. See response to Part (c), above.

Appendix B

Electric Interim Default Supply Service Rate Design and Rate Schedule

Fact Sheet

The rate design methodology used in this compliance filing to derive NWE's Interim Default Supply rates is the same methodology as contained in the May 31st filing. The Parties recognize that until such time more precise default supply cost information is available, the default supply rates effective July 1, 2002, should be interim in nature. In compliance with the Commission's order on default supply, which states that NWE's proposed FERC cost-based transmission rates are not accepted, the transmission rates are the current MPSC-based electric retail transmission rates.

As proposed, the compliance default supply rates effective July 1, 2002 are kWh supply charges adjusted for losses by customer rate class. These rates are then adjusted so that 1) the percentage rate increase of each customer class is no greater that the Residential customer rate class increase, and 2) the resulting rate is no lower than the lowest kWh cost element in the default supply portfolio, adjusted for losses by customer rate class. This ensures that no customer class experiences an excessive rate increase for this interim period, and that rates reflect at least the minimum cost incurred.

The derivation of rates workpapers are attached to this Appendix and include the following:

Derivation of Default Supply Rates Workpapers:

- Default Supply Billing Determinants
- Default Supply Current Rates and Revenue
- Default Supply Base Rates
- Default Supply Portfolio Base Load Minimum Rates
- Derivation of Interim Default Supply Rates
- Default Supply Rate Summary
- Default Supply Revenue Summary

The attached Electric Default Supply Service Rate Schedule (Schedule No. EDSS-1) includes the pertinent portions of NWE's existing Market Supply schedules, which relate to the delivery of supply, the new default supply rates and the current MPSC-based retail transmission rates.

NORTHWESTERN ENERGY
ELECTRIC SUPPLY RATE DESIGN

1.0 Introduction

NorthWestern Energy ("NWE" or "NorthWestern") is subject to the requirements of Sub-Chapter 82 of the Administrative Rules of Montana, Default Electric Supplier Procurement Guidelines. Among other requirements, Section 38.5.8211 of the Administrative Rules requires NWE to "evaluate and consider" the costs and benefits of implementing various supply pricing alternatives, including the following types of rates: time of use; seasonal; blocked; tiered, and commitment-based rates. In addition, the section requires NorthWestern to evaluate and consider the costs and benefits of retail demand-response and the potential for direct load control.

This document addresses at various levels of detail these requirements. A discussion of each type of rate design and load management approach is provided below. Note that this document is not an exhaustive analysis of all pricing options. Additional analyses should be undertaken before any of these rate structures are implemented.

2.0 Evaluation of Time-of-Use and Seasonal Rates

Time-of-Use ("TOU") and seasonal rates are time variant pricing approaches that differ only in the number of pricing periods employed and the granularity of the prices. The evaluation of both of these time variant rates requires a knowledge of supply costs by hour for the appropriate time horizon. Because delivery costs are related to non-coincident demands, it is generally accepted that there is no timing dimension to delivery system costs. Since prices are applied prospectively, expected hourly marginal costs over some future time horizon during which the rates will be applied are the most relevant costs to consider. The absence of such information and the unpredictability of future prices requires that our analyses must be based on recent experienced costs since such costs are the best approximation for expected hourly marginal costs. NWE's marginal costs are best estimated using the Dow-Jones Mid-Columbia Electricity Price Index. System hourly marginal costs were available for the years 2005 through 2008, Because the results of our analyses of each year of data varied significantly, a composite of all four years was employed in the analyses presented herein.

2.1 Hourly Marginal Costs

System hourly loads exhibit distinctly seasonal patterns Based upon an analysis of system peak data from 1994 through 2008, NWE had transitioned from a winter peaking electrical system to a summer peaking system. However, NWE's 2008 system peak demand occurred in

December, suggesting that winter peak demands still play a role in the system's load characteristics, and, consequently, can impact system costs. The table below provides the timing of the system peak hour for this 15 year period. Note the general transition from a system in which peaks normally occurring during the months of December through February to the months of July and August. During the past 15 years, there have been eight winter peaks and seven summer peaks. During the last ten years, three winter and seven summer peaks have occurred. From the perspective of load, the remaining months do not appear to be months in which system peaks are likely to occur. This suggests that NWE has a dual summer/winter peaking system with an increasing predominant summer peak.

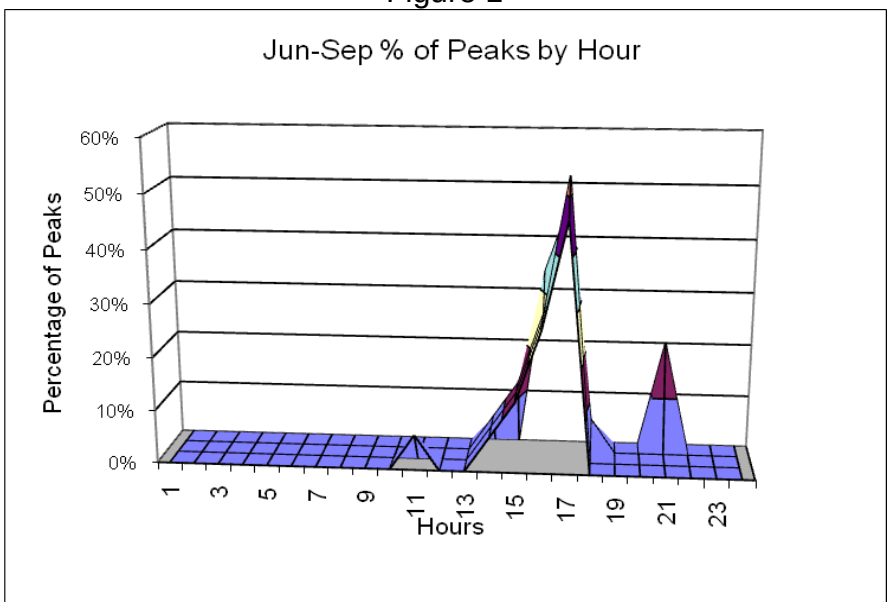
Table 1
Historical Peak Data

MONTH	YEAR	PEAK (MW)	DATE	HOUR ENDING
FEB	1994	1,340	7-Feb	19:00
FEB	1995	1,222	13-Feb	19:00
FEB	1996	1,287	2-Feb	8:00
JAN	1997	1,256	13-Jan	8:00
DEC	1998	1,396	21-Dec	19:00
JUL	1999	1,237	28-Jul	15:00
DEC	2000	1,298	11-Dec	19:00
AUG	2001	1,176	7-Aug	17:00
JUL	2002	1,274	12-Jul	17:00
JUL	2003	1,345	23-Jul	16:00
JAN	2004	1,303	5-Jan	19:00
JUL	2005	1,350	13-Jul	17:00
JUL	2006	1,480	25-Jul	17:00
JUL	2007	1,559	23-Jul	16:00
DEC	2008	1,905	16-Dec	19:00

Further analysis of peaking characteristics identifies quite different daily load patterns between the winter and summer seasons. Summer peaks tend to extend over a relatively few hours in the late afternoon (hours ending between 16:00 and 17:00) while winter peaks tend to occur during the early morning (the hour ending at 8:00) and early evening (the hour ending at 19:00). This is illustrated by the graphs provided on the following page. These graphs depict the percentage of seasonally occurring peaks by hour during the summer and during the winter. For example, Figure 1 indicates that of the 15 years examined, the July system peak occurred in the hour ending 17:00 eight times (i.e., 53.3% of the time). Furthermore, 48% of the peaks occurring during the months of June, July, August and September also occurred in the hour ending 17:00, and <u>all</u> peaks occurring during June through August occurred during the relatively narrow range of hours between 14:00 and 18:00. In contrast,

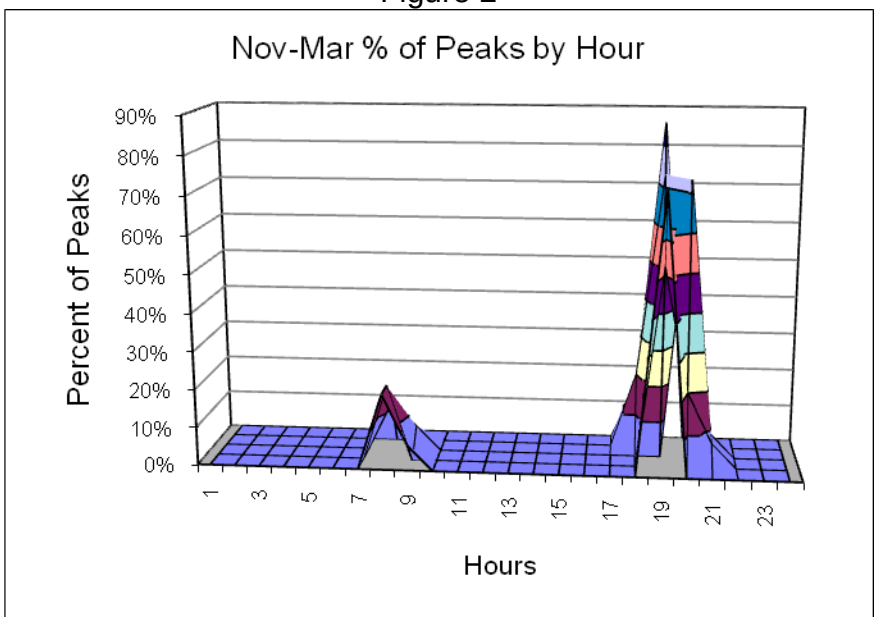
the winter period clearly exhibits a dual morning/evening peak with the evening peak hours of 18:00 through 21:00 being the times when the peak is most likely to occur and a morning peak occurring during the hours ending 8:00 through 11:00 when there is also a significant peak probability.

Figure 1



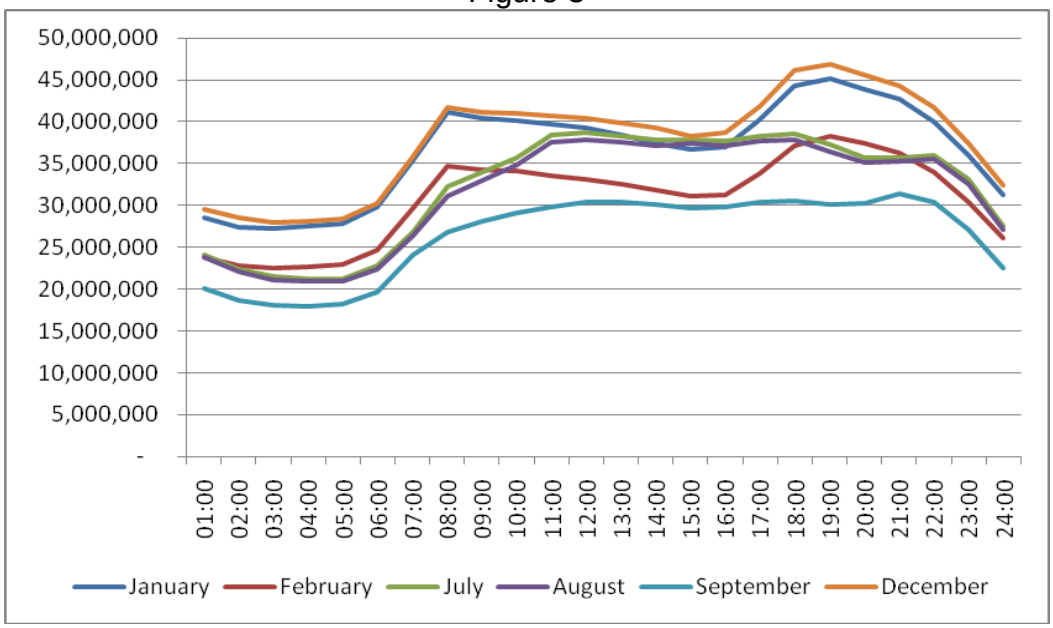
The late afternoon peaks shown in Figure 1 above are driven by air conditioning loads. The winter peak is driven by water heating and space heating loads, and this is reflected in the timing of winter peak demands as shown in Figure 2 below.

