

Attachment 1 - Request For Proposal  
For  
Regulating Reserve Service  
To  
NorthWestern Energy  
Transmission Services  
September 14, 2009

With this Request for Proposal (“RFP”), NorthWestern Energy (“NWE”) Transmission Services invites your proposal to provide regulating reserve service and other potential within-hour services in order to meet its control performance standards and to optimize the operation of the Mill Creek Generation Station (“MCGS”). 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.

NWE will evaluate the proposals based on the following criteria:

a) Price of service

Respondents should provide a clear description of its pricing basis, and respondents are strongly encouraged to follow the suggested pricing concepts outlined in the “Requirements” section below

and

b) Ability to perform service

The respondent must provide documentation to support its ability to provide this type of service as required within this RFP. This documentation should include reference lists from parties that have utilized these, or similar, services in the past from the respondent.

The respondents must also satisfy the specific requirements listed in this RFP document.

**Requirements:**

**Regulating Reserve Concepts That Must Be Included in Proposals**

Respondents to this RFP must provide the following:

1. Term - Respondents must include a term that would start January 1, 2011. Any length of term will be considered by NWE; however, a minimum of 1 year is required.
2. NWE is seeking up to 102 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 zero to up to 102 MW at any moment of any hour allowing delivery to or from the service provider. Other capacity and energy arrangements that

offer the same or better service may be considered as well. Bidders may submit proposals for any portion up to 102 MW. Any period when service may not be available or is reduced must be clearly described in responses.

3. The regulating reserve service must be firm and must be provided to NWE's balancing authority area. Any transmission required to deliver the service to or receive from NWE's balancing authority 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.

***Other potential within-hour services will be considered in conjunction with regulating reserve capacity and/ or the operation of the MCGS. Other potential within-hour services are any product which is commercially available and sufficient to be used to provide normal regulation margin to meet NERC Control Performance Criteria.***

### **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 and Renewal Options of a Proposed Agreement
- b) Point of Delivery/Point of Receipt to/with NWE's Transmission System
- c) Intervening Transmission Systems and/or Balancing Authorities
- d) Description of Service to be Provided
- e) Regulating reserve