

REQUEST FOR PROPOSAL
FOR
REGULATING RESERVE SERVICES
TO
NORTHWESTERN ENERGY
TRANSMISSION SERVICES
NOVEMBER 30, 2006

With this Request for Proposal (RFP), NorthWestern Energy (NWE) Transmission Services invites your proposal to provide regulating reserve services. Generally, respondents to this RFP must be able to provide firm regulating reserve service to NWE that will be used to respond to NWE' s continuous need to balance instantaneous resources with instantaneous load responsibility.

Regulating Reserve Concepts That Must Be Included in Proposals

Respondents to this RFP must provide the following:

1. Term - Respondents should include a term that would start January 1, 2008, however, NWE may require some additional regulating reserve services as early as July 2007. Any length of term alternative will be considered by NWE; however, a minimum of 1 year is required and multi-year and long term options are strongly encouraged in proposals.
2. NWE is seeking up to plus or minus 45 MW of regulating reserve capacity. That is, at any given time, NWE must have an available range of unloaded Automatic Generation Control (AGC) responsive capacity of 90 MW allowing delivery to or from the service provider. Greater regulating reserve capacity may be considered as well as other capacity arrangements that offer the same or better service. Bidders may submit proposals for any portion of the plus or minus 45 MW.
3. The regulating reserve service must be firm and must be provided to NWE's control area. Any transmission required to deliver the service to or receive from NWE's control area must be firm and arranged and paid for by the respondent. NWE will work with respondents to identify potential points of delivery where transmission capacity exists on the NWE system to accept and deliver regulating reserve capacity and energy. Respondents are encouraged to contact NWE in advance of the deadline noted below to discuss Point of Receipt/Point of Delivery options.
4. Proposals must specify the minimum contractual ramp rate of the generating equipment that will be used to provide the regulating reserve service.

Hardware, Software and Communications

The respondent's proposal must provide for the procurement and cost of the computer interface, hardware and software, from the NWE interface, installed at the successful

service provider's location, to the provider's computer system. NWE Energy Management System (EMS) personnel will provide required hardware and protocol and technical information to the successful bidder. A dedicated communication path must be acquired from the successful provider's equipment to NWE's EMS.

RFP Responses

1. Response Development and Presentation

In addition to the required information requested above, a respondent should provide as a minimum the following information and provisions:

- a) Term Options of a Proposed Agreement
- b) Point of Delivery/Point of Receipt to/with NWE's Transmission System
- c) Intervening Transmission Systems and/or Control Areas
- d) Description of Services to be Provided
- e) Regulating Reserve Services must be dynamically scheduled capacity, which is available at all times to NWE and capable of being integrated into NWE's AGC system.
- f) Pricing Terms and Conditions - NWE suggests that respondents structure bids with a capacity charge for the regulating reserve service along with a cash settlement for the hourly energy that flows between the supplier and NWE as a result of the service. Other pricing arrangements suggested by bidders may also be considered.
- g) Assignment and Termination Provision
- h) Ramp Rate - MW/minute
- i) Contact Person (mailing address, fax, phone, e-mail)

2. Responses

Respondents must reply by package delivery, fax or e-mail on or before the deadline. A response by fax or e-mail must be accompanied by a hard copy that must arrive via package delivery within three working days. If an offer has special conditions, those special conditions must be stated. **All prices must be valid until negotiations are concluded.**

3. Deadline to Respond

NorthWestern Energy must receive responses on or before 5 p.m. MDT, Monday, January 15, 2007. All responses will be acknowledged with an email message.

4. **Commencement**

Services will begin either July 1, 2007 (if applicable) or January 1, 2008 as needed by NWE.

Timeline

Deadline to Respond	No later than 5 p.m. MDT January 15, 2007
Evaluate RFP/Negotiations	January 16, 2007 through February 28, 2007

NWE, in its sole discretion, reserves the right to modify the Timeline if required.

Selection

Pricing, flexibility, contract term, and diversity will all be considered in selecting the winning bid(s). NWE reserves the right to select any combination or none of the proposals.

Confidentiality

NWE's Transmission Services will keep all responses confidential. Because NWE's Transmission Services is regulated, NWE may be required to release RFP information to the appropriate regulatory authorities and other intervening parties during the course of future regulatory proceedings. If such disclosure is required, NWE will notify the potential bidder within a reasonable time so that they may take any action deemed appropriate to protect its information.

Contact

Questions and Individual to Receive Proposals:

Tom Loberg
Director, Transmission Business Development
NorthWestern Energy
40 E Broadway
Butte, MT 59701
Phone: (406) 497-3361 Fax: (406) 497-2048
Email: tom.loberg@northwestern.com