Figure 2



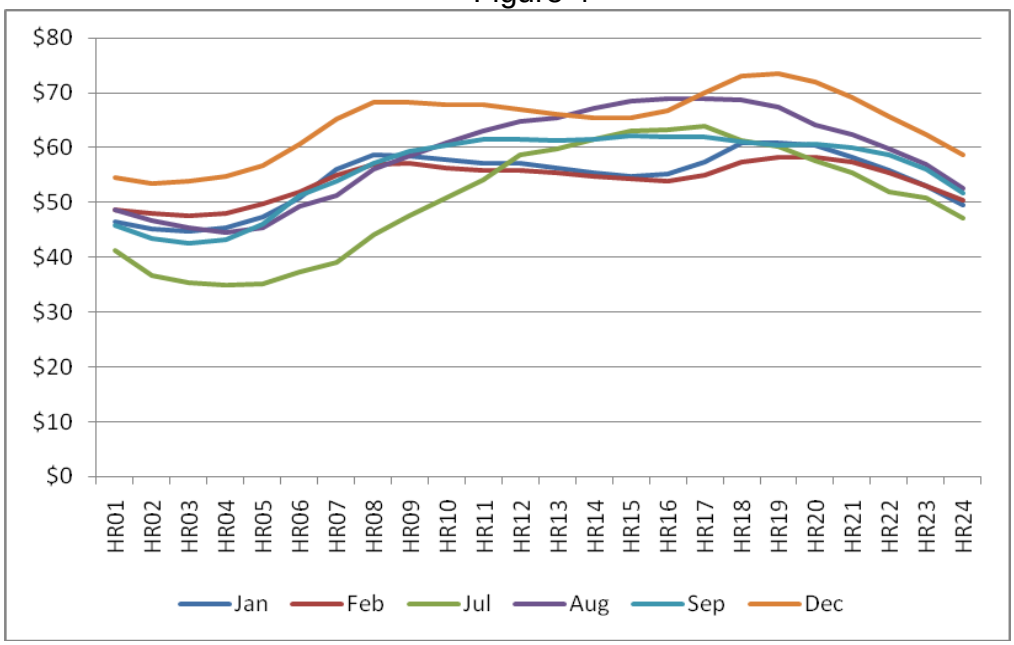
A review of actual 2008 load information supports the same load profile as shown in the following graph of 2008 sales.

Figure 3



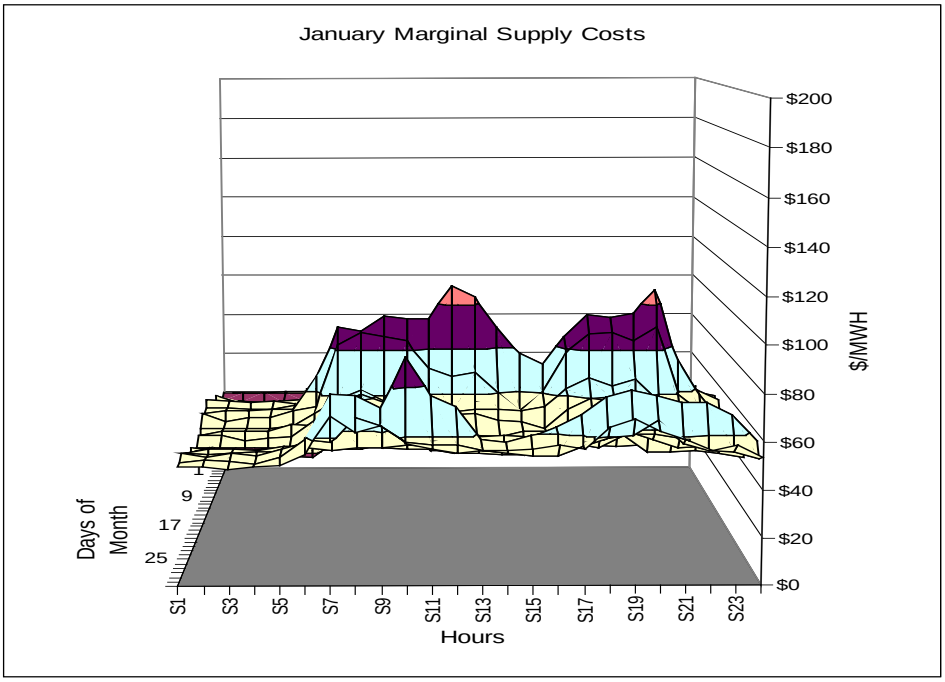
Further analysis reveals that costs generally follow the same diurnal patterns as system loads. While helpful in analyzing and isolating peak periods, system load data does not provide a complete picture of the time variant factors that influence supply costs. Using hourly marginal cost data from the Dow-Jones Mid-Columbia Electricity Price Index, further analysis is possible. As shown below in the graph of average hourly electric supply marginal costs by hour for 2005 through 2008, marginal energy costs illustrate similar daily patterns by season as system loads.

Figure 4



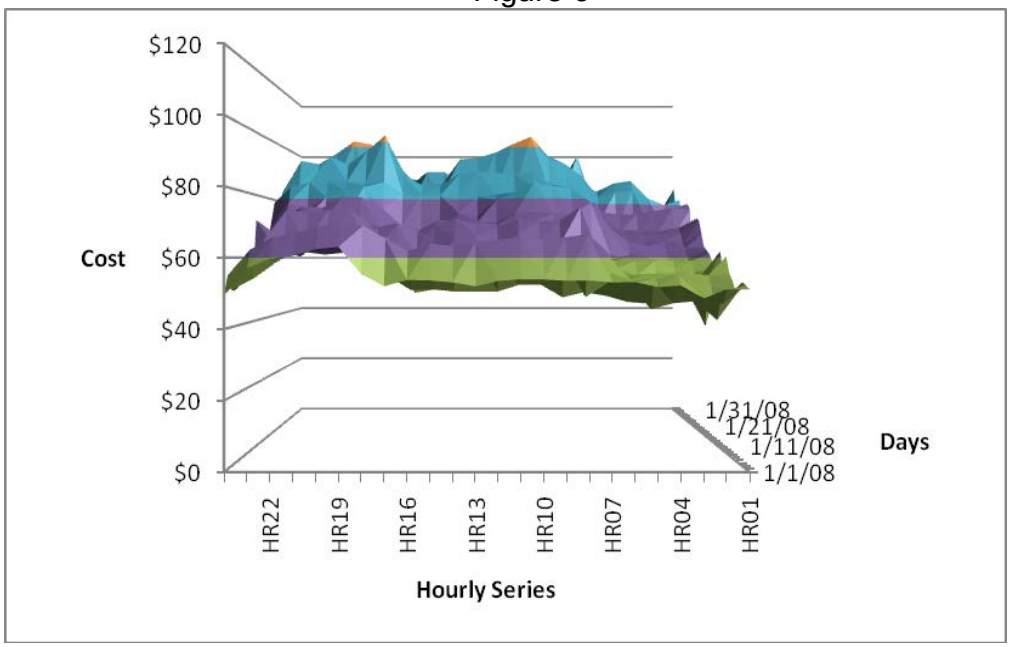
The January 2007 marginal supply costs by hour are provided on the graph below. This graph clearly illustrates the dual morning and evening peaks of the winter period with marginal supply costs during these peak periods exceeding $80 per MW.

Figure 5



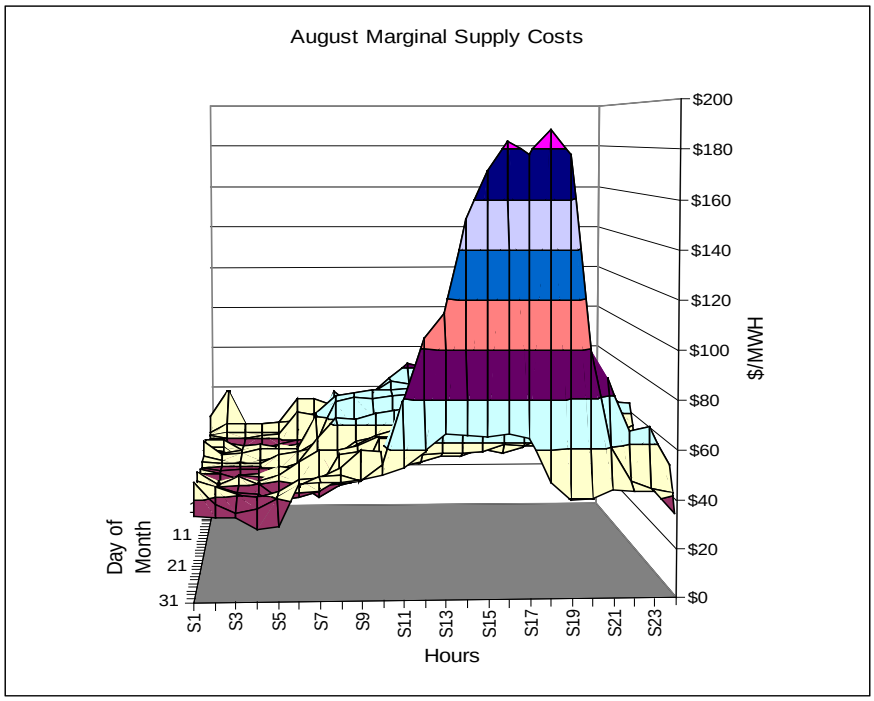
The marginal supply costs per hour for January 2008 do not as clearly suggest a dual morning/evening peak although the same peaks are somewhat evident. This is shown in Figure 6 below.

Figure 6



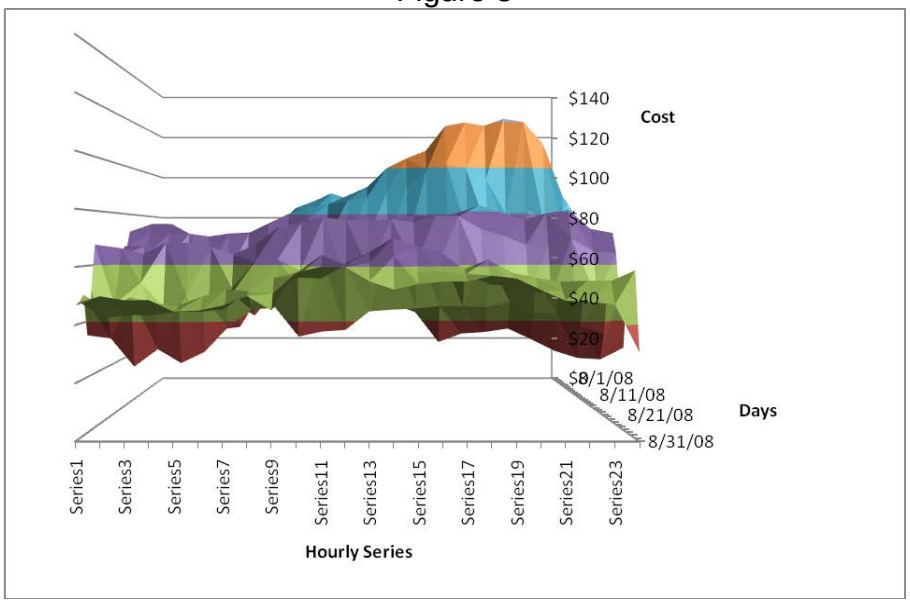
The following graph of August 2007 marginal supply costs confirms the higher afternoon costs associated with the summer period. Note that the peak period costs during the summer are significantly higher than the peak costs over the much broader winter period, but that the off-peak costs are significantly lower in the summer than in the winter.

Figure 7



Once again, the cost pattern exhibited by 2008 data are similar, but with less pronounced peaking characteristics. See figure 8 below.

Figure 8



The diurnal peaking characteristics during other months of the year are definitely less pronounced than during the peak months, suggesting that no price differentiation during these other periods is justified. However, while not exhibiting significantly higher peak period costs, the overall cost levels during these other months are generally as high, if not higher, than the off-peak costs during the peak months. This is illustrated in the graph of October 2007 marginal supply costs set forth on Figure 9 and of October 2008 marginal supply costs set forth on Figure 10.

Figure 9

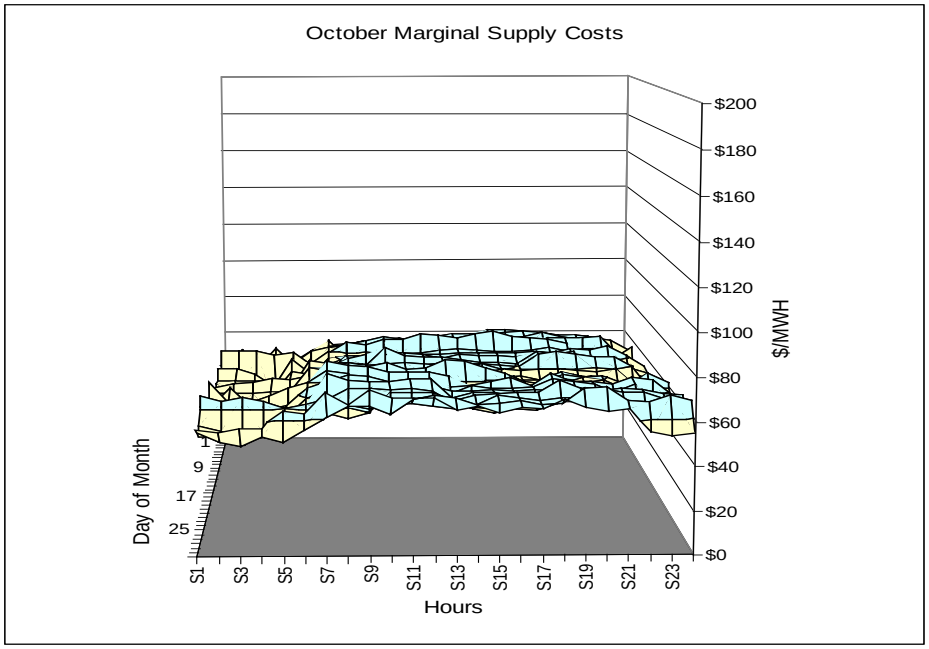
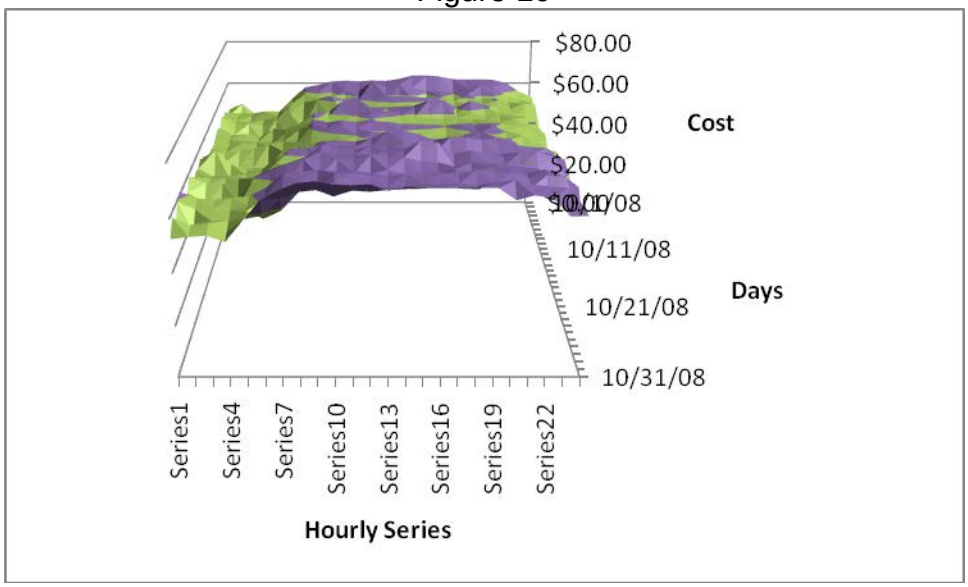


Figure 10



On the basis of this information, there appears to be sufficient cost variance on a daily basis to support time-of-use rates, although not necessarily seasonal rates. This hypothesis will be analyzed in greater depth in the following sections of this document.

2.2 Time-of-Use Rates

Time-of-use ("TOU") rates provide customers with greater information regarding the variation of costs of the supplying utility and allow a consumer to make informed choices regarding whether to consume energy and power during periods of high costs. However, TOU rates are subject to a number of problems. TOU rates require special metering, translation, and billing resources that are costly to implement. TOU rates assume that customers actually know and understand the applicable prices during the day and have the ability to react to these prices. TOU rates may have pricing periods that are so broad as to "water down" the effect of higher on-peak prices or so narrow as to either miss the actual peak period or "chase" the peak to a different set of hours. Furthermore, any selection of pricing periods requires some degree of judgment. For example, shoulder periods present a pricing option that provides for progressively higher prices going into on-peak periods and lower prices when transitioning from on-peak to off-peak periods. However, shoulder periods tend to be confusing to consumers insofar as they do not offer clearly distinguishable price signals. In addition, the length of the shoulder going into the on-peak period tends to be slightly longer than the shoulder period when going out of an on-peak period due to the cumulative "ramp up" of load preceding the peak period. In summary, tradeoffs must be made between the number of pricing periods and the efficacy of the TOU rate.

When selecting pricing periods for a TOU rate, a number of parameters must be established. For example, in the analysis included in this document, we assume that (a) no pricing period should be shorter than six hours since a shorter period could potentially lead to "peak chasing" and (b) there should not be a separate pricing period for spring and fall months since the average costs in these periods is similar to the off-peak costs during the peak summer and winter periods. Once the TOU design parameters are established, optimal rating periods are selected by minimizing the hourly cost variance within each period and maximizing the difference between the average hourly costs between the pricing periods. The graphs that follow depict hourly costs by month (typical weekday and weekend day) for January, April, August, and October, representing summer, spring, fall, and summer months.

Figure 11

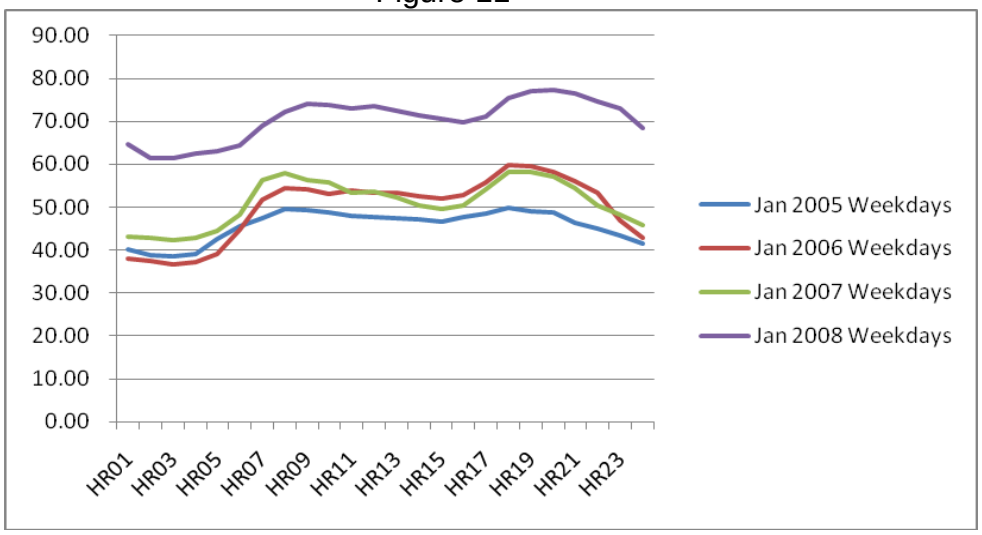


Figure 12

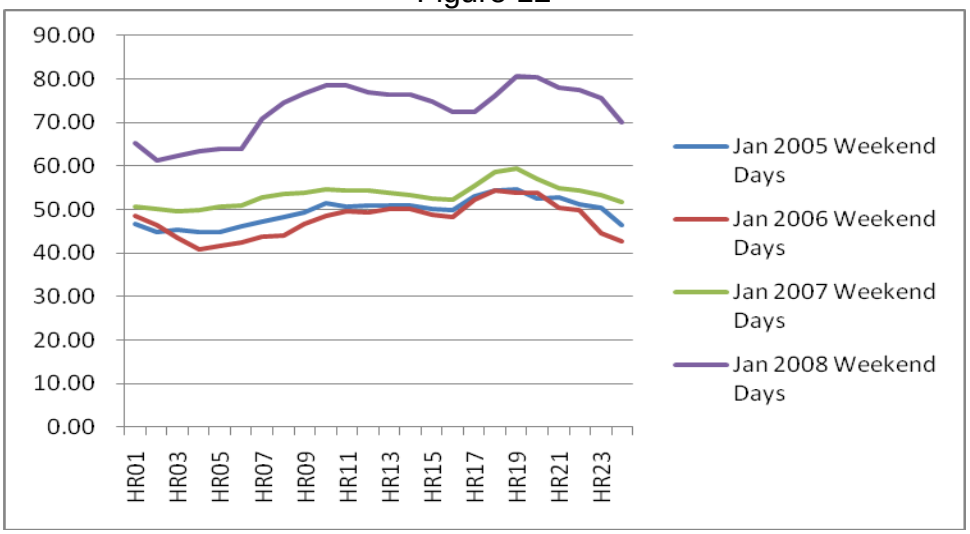


Figure 13

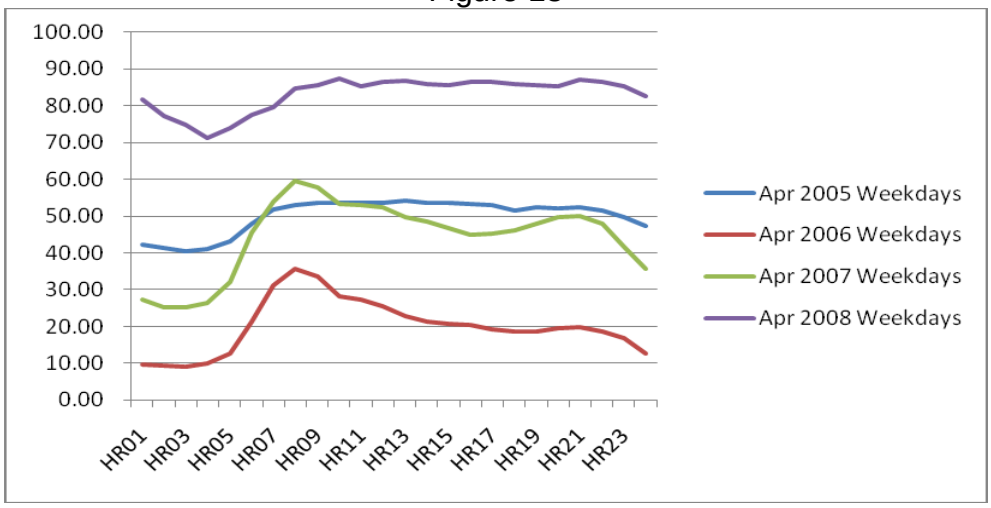


Figure 14

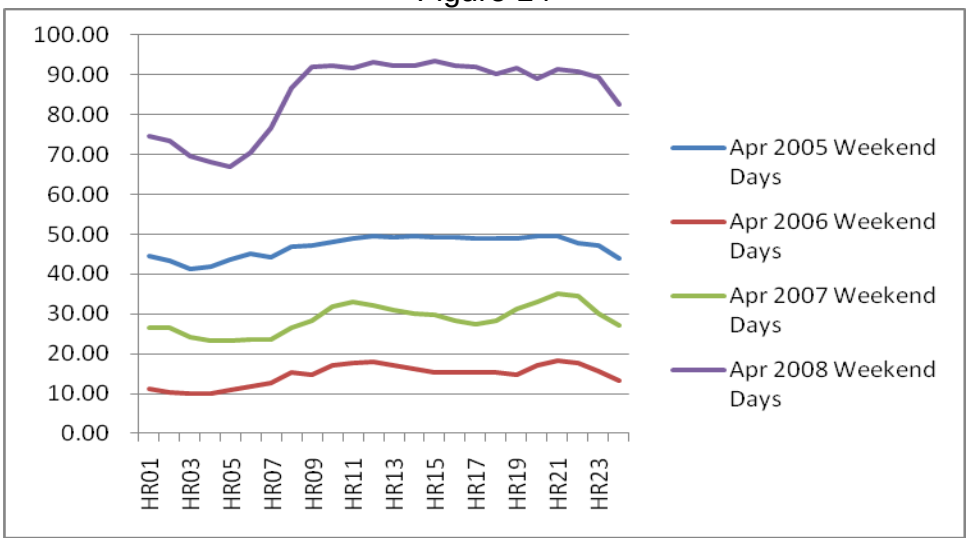


Figure 15

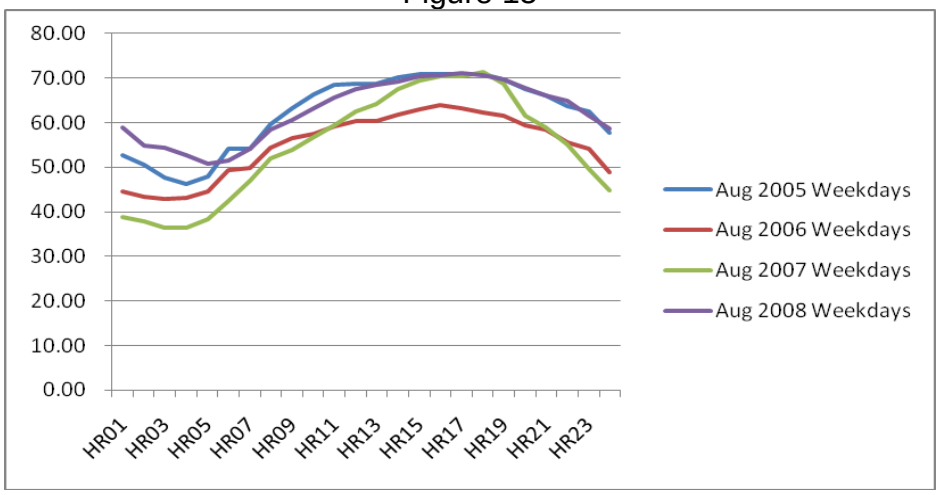


Figure 16

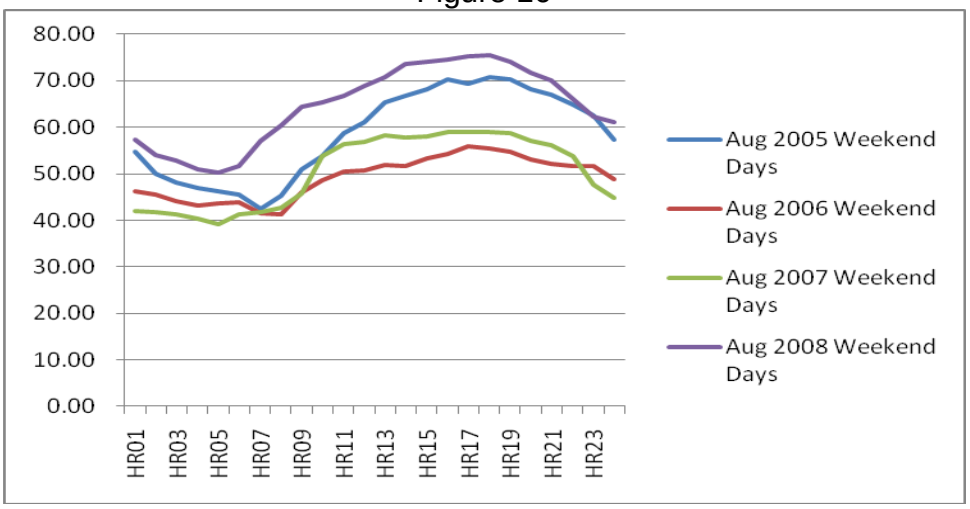


Figure 17

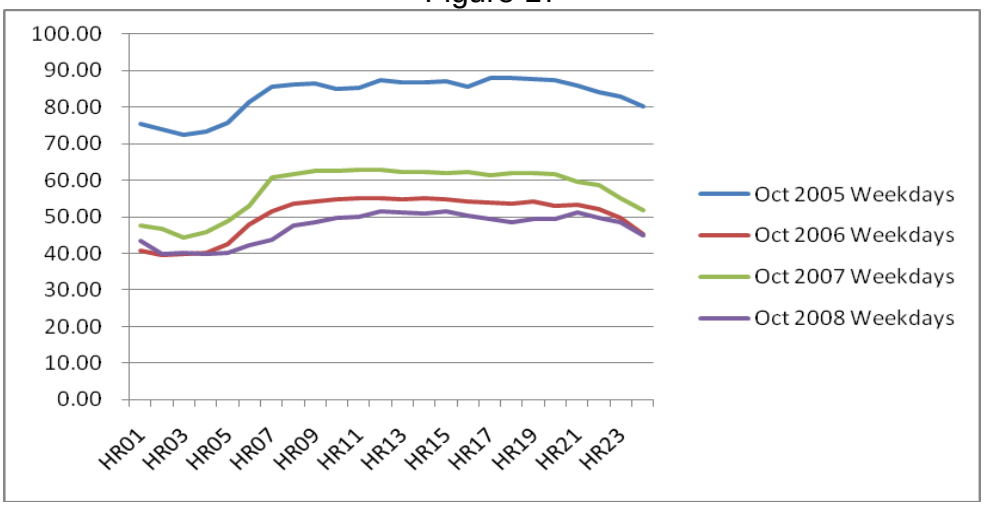
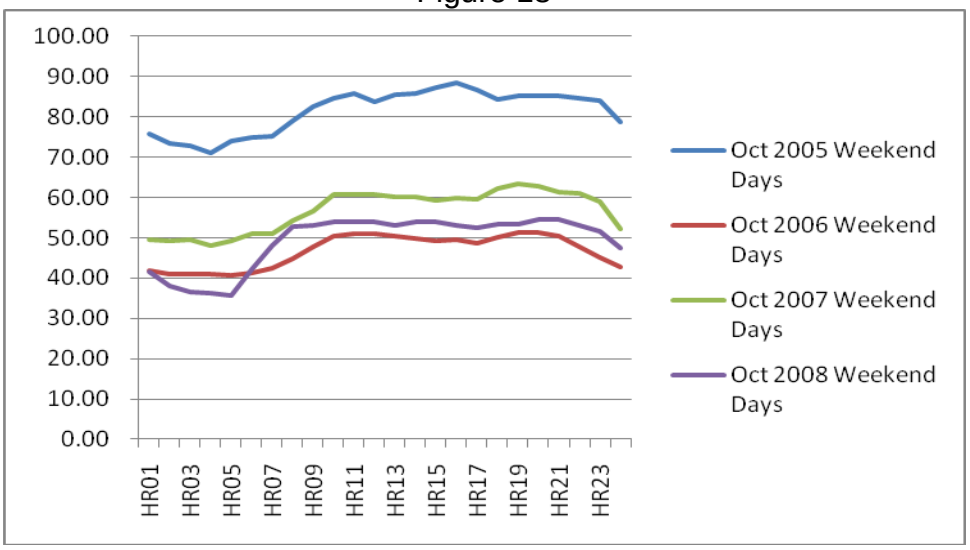


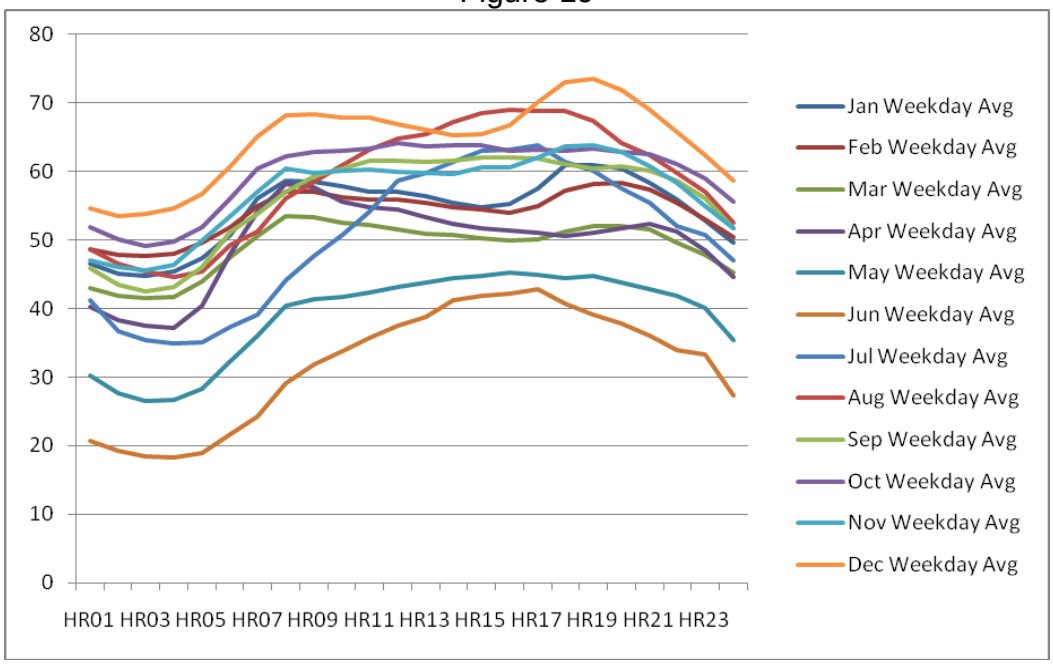
Figure 18



From these graphs, it is apparent that the winter peak period occurs from the hour ending at 6:00 through the hour ending at 22:00 and that the summer peak period occurs from the hour ending at 11:00 through the hour ending at 21:00. Note that October overall cost levels are relatively high with the hourly marginal costs exceeding $88 per MW from the hours ending 7:00 through 21:00 while the maximum cost of supply in the peak month of August is approximately $75 per MW. Similarly, the maximum marginal supply cost in January is almost $81 per MW while the maximum marginal cost is over $93 in March. Given the off-peak characteristics of the system load shape, these higher costs appear to be driven by factors other than seasonal load shapes and are likely to be related to higher costs that occur during periods of generation plant maintenance which typically occur during spring and fall when loads are lowest. Similarly, the lower costs during the early summer months may be attributable to increased hydroelectric output which occurs during the early summer.

When the marginal hourly costs of all months are examined it appears that, except for the months of March, April, and May, there is little difference between costs among months. See the following graph which illustrates these cost characteristics.

Figure 19



Based upon this information, NorthWestern Energy should use an abundance of caution before implementing time-of-use rates. The wide fluctuation in summer and winter peak costs from year to year suggest that time-of-use rates may frequently send an incorrect price signal to consumers. Marginal costs appear to be greatly influenced by factors other than load levels. In such a case, day ahead or real-time pricing may be a preferred pricing alternative. However, assuming time differentiated rates are to be consider, time-of-use periods should distinguish between hours of the day with the daily periods varying by season. The months exhibiting summer peaking characteristics and costs are June through September. The months exhibiting winter peaking characteristics are December and January, although the system winter peaks have occurred more frequently in February than in any other month. Therefore, the months during which on-peak summer costs are analyzed are June through September and the months during which on-peak winter costs are analyzed are December through February. Given these pricing period selection parameters, marginal costs for several alternative on-peak and off-peak TOU periods for these months are provided for calendar years 2007 and 2009 in Tables 2 and 3 which follow.

Table 2

			---------- Average ----------			- Standard Deviation -	
			On-Peak	Off-Peak	Difference	On-Peak	Off-Peak
Summer	Jun-Sep	11:00-21:00	$56.13	$42.02	33.6%	$13.77	$10.54
Winter	Dec-Feb	06:00-22:00	$56.13	$48.84	14.9%	$10.76	$8.28
Summer	Jun-Sep	12:00-20:00	$56.89	$43.45	30.9%	$14.33	$11.12
Winter	Dec-Feb	07:00-21:00	$56.69	$49.78	13.9%	$10.63	$9.18
Summer	Jun-Sep	13:00-20:00	$57.38	$44.04	30.3%	$14.80	$11.23
Winter	Dec-Feb	06:00-21:00	$56.02	$49.95	12.2%	$10.65	$9.36
Summer	Jun-Sep	13:00-19:00	$57.45	$44.79	28.2%	$14.53	$12.00
Winter	Dec-Feb	07:00-20:00	$56.33	$50.73	11.0%	$10.55	$9.85

Table 3

			---------- Average ----------			Standard Deviation	
			On-Peak	Off-Peak	Difference	On-Peak	Off-Peak
Summer	Jun-Sep	14:00-19:00	63.07	48.55	29.92%	23.8	24.65
Non-Summer	Dec-Feb	8:00-20:00	62.1	54.73	14.22%	20.9	21.41
Summer	Jun-Sep	14:00-20:00	62.73	48.10	30.43%	23.7	24.58
Non-Summer	Dec-Feb	8:00-21:00	62.12	53.95	15.14%	20.9	21.34
Summer	Jun-Sep	13:00-20:00	62.38	47.64	30.94%	23.6	24.55
Non-Summer	Dec-Feb	8:00-22:00	62.05	53.56	15.84%	21	21.26
Summer	Jun-Sep	13:00-21:00	61.89	47.23	31.05%	23.7	24.45
Non-Summer	Dec-Feb	8:00-23:00	61.89	53.22	16.3%	21	21.2

Using 2007 data the difference between the on-peak and off-peak periods in the summer is maximized using the hours ending 11:00 – 21:00. This is also the period that provides the smallest intra-period variance in costs. This on-peak period, therefore, represents the period in which costs within the period are most alike (i.e., smallest standard deviation) and the difference between the on-peak costs and the off-peak costs are the greatest. For the non-summer period, the hours ending 6:00 – 22:00 reflect the rating period that provides the optimal period in which intra-period costs differences are minimized while simultaneously maximizing the inter-period costs. However, as previously discussed, the non-summer prices vary widely and do tend to follow system load. For example, for all non-summer months, the off-peak prices are greater than the peak prices. Based upon this 2007 analysis, the on-peak period is recommended to be the weekday hours ending 14:00 through 19:00 during the months of June through September and the weekday hours ending 6:00 through 22:00 for the months of December through February. All other hours are off-peak hours. Using 2008 marginal supply costs, the optimal summer on-peak period (as measured by the difference between period means) is June through September for the hours of 14:00 through 19:00. For the non-summer period, the results are not conclusive since the off-peak period, as determined by examination of system load patterns

exhibits higher marginal prices than the on-peak period. This counter-intuitive result suggests that additional analysis of the differences in costs during the off-peak period be undertaken before implementing time-of-use rates. In addition, as a result of the severely limited time to prepare this update for submission in the Supplemental filing, it was not possible to calculate standard deviations for the various times periods examined. Table 4 below provides the summary costs for the rating periods recommended in Docket D2007.7.82. No comparable analysis was performed for the current filing due to the limited time available to undertake and perform this analysis.

Table 4

Period	Season	Hours	Average Cost
Summer	Jun-Sep	11:00-21:00	$56.13
Winter	Dec-Feb	06:00-22:00	$56.13
Off-Peak	All Other Hours		$46.45

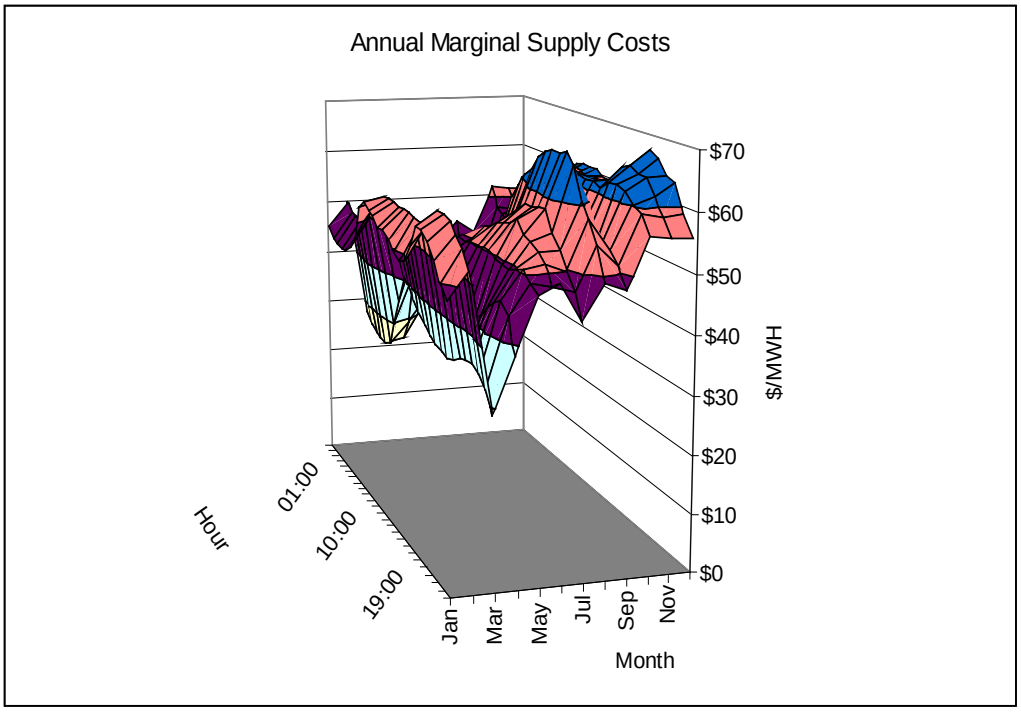
As indicated by this table, summer and winter on-peak costs in 2007 were coincidentally the same ($56.13 per MW) and exceeded off-peak period costs by $9.68 per MW (20.8%). This on-peak / off-peak differential is relatively small and may not provide enough incentive for customers to modify their consumption behavior. This is especially true in the winter due to the relatively long on-peak period. Furthermore, preliminary analysis of 2008 hourly costs suggest that of costs in the low load hours are higher than the costs in the on-peak hours of the winter. Therefore, the relatively small potential gains in economic efficiency resulting from such a small on-peak / off-peak differential as well as the counter-intuitive results of the 2008 data do not justify the implementation of time-of-use rates if NorthWestern will incur significant infrastructure costs to do so. However, it is likely that customer response to peak period pricing will produce some measure of response, and therefore, some level of benefits to both consumers and NorthWestern are possible. For this reason, the infrastructure costs for metering and billing should be investigated. Furthermore, NorthWestern already possesses adequate metering technology in place for those supply customers whose loads are over 500 KW. Therefore, the costs of implementation of time-of-day rates for these customers may be minimal. Whether or not time-of-use rates have merit would depend on the make-up of these customers and their processes, and whether or not they are inclined or able to take advantage of such rates.

2.3 Seasonal Rates

Seasonal rates are also a form of time-variant rates that do not rely upon special metering for implementation. The trade-off with this lower cost of implementation is the loss of detail in the price signal provided to

consumers. As previously stated, costs vary by season with the peak summer months being June through August and the peak winter months being December through February. The graph below depicts the seasonal nature of marginal supply costs to NWE.

Figure 20



Marginal costs for six alternative seasonal rate structures were evaluated and are considered in this document. In this evaluation, the marginal supply costs during each prospective pricing period were examined. The average cost per MW for each season is set forth in Table 4 for calendar year 2007 and in Table 5 for calendar year 2008.

Table 4

	Alt. 1	Alt. 2	Alt. 3	Alt. 4	Alt. 5	Alt. 6
Summer Months	Jun-Aug	Jun-Sep	Jun-Sep	Jun-Sep	Jun-Sep	Jun-Aug
Winter Months	Dec-Feb	Dec-Feb	Nov-Feb	Nov-Mar	Oct-May	Sep-May
Off-Peak Months	Other	Other	Other	Other	N/A	N/A
Summer Cost	$48.62	$48.49	$48.49	$48.49	$48.49	$48.62
Winter Cost	$54.00	$54.00	$54.68	$49.99	$48.64	$49.00
Off-Peak Cost	$46.11	$45.17	$42.64	$51.32	N/A	N/A

Table 5

	Alt 1	Alt 2	Alt 3	Alt 4	Alt 5	Alt 6
Summer Months	Jun-Aug	Jun-Sep	Jul-Aug	Jul-Sep	Jun-Sep	Jun-Aug
Winter Months	Dec-Feb	Dec-Feb	Dec-Feb	Dec-Feb	Oct-May	Sep-May
Off-Peak Months	Other	Other	Other	Other	Other	Other
Summer Costs	$44.49	$46.74	$58.74	$46.74	$46.74	$44.49
Winter Costs	$63.04	$63.04	$63.04	$63.04	$60.36	$59.62
Off-Peak Costs	$57.94	$58.78	$51.95	$56.13	N/A	N/A

The results of the seasonal analysis are suspect since the winter marginal costs per MW exceed the summer costs in each and every alternative for both 2007 and 2008. This may be the result of abnormal costs occurring during these years or due to the materially higher off-peak costs during the winter season. As noted earlier in this document, although summer on-peak costs tend to be slightly higher than winter on-peak costs, summer off-peak costs are lower than the off-peak costs during the other seasons. This is because the high cost summer peak period is significantly shorter in duration than the winter peak period. When the summer off-peak costs, which are lower than the winter off-peak costs, are included in the summer season, the average costs of the summer season are weighted downward, thereby producing lower summer season costs.

Further study is required to ascertain whether the seasonal cost characteristics described in the table above reflect the true state of hourly marginal costs to NWE. The relatively high off-peak costs during the spring and fall and the relatively low off-peak costs during the summer are problematic and should be examined further. However, based upon the 2007 and 2008 data, the cost differential between the average supply cost in the winter and the summer is not sufficient to support seasonal rates. Furthermore, summer peak demands have become more predominant over time, and this trend is expected to continue. Consequently, regardless of the slightly higher average marginal costs in the summer season, it is not appropriate to implement seasonal rates that have a higher charge during the winter.

This conclusion is supported when one views the average marginal cost of supply by retail customer class. One would normally expect that high load factor customers and customers with off-peak load characteristics would have significantly lower cost per MW than low load factor customers whose use of power is greatest during high cost peak periods. However, as a result of the low variance in supply costs by hour, there are relatively small cost differences by class of service. Applying the hourly marginal supply costs to the hourly class demands produces the costs set forth in Table 6 below.

Table 6

Class	MWH	Percent of Total	2008 Marginal Cost	Percent of Total	Ratio to Average	Marginal Cost
Residential	2,460,710	38.47%	$177,437,257	38.52%	101%	$72.11
GS Sec	2,949,956	46.12%	210,216,187	46.18%	100%	$71.26
GS Pri	346,821	5.42%	24,641,071	5.43%	100%	$71.05
GS Subst	339,363	5.31%	23,739,910	5.31%	98%	$69.95
GS Tran	144,132	2.25%	10,092,671	2.26%	98%	$70.02
Irrig	92,828	1.45%	6,334,316	1.45%	96%	$68.24
Lighting	62,843	0.98%	4,221,862	0.98%	94%	$67.18
Total	6,396,654	100.00%	$456,683,275	100.14%	100%	$71.39

As indicated by this table, there is very little variation in unit cost per class of service. As expected, higher load factor GS customers and off-peak Lighting service have lower costs per MW than low load factor Residential and secondary GS customers. However, the degree of difference is relatively small. In the case of GS customers, the majority of the differential can be explained by the differences in delivery system losses, rather than simply by the higher load factor load shape or lower off-peak costs. Based upon this analysis and evaluation, any class supply costs should reflect only minor differences. The marginal costs by class, as calculated in NWE's electric marginal cost study are provided in Table 4 and Table 10 of the electric marginal cost study provided in Statement L - Electric.

3.0 Evaluation of Other Rate Types/Structures

Section 38.5.8211 of the Administrative Rules also require delivery service utilities to evaluate and consider blocked, tiered, and commitment-based rates. The following sections of this document examine these rate forms to determine whether it would be appropriate for NWE to pursue these types of rates.

3.1 Blocked Rates

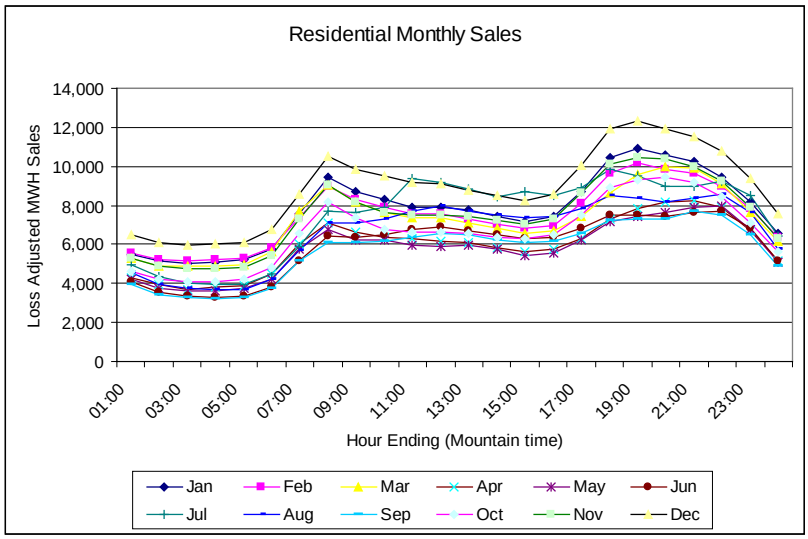
Blocked rates generally take the form of declining block rates, at one time among the most prevalent rate form applied to small consumers such as Residential customers. With increasing emphasis on energy conservation and as a result of the policies implemented by the Public Utilities Regulatory Policies Act of 1978 ("PURPA"), declining block rate schedules have been used less and less over time. In addition, inverted rates are occasionally employed by utilities, ideally on the basis of cost differentials. Inverted rates are frequently predicated upon social objectives such as income transfers from high volume users to lower volume users, often on the unsupported assumption that high volume users are more affluent

than low volume electricity consumers. Finally, inverted rates are often designed to price higher levels of electric usage that is more discretionary than base usage, at a level that is closer to marginal costs. Regardless of whether blocked rates refer to declining block or inverted rate structures, the cost basis of the rate must be that usage characteristics are dependent upon the volume of use. For example, the justifications for declining block rates include (a) the recovery of customer related costs that are not fully recovered in the customer charge, (b) higher usage levels tend to be off-peak in nature, and (c) load factors increase as consumption increases.

With respect to the recovery of customer costs, the logic for the higher "head block" of the rate is to provide for the faster recovery of those customer costs that were not fully recovered by the customer charge. Such a block provides greater revenue stability to the company by increasing the likelihood that fixed customer costs will be fully recovered for each consumer. With respect to the assumption that higher consumption tends to be more off-peak in nature, this assumption appears to be counter-intuitive insofar as increased usage in small users is frequently the direct result of increased use of air-conditioning and heating loads. Air-conditioning and heating loads, in turn, tend to be the loads that drive system peaks and the attendant higher costs. The possibility that inclining or declining block rates accurately reflect the costs to serve associated with higher usage levels was examined for NWE's Residential customer class.

Residential customer usage is highly seasonal in nature with significant increases in loads occurring at the times of system peak demands. The graph below provides daily load profiles by month for the Residential class. Note that the class peaks in the evening in January and that winter loads tend to predominate.

Figure 14



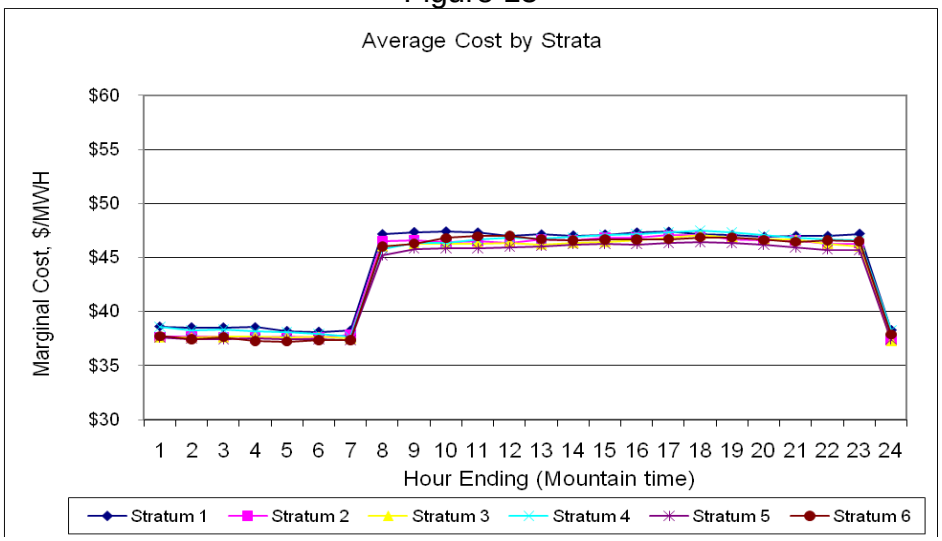
The Residential load research sample is comprised of six kilowatt-hour strata. The first stratum is of particular interest since it represents the usage level normally expected in the head block in a multi-block rate design. Since hourly load data are available for each strata for every hour of the year, total marginal costs by strata were computed by multiplying the hourly load times the hourly marginal costs. Dividing the total marginal supply costs by the hours in the year provides the average unit cost. The results are provided on Table 7 which follows.

Table 7

Class	Avg Load per Cust, kW	Percent of Average Load	Marginal Cost per Year	Unit Cost	Percent of Average
Stratum 1	3,705	46.29%	166	$0.04475	100.92%
Stratum 2	7,020	87.70%	311	$0.04435	100.01%
Stratum 3	10,471	130.81%	463	$0.04421	99.71%
Stratum 4	14,764	184.44%	657	$0.04453	100.42%
Stratum 5	23,360	291.83%	1,019	$0.04363	98.41%
Stratum 6	182,279	2277.21%	7,946	$0.04359	98.31%
Total	8,004	3018.28%	355	$0.04434	100.00%

As the results above demonstrate, there are virtually no differences in the marginal costs of serving the six Residential strata. Load characteristics for all stratum are almost identical, and, as a result, there cost differences that support blocked rates for the Residential class. This conclusion is even more evident from an examination and evaluation of the graph below which shows the average cost per MW for each strata by hour.

Figure 15



However, efficient prices are not determined by costs of service alone. Efficient prices occur at the point where the supply curve (costs) and the demand curve (demand) are in equilibrium. When customer responses to prices are taken into account, there may well be sufficient justification to implement inverted rate forms. It is reasonable to assume that above a level of non-discretionary usage (i.e., above the level of usage for basic lighting, minimal cooling, cooking, etc.), consumers have a greater degree of latitude in their use of electricity. For example, consumers can elect to reduce their air-conditioning through changes to their living standards or improved thermal efficiency of their appliances or home. However, it is not reasonable to expect consumers to forego lighting. Thus, at some level of kWh use, consumers have increased flexibility of electric usage resulting in sales that may be regarded as being more price elastic than basic electric usage reflected as lower levels of consumption. Increased flexibility of use translates into greater price elasticity. This increased price elasticity may support the implementation of inverted block rates. Essentially, the most price elastic usage should be priced most closely to marginal costs. In this manner, improved economic efficiency and greater energy conservation can result from pricing this higher level of usage closer to marginal costs. Because customers are not likely to forgo the use of electricity for basic services such as lighting, initial levels of electricity usage need not be priced as closely to marginal costs as higher levels of usage. Therefore, it is reasonable to price this level of electric usage at a price that more closely matches marginal supply costs. In this situation, it may be reasonable for a utility to implement an inverted rate block.

3.2 Tiered Rates

Tiered rates were not examined by MAC for NorthWestern Energy as part of this rate review. Some review of tiered rate structures applicable in California was performed prior to NWE's Docket D2007.7.82 for purposes of gaining a familiarity with the rate form. Tiered rates provide for scaled minimum charges that vary with each customer’s usage level. Our examination did reveal that such rates are fairly cumbersome to calculate and administer, are difficult for customers to understand, and are not cost based. Tiered rates, as an instrument of social policy which attempt to implement income transfers among customer groups, reflect non-economic policy and political considerations.

3.3 Commitment-Based

For purposes of this document, it is assumed that commitment-based rates refer to rates which vary in relation to the length of the customer’s commitment to take service from NorthWestern. Under such rates, customers willing to commit to longer term contracts are served at lower

prices. From NorthWestern's perspective, the lower prices reflect the diminished risks and the load stability of serving a known, long term load. From the customer's perspective, long tem commitments also provide stability of prices and lowered risks. Commitment-based rates have tended to be employed more frequently for sales to wholesale customers and by utilities owning generation.

3.4 Other Rate Forms

Other rate forms and features that can influence consumer behavior and load patterns include features that have been extensively used for many years. The use of demand ratchets for larger customers can have a dramatic effect on consumer loads and upon revenue stability for the utility. Ratchets can be established based upon time variable or seasonal demands. Ratchets can be designed to coincide with the system peak or at any time during which the system is stressed. Separate ratchets can be imposed for supply resources if the power supplier imposes time variable demand charges or for delivery resources to reflect peak load conditions upon the delivery system' transmission and/or distribution network. In NorthWestern's case, supply costs do not include an explicit demand ratchet. Another potentially beneficial rate form is the block extender, or load factor based, rate. Under this rate form, the price charged to the consumer is dependent upon the customer's load factor for the month. The head block of the rate has a variable length that is directly tied to the customer's level of demand. To obtain the lower prices in subsequent rate blocks, the customer's kWh must exceed a predetermined number of kWh per kW. That is, lower prices are available for those kWh that exceed a specified load factor level.

4.0 Demand Response and Load Control

Retail demand-response rates and direct load control are non-price strategies which directly address customer loads. In each instance, customer loads are actively curtailed either by the customer in response to an incentive from the supplying utility or directly by the supplying utility by means of central control signals. The former is referred to as a demand-response rate and the latter as direct load control.

As with time-of-use rates, offering demand response and direct load control rate options would require investment in Advanced Metering Infrastructure (AMI), meter data management systems and billing system upgrades. AMI is an enabling technology for time-of-use rates and several other possible demand response programs. NWE has performed initial analysis regarding whether there are potentially offsetting economic benefits, including both supply related and operational savings from permanent business changes, from these types of programs.

Based on MAC's analysis of hourly marginal supply costs, there are times, although they are not necessarily regular or predictable, when there are price differentials that would provide customers a strong economic incentive to act. However, MAC cannot precisely define the price differentials which would result in customer actions to conserve or shift load, nor can it accurately predict the magnitude of the resulting impact on load.

In late 2009, a proposed regional Smart Grid demonstration project in which NWE is a participant was chosen by the Department of Energy for funding via the American Recovery and Reinvestment Act. NWE intends to test demand response as one part of its portion of the demonstration project. For additional discussion about the Smart Grid demonstration project and NWE's part in it, refer to the Supplemental Testimony of Patrick Corcoran.

5.0 Summary

Although NWE's system displays obvious diurnal and seasonal load profiles, the relative homogeneity of hourly marginal supply costs does not allow significant cost differentials between rate/time periods. Cost do not vary significantly between on-peak and off-peak periods, and as a result, the cost structure of NorthWestern does not support seasonal rates. Time-of-use rates may be appropriate since there is a measure of cost differences between on-peak and off-peak periods. However, the cost differences are relatively small and further study of the potential benefits and the associated costs of infra-structure and implementation should first be examined. Furthermore, year-to-year cost differences are apparent as indicated in the 2008 data and the cost differences may not support the same rating periods. Finally, this document examined blocked rates for Residential customers. Our analysis revealed that Residential customers do not exhibit significant differences in load factor by usage level. Consequently, the load characteristics and attendant cost characteristics of this class do not support the use of blocked rates from the strict and isolated perspective of costs.

However, because higher levels of monthly electricity use correspond to more discretionary consumption, energy conservation and load management efforts may be enhanced by recognizing that higher levels of use are more price elastic than lower, basic consumption levels. Since marginal costs exceed average embedded costs (the basis upon which NorthWestern Energy's overall revenue requirement is established), pricing the more highly elastic levels of usage that occur after a basic level of use at or near marginal costs is likely to foster and promote energy conservation and load management efforts. Therefore, because higher levels of usage are more price elastic and because marginal costs are

generally greater than average embedded costs, there is considerable logic to increasing the energy charges in a tail block of a rate above the earlier energy charges.

PSC-027

Regarding: Demand-Side Management (DSM) Savings
Witness: Thomas

a. Please describe in detail the methods used to estimate the reported DSM energy savings for the 2010-2011 tracker period.

b. Please describe in detail the statistical methods used to verify reported DSM savings.

c. Please fully explain and provide complete documentation of the 8.63 aMW of reported DSM energy savings during the 2010-2011 tracker period.

d. Please describe in detail how verified changes to reported DSM savings are used to update lost revenue calculations, and how lost revenue imbalances are addressed.

e. Please explain whether and to what extent NorthWestern Energy will carry forward any of the 8.63 aMW of reported DSM energy savings or any of the 0.57 aMW of reported Universal System Benefits (USB) reported savings from the 2010-2011 tracker period into the 2011-2012 tracker period, or count those savings toward subsequent savings targets.

RESPONSE:

a. Demand Side Management (DSM) energy savings methodology and description: The DSM funded electric conservation prescriptive rebate programs require customers to complete rebate application forms, which create specific participation records in each respective individual program database. NorthWestern maintains a database for each DSM program. As customers cycle through the DSM programs, each individual program database captures the specific energy savings measures for each participating customer and calculates the electric energy saved based on the measures installed and the deemed savings for the measures. The deemed measure savings are derived from the most current Electric DSM Assessment, the most current DSM Program Evaluation, and/or pertinent engineering calculations. Each individual program database assembles the specific participant savings measures and calculated energy savings for the 2010-11 tracker time period. The energy savings for all DSM Programs in operation during the tracker period are then totaled and reported on an individual program basis in Table A on Exhibit__(WMT-1) of my Prefiled Direct Testimony.

PSC-027 cont'd

The DSM programs that offer customized incentives (e.g., E+ Business Partners) require each participating customer, or their respective engineering firm, to complete a project-specific application describing the energy conservation project and provide computer simulation modeling and/or a set of specific engineering calculations demonstrating the project's electric conservation potential. The application creates specific participation records in each individual program database. NorthWestern Energy DSM engineers evaluate the individual projects and customer energy savings calculations based on standards and pertinent engineering calculations promulgated primarily by the American Society of Heating, Refrigerating and Air-Conditioning Engineers (ASHRAE). Each individual program database assembles the specific participant project savings and calculated energy savings for the 2010-11 tracker time period. The energy savings are totaled for the tracker period and reported on an individual program basis in Table A on Exhibit__(WMT-1) of my Prefiled Direct Testimony.

The DSM-funded regional electric conservation programs (e.g., Northwest Energy Efficiency Alliance) report allocated electric savings that occurred in NorthWestern Energy's electric service area based on where the energy savings measures were purchased. Each individual program database and/or spreadsheet allocates energy savings for the NorthWestern Energy specific electric service area. The allocated energy savings are adjusted based on current program evaluation savings factors and NorthWestern Energy's knowledge of its electric service area. The adjustment is downward for the 2010-11 tracker period. Each individual program database and/or spreadsheet assembles the electric energy savings for the 2010-11 tracker period. The energy savings are totaled for the tracker time period and reported on an individual program basis in Table A on Exhibit__(WMT-1). Supporting detail to Table A is provided on the many subsequent worksheet tabs in the workbook file Exhibit__(WMT-1) 2010-11 FINAL 050311 orig with backup.xls, provided on the CD attached to the response to Data Request PSC-001(a). Confidential customer information has been deleted from these records.

b. Independent third-party program evaluation contractors are retained by NorthWestern Energy to evaluate reported savings by individual measures offered within each energy conservation program, and each individual program on a periodic basis. The contractor scrutinizes each measure's deemed savings reported compared to recent end-use surveys, electric resource assessment studies, regional conservation studies, and engineering calculations. The contractor determines a statistically significant sampling of actual customer conservation projects to evaluate by pre and post utility billings analysis, simulation modeling, on-site inspections, and surveys to determine measure and project actual savings, free ridership, and spill-over.

PSC-027 cont'd

c. Refer to response to Data Request PSC-027(a), above, and Exhibit__(WMT-1) 2010-11 FINAL 050311orig with backup.xls provided in response to Data Request PSC-001(a).

d. The forthcoming DSM Program Evaluation (Evaluation) will cover DSM program activity during the time period 2007-2011. Part of the scope of work will include development of updated Adjustment Factors that are used in annual Lost Revenue calculations (refer to page WMT-26 of my Prefiled Direct Testimony). When the results of this upcoming DSM Program Evaluation are available, NorthWestern will recalculate Lost Revenues for each past tracker period covered by the Evaluation using the new Adjustment Factors, and will perform a reconciliation that compares Lost Revenues in each past tracker with the newly recalculated amount using the updated Adjustment Factors. The difference in this amount will be included as an adjustment to DSM Lost Revenues in the next subsequent annual electric tracker filing, or could be handled as a mid-course adjustment during the regular monthly tracker updates.

e. For the purpose of calculating DSM Lost Revenues, NorthWestern Energy will carry forward the 8.63 aMW of reported DSM energy savings and the 0.57 aMW of reported Universal System Benefits (USB) reported savings from the 2010-2011 tracker period into the 2011-2012 tracker period. These numbers are based on 9 months of reported savings and 3 months of estimated savings (9+3 numbers). These have been updated to 12 months of reported savings (refer to Exhibit__(WMT-1-Rev) USB + DSM Savings 2010-11 12+0 FINAL with backup.xls) provided in response to Data Request PSC-001(c) and are now values of 8.01 aMW of reported DSM energy savings and 0.55 aMW of reported USB reported savings. These energy savings are accumulated from year to year in the annual DSM Lost Revenue calculation as described in detail on pages WMT-24 through 28 of my Prefiled Direct Testimony. This process of carry-forward, or reported energy savings accumulation, continues until the next general revenue requirements proceeding is fully processed and different transmission and distribution rates are ordered and become effective, as also described on page WMT-24 and page WMT-28 of my Prefiled Direct Testimony.

The savings referred to in this question do <u>not</u> carry forward into future year target energy savings. Beginning with tracker period 2010-11, each future DSM program year has a target energy savings of 6.0 aMW. This amount is incremental to past energy savings produced by NorthWestern's USB and DSM programs.

PSC-028

Regarding: DSM Programs
Witness: Thomas

a. Please explain the difference between the E+ New Homes Program and the E+ Residential New Construction Electric Savings Program on lines 17-18 of Exhibit WMT-1.

b. Please describe the Department of Environmental Quality Appliance Rebate Program, including program eligibility criteria, rebate size, funding source(s), and cost-effectiveness.

c. Please describe the ENERGY STAR 80 Plus Program, including program eligibility criteria, rebate size, funding source(s), and cost-effectiveness.

RESPONSE:

a. The E+ New Homes Program for the 2010-2011 tracker period is a market transformation Universal System Benefits (USB) funded marketing and training program on the benefits of energy efficient construction of new residential homes to the Northwest Energy Star Homes (NESH) standard. The program includes marketing, trade shows, publications, toll-free information phone number, builder training, and verifier training. Savings claimed for the program come from the NESH requirement that a minimum of 50% of the new home lighting be equipped with Energy Star compact fluorescent lamps or fixtures. Homes verified by on-site inspections built to the NESH standard during the time period when the State of Montana code in effect was the 2003 International Energy Conservation Code (2003 IECC). The 2003 IECC did not require efficient lighting, so savings from efficient lighting for these verified homes were claimed by NWE as savings influenced by the E+ New Homes Program. There will no longer be savings claimed by the program for energy efficient lighting <u>in new construction</u> now that the new State of Montana code 2009 IECC has been adopted. The efficient lighting program savings were screened through all the other NWE residential efficient lighting programs to verify that no double counting of savings occurred.

PSC-028 cont'd

The E+ Residential New Construction Electric Savings Program for the 2010-2011 tracker period is a Demand-Side-Management (DSM) funded prescriptive rebate program. The program offers rebates for the purchase and installation of electric conservation measures in residential new construction homes. The measures are a result of the 2010 Nexant/Cadmus electric DSM Potential Assessment study and all measures pass the total resource cost (TRC) test using current electric avoided costs.

b. The Department of Environmental Quality (DEQ) administered the Montana Energy Efficient Appliance Rebate Program. The program was primarily funded with American Recovery and Reinvestment Act (ARRA) funds. The program offered an incentive for Montanans to invest in ENERGY STAR-certified appliance products while recycling old inefficient units. The Montana program ran throughout the late spring and summer of 2010 with a short second duration in mid-December.

Program rebates were $100 for an Energy Star qualified residential-sized clothes washer, $50 for an Energy Star qualified residential-sized dishwasher, $100 for an Energy Star qualified residential-sized refrigerator, and $70 for an Energy Star qualified residential-sized freezer. NWE co-sponsored the program with market transformation Universal System Benefits (USB) funds to promote the program offering to NorthWestern Energy customers. Other funding sources may have been provided to the DEQ program, but NWE does not possess this information. DEQ provided NWE with the buyer's zip code information for qualifying appliances purchased and rebated in NWE's electric and/or natural gas service areas. Because cost-effectiveness criteria are not applied to USB-funded market transformation programs, an analysis of program cost effectiveness was not performed.

c. The goal of the ENERGY STAR 80 Plus Program is to continue to build market momentum for the 80 PLUS Computer Power Supply Efficiency Program (80 Plus Program) in the Pacific Northwest. NWE provides financial support to encourage market transformation and to achieve short-term resource acquisition targets. The 80 Plus Program targets units that meet the most recent respective ENERGY STAR specifications. The program encourages the purchase of computers with a high-efficiency power supply through a buy-down that allows manufacturers to sell these computers at the same or similar cost as computers with a less efficient power supply. The focus is on personal computers, desktop-derived servers, data center servers and monitors sold to the commercial sector.

PSC-028 cont'd

Incentives are paid to computer manufacturers for sales in NWE's markets reported at zip code level for qualifying equipment at the following levels:

- $10 manufacturer buy-down for desktop computer models that are shipped with features meeting the ENERGY STAR 5.0 specification;
- $10 manufacturer buy-down for desktop-derived servers that are shipped with features meeting the ENERGY STAR 5.0 specification;
- $20 manufacturer buy-down for data center servers that are shipped with features meeting the ENERGY STAR 1.0/2.0 specification, and
- $5 manufacturer buy-down for monitors that are shipped with features meeting the ENERGY STAR 5.0+10% specification.

This 80 Plus Program is funded with DSM dollars and passes the total resource cost (TRC) test using current electric avoided costs.

PSC-029

Regarding: DSM Budget
Witness: Thomas

Please provide paper and working electronic copies of all documents supporting the projected cost of $8,063,519 for DSM programs and labor during the 2011-2012 tracker period with all supporting files and links intact.

RESPONSE:

See response to Data Request PSC-001(a).

PSC-030

Regarding: Cost-Effectiveness Tests
Witness: Thomas

a. Please provide paper and working electronic copies of all work papers, calculations, analyses and cost-effectiveness tests that NorthWestern used to initially determine whether to implement the following DSM programs: (1) E+ Commercial Electric Rebate Program for New Construction; (2) E+ Residential Electric Savings Program; (3) E+ Commercial Electric Program for Existing Facilities; (4) E+ New Homes; (5) E+ Electric Motor Rebate; (6) E+ Irrigator Program; and (7) Bozeman Building Blocks.

b. Please provide paper and working electronic copies of any work papers, calculations analyses and cost-effectiveness tests NorthWestern has used to determine whether to implement any behavior-based or information-based DSM programs.

c. Please list and describe any DSM programs or measures NorthWestern has or will consider during the 2010-2011 and 2011-2012 tracker periods.

RESPONSE:

a. Please see response to Data Request PSC-001(a). The following table associates specific DSM programs with files that provide the requested information:

Program	Supporting file(s)
E+ Commercial Electric Rebate Program for New Construction	NWE EE Potential_FINAL 20100427.pdf; Appendix A_Measure Descriptions_FINAL_20100427.pdf; Appendix B_Measure Details_FINAL_20100427.pdf; Appendix C_Detailed Potential_FINAL_20100427.pdf; Commercial Measures List Rev 5 FINAL 20100831.xls
E+ Residential Electric Savings Program	NWE EE Potential_FINAL 20100427.pdf; Appendix A_Measure Descriptions_FINAL_20100427.pdf; Appendix B_Measure Details_FINAL_20100427.pdf; Appendix C_Detailed Potential_FINAL_20100427.pdf; Residential Measures List Rev 2 FINAL 20100714.xls
E+ Commercial Electric Program for Existing Facilities	NWE EE Potential_FINAL 20100427.pdf; Appendix A_Measure Descriptions_FINAL_20100427.pdf; Appendix B_Measure Details_FINAL_20100427.pdf; Appendix C_Detailed Potential_FINAL_20100427.pdf; Commercial Measures List Rev 5 FINAL 20100831.xls
E+ New Homes	None available; USB funded program – see response to PSC-028(a)

PSC-030 cont'd

E+ Electric Motor Rebate	NWE EE Potential_FINAL 20100427.pdf; Appendix A_Measure Descriptions_FINAL_20100427.pdf; Appendix B_Measure Details_FINAL_20100427.pdf; Appendix C_Detailed Potential_FINAL_20100427.pdf; Commercial Measures List Rev 5 FINAL 20100831.xls
E+ Irrigator Program	NWE EE Potential_FINAL 20100427.pdf; Appendix A_Measure Descriptions_FINAL_20100427.pdf; Appendix B_Measure Details_FINAL_20100427.pdf; Appendix C_Detailed Potential_FINAL_20100427.pdf; Commercial Measures List Rev 5 FINAL 20100831.xls, Note: The customer incentive part of the program requires individual project analysis by engineers.

The Bozeman Building Blocks Pilot Program was a pilot/test program. The pilot/test program was designed to increase small commercial customer participation in NWE prescriptive rebate and customer incentive conservation programs. The pilot/test program was also designed to determine whether completion of a quality and comprehensive audit that identified cost-effective electric and natural gas conservation measures along with engineering estimates of cost, and presentation and detailed explanation of the audit results would cause the commercial customer to implement the measures identified in the audit. The pilot identified a three-block area in downtown Bozeman. Audits were performed by a contractor and presented to customers by NWE and contractor personnel. The pilot/test program is currently under way. Audits are now complete and audit results have been presented to all commercial customers in the target area. NWE personnel are contacting the customers every six months to remind them of the audit recommendations, notify them of any changes to NorthWestern's DSM programs, and encourage them to participate. Small commercial customer participation rates compared to customers who did not receive a free comprehensive audit will be determined in late 2012.

b. Refer to the file "NWE evaluation of OPOWER Program WMT-MC1.xls" provided on the CD attached to the response to Data Request PSC-001(a). NorthWestern notes that this analysis, using this spreadsheet model, was discussed in extensive detail with MPSC staff via teleconference on June 9, 2011.

c. This was covered in detail in my Prefiled Direct Testimony beginning on page WMT-7. As stated on page WMT-21 of my Prefiled Direct Testimony, NorthWestern will continue its contracts with previous and new outside services providers and will offer this same group of electric DSM programs, modified and/or expanded as described above, during the 2011-12 tracker period. Detailed information about DSM measures NorthWestern has or will consider during the 2010-2011 and 2011-2012 tracker periods

PSC-030 cont'd

are provided in the response to Data Request PSC-001(a). Please refer specifically to the following files:

- NWE EE Potential_FINAL 20100427.pdf
- Appendix A_Measure Descriptions_FINAL_20100427.pdf
- Appendix B_Measure Details_FINAL_20100427.pdf
- Appendix C_Detailed Potential_FINAL_20100427.pdf
- Residential Measures List Rev 2 FINAL 20100714.xls
- Commercial Measures List Rev 5 FINAL 20100831.xls

Additional guidance in the future on this matter will be provided to NorthWestern by the results of the DSM Evaluation that will be performed in 2012, with results expected in late 2012. NorthWestern will incorporate the findings and recommendations of that work into the 2013 programs as necessary and appropriate.

PSC-031

Regarding: USB Savings
Witness: Thomas

a. Please provide a detailed breakdown of the mix of USB and DSM funding for any program that is funded by both sources.

b. Please quantify how much, if any, of NorthWestern's payments to the Northwest Energy Efficiency Alliance come from USB funds.

c. Please explain the rationale for recovering lost revenues for energy savings acquired through USB programs.

d. Please explain NorthWestern's position regarding whether it should continue to recover lost revenues for savings achieved through USB programs.

e. Please explain the rationale for counting USB savings toward DSM goals.

RESPONSE:

a. The E+ Commercial Lighting Rebate Program receives funding from USB for rebates paid to non-Large USB Choice customers. All other rebates for this program are funded with DSM dollars. The Green Blocks Pilot Program receives USB funds for the E+ Audit for the Home, and the balance of the funding is provided through DSM — i.e., E+ Lighting for the Home.

b. The majority of NorthWestern's payments to the Northwest Energy Efficiency Alliance (NEEA) come from energy supply DSM funds. A total of $83,089 of electric USB funds reported in 2010 was directed to NEEA for the Cold Climate Heat Pump pilot demonstration project. This activity is separate from the general contract between NWE and NEEA which is funded through DSM. Savings associated with this expenditure and activity is anticipated to be reported in the 2011-2012 tracking period.

c. NorthWestern should continue to recover lost revenues for savings achieved through USB programs. The rationale for recovery of lost revenues is the same for energy conservation and energy efficiency savings achieved by utility-sponsored programs whether funded through USB or energy supply rates. In ARM 38.5.8218 (4) DEMAND-SIDE RESOURCES of the Electric Resource Procurement Guidelines, guidance regarding blending of USB and DSM programs is provided:

PSC-031 cont'd

> *"A DSU's investment in demand-side resources should be coordinated with and complement its universal system benefits activities."*

It seems clear that the intent of this section of the Guidelines is to encourage NorthWestern to maximize the energy savings achieved through continued and coordinated operation of both USB and DSM funded programs, especially through synergies in program funding and administration where appropriate. Thus, the Guidelines encourage USB-funded energy savings that, in turn, contribute to reduced transmission and distribution throughput which adds further to the lost revenues caused by energy supply-funded DSM programs.

Reduction in energy throughput from direct utility programmatic intervention in the markets, regardless of funding source for the program(s), results in lost transmission and distribution revenues, and lost revenues are part of the cost of the utility's overall energy efficiency and energy conservation effort.

d. In the context of lost revenues caused by utility-sponsored and operated energy conservation and energy efficiency programs that directly or indirectly intervene in the marketplace, no distinction is made between energy savings from USB or other utility funding sources. Energy savings from specific programmatic actions by NorthWestern, whether funded by USB or energy supply DSM sources, have the effect of reducing transmission and distribution throughput. This, in turn, reduces collection of fixed costs associated with or allocated to the transmission and distribution system. Such costs would be collected but for the conscious decision by NorthWestern (encouraged by MPSC Order) to offer DSM and USB programs and related activities that result in reduced energy sales. NorthWestern believes Lost Revenues are a legitimate impact of both USB and DSM efforts and it should continue to recover lost revenues associated with USB programs.

e. In the 1970s, the generalized term "energy conservation" was widely used to reference utility efforts to limit demand and consumption on its system. "Energy conservation" gave way to the broader, more encompassing term Demand Side Management (DSM). DSM is, at times and in different contexts, now used as a generic or umbrella term for all energy efficiency activities. In NorthWestern's case, this remains true whether such activities are funded through the Universal System Benefits (USB) Charge, energy supply rates, American Recovery and Reinvestment Act (ARRA) funds, customer funds, state funds, other sources, or a combination of some or all of these. Additionally, DSM has been used to describe or encompass energy savings and energy efficiency from Smart Grid activities, Demand Response projects/programs, or load management.

PSC-031 cont'd

In certain constructions, the term "DSM" has a specific meaning in the context of NorthWestern's annual electric supply tracker dockets, i.e., a collection of specific programs and activities intended to reduce electric energy usage and which are funded through energy supply rates.

An unfortunate application of the term DSM had its genesis in 2004 when NorthWestern started to expand its energy savings and energy efficiency programs using cost recovery through energy supply rates. To differentiate these new activities from other efforts funded through USB, DSM came into common use in the internal and regulatory dialog as a term applicable to, and used as a collective reference for, the new group of energy supply-funded programs. It serves as a simple means to separate them from the USB-funded previous/ongoing programs in the USB categories of Local Conservation (e.g., home energy audits, irrigation efficiency projects, etc.) and Renewable Energy. All utility-sponsored energy efficiency activities (including Smart Grid and Demand Response) can correctly be referred to as DSM, but not all such activities are funded by energy supply rates. Thus, certain USB activities are a form of DSM, but DSM is not a form of USB even though some USB programs produce energy savings.

NorthWestern sets annual goals for total energy savings, whether from USB activities or DSM programs. These annual energy savings goals are the result of careful and detailed DSM Potential Assessments, and expectations about what NorthWestern's programs (USB plus DSM) can achieve on a sustained basis. This overall annual goal has come to be called the DSM goal, currently set at 6.0 aMW per year, using the generalized meaning of the term DSM.

In each annual tracker filing, NorthWestern is careful to report and document respective USB savings and DSM (energy supply funded) energy savings. Both contribute to the total annual energy savings and energy efficiency goal, and both also contribute to Lost Revenues.

Perhaps it would be less confusing to choose and use another term instead of DSM when referring to energy supply-funded energy efficiency programs, and use DSM as the overarching umbrella term that it is, one which includes all activities on the demand side of the business. Alternatively, we could continue forward using the terminology that has evolved since 2004, with common understanding of its usage and meaning in different contexts as described above.

PSC-032

Regarding: Green and Building Blocks Programs
Witness: Thomas

a. Please provide the ratio, formula or method used to credit the energy savings from Green Blocks to the following three programs: (1) E+ Energy Audit for the Home; (2) E+ Residential Electric Savings Program; and (3) E+ Residential Natural Gas Rebate Program?

b. Please explain how the Building Blocks program in Bozeman differs from the Green Blocks programs in Helena and Missoula.

c. Please provide the interim report submitted by the National Center for Appropriate Technology.

RESPONSE:

a. There is no specific ratio or formula used to credit the energy savings from the Green Blocks Pilot to the (1) E+ Energy Audit for the Home; (2) E+ Residential Electric Savings Program and (3) E+ Residential Natural Gas Rebate Program. The method is detailed below for each program:

(1) E+ Energy Audit for the Home

Savings are calculated dependent on Audit type and whether a home participating in the Green Blocks Pilot has been previously audited. An amount of direct and indirect savings is assigned to each audit type. Through the 2007 Program Evaluation performed by Nexant, deemed savings were derived for each specific audit type. Direct and indirect savings for each specific audit type were also derived. For homes participating in the Green Blocks Pilot that have been previously audited, those homes are credited with indirect energy savings only (specific to the audit type). For homes participating in the Green Blocks Pilot that have not been previously audited, those homes are credited with direct and indirect energy savings (specific to the audit type).

(2) E+ Residential Electric Savings Program

There is no energy savings credited to the E+ Residential Electric Savings Program through the Green Blocks Pilot.

PSC-032 cont'd

(3) E+ Residential Natural Gas Rebate Program

Savings are calculated dependent on what cost effective measures were installed, specific to the individual homes participating in the Green Blocks Pilot. Deemed savings were assigned to each measure based on the 2003 KEMA Natural Gas Resource Assessment. Measures could include insulation, programmable thermostats, weatherization kits, etc.

b. The following discussion compares and contrasts the two programs:

Building Blocks Pilot Program

Target Market: Commercial (commercial and mixed use—commercial/residential) in 3-square-block area in downtown Bozeman.
Outreach: Primarily NWE staff and its program contractor. Includes regular follow-up with participants.
Energy Audit: Comprehensive assessment by experienced energy professional.
Customer Contribution: Customer funds improvements less NWE rebates or incentives.
Goals: Persuade customer to implement cost effective measures and to test the value of an expanded energy audit to achieve cost effective results.
Description: The Building Blocks Pilot program targeted a 3-square-block Commercial area in Bozeman, MT. The target area included a diverse group of approximately 45 facilities (commercial and mixed-use commercial/residential) with a combined total of about 50 natural gas accounts and 100 electric accounts. Facilities received an energy audit which was more comprehensive than that provided through the E+ Energy Appraisal for Small Businesses and less exhaustive than a comprehensive energy study normally provided under E+ Business Partners. The primary goal of the Building Blocks Pilot is to persuade targeted businesses to implement most or all of the cost effective DSM opportunities available in their respective facilities within a reasonable time period. This allows the businesses to better manage their energy costs. A second goal is to test whether use of a modified approach to energy auditing on these facilities can preserve the overall cost effectiveness of the effort. Under the Building Blocks Pilot, the customer makes the investment in the efficiency improvements with the exception of the rebates or incentives provided through the standard Efficiency Plus (E+) offerings. The outreach, audit, and follow-up for the Building Blocks Pilot are provided by NorthWestern Energy staff and its program contractor.

PSC-032 cont'd

Green Blocks Pilot Program

Target Market: Residences in concentrated areas as cultivated by City and its partners in Missoula and Helena
Outreach: City and its partners — i.e. neighborhood champions, neighborhood councils, water utility — as selected by City.
Energy Audit: Standard E+ Audit for the Home supplemented with installation of air sealing measures as needed.
Customer Contribution: Limited to cosmetic and non-energy structural requirements.
Goals: Test cost-effectiveness of NWE's programs to fully fund the complete weatherization of a residence without a direct customer contribution for the efficiency improvements. Test effectiveness of community-driven marketing and outreach efforts as a way to reduce promotional costs to free up funding for energy-saving measures.
Description: The Green Blocks Pilot program works in partnership with the Missoula and Helena City governments and the Cities' respective partners in their communities targeting residences. NorthWestern's participation is limited to energy efficiency but the Cities include other initiatives as they deem appropriate. For NorthWestern Energy, the goal of the Green Blocks Pilots is to test whether it is cost effective for the utility's programs to fully fund the installation of all cost-effective energy efficiency and conservation measures of a residence without a direct customer contribution for the cost. The approach is to concentrate customer participation in a manner that maximizes the efficiency of the resources (streamline audit schedules and schedules/costs with installers of insulation and equipment) while minimizing marketing expenses. Outreach and marketing is primarily handled by the City and its partners which reduces normal program costs.

Homes receive an E+ Audit for the Home. As a supplement to the typical audit, air sealing measures are installed. The program contractor schedules installation of qualifying measures (measures to which rebates would normally apply) as agreed to by the customer. The direct measure (i.e. insulation) is funded through the Pilot program, and the customer's contribution is limited to the cosmetic or non-energy structural needs. Work is performed primarily through a specified set of preferred contractors to streamline scheduling and manage installation costs.

PSC-032 cont'd

To the extent that the customer agrees to allow it, all cost effective energy saving measures are installed during this program. Not all homes provide opportunities for cost-effective energy-saving measures. Not all customers with homes where cost-effective energy-saving opportunities exist agree to allow any and/or all of the measures installed even when the program covers the measure cost. Energy use is monitored and an evaluation of the pilot effort is completed to determine cost-effectiveness of this approach.

c. See file "Vendor Tracking 2010 FINAL – NCAT 20101227.xls" on the CD attached to the response to Data Request PSC-001(a).

PSC-033

Regarding: E+ Lighting Programs
Witness: Thomas

a. Please explain when and how NorthWestern Energy will modify its E+ Lighting program eligibility criteria to reflect the beginning of the effects of Federal Regulations on compact fluorescent lights (CFLs) and other lighting technologies.

b. Please explain whether and how NorthWestern Energy will claim savings from previously-installed CFLs after the federal regulations go into effect.

RESPONSE:

a. The federal regulations relating to CFLs and other lighting technologies will be phased in over a three-year period beginning January 1, 2012. These new regulations apply to manufacturing of lighting products, not retail sale of them. Remaining shelf stock of lighting products (e.g., incandescent bulbs) will continue to be sold and installed by consumers for perhaps a year or more following the effective dates of the new regulations for each respective lighting product. Energy savings opportunities remain during this interim period that retailers' lighting shelf stock clears. If consumers can be persuaded through NorthWestern's E+ Lighting Rebate programs to purchase CFLs or other lighting technologies during this stock clearing period instead of purchasing the lesser efficient bulbs that will eventually be eliminated by the new regulations, then low-cost DSM resources are acquired – the same as in the past through operation of the E+ Lighting Rebate programs. NorthWestern is now estimating that this period will occur for one year following each of the steps of effective dates of the new regulations over the 2012-2014 period. NorthWestern will monitor this transition and make a decision on when the appropriate time has arrived to eliminate various wattage and lumen-rated CFLs and other lighting technologies that are now included in its programs from its list of qualified and eligible DSM measures, and discontinue rebating those measures and reporting energy savings from them.

b. New federal regulations do not affect DSM savings captured by past actions (e.g., substituting a CFL for an incandescent bulb). The energy savings captured by such past actions persist into the future and are not in any way affected by changes in codes or regulations, as the regulations do not retrospectively compel consumers to change previous choices or actions. The regulations only limit their choice of products in the future. NorthWestern assumes that when individual CFLs or other lighting products that were installed as a result of its DSM efforts eventually burn out or fail, they will be

PSC-033 cont'd

replaced with similar or more efficient lighting products. The new regulations should further solidify this future result as there will only be lighting products to choose from that are the same or more efficient than those initially installed.

PSC-034

Regarding: Exhibit Corrections
Witness: Thomas

Please correct any typos on page 2 of Exhibit WMT-3.

RESPONSE:

NorthWestern cannot find any typos on page 2 of Exhibit__(WMT-3). There are abbreviations and acronyms, but these are not typographical errors.

PSC-035

Regarding: Capitalizing DSM Program Costs
Witness: Thomas

Please explain whether and how NorthWestern or the Montana Power Company ever capitalized DSM costs in the past, providing detail as to the methods, rates of return and depreciation schedules used.

RESPONSE:

See PSC-035 Attachment 1.pdf provided on the CD attached to the response to Data Request PSC-001(a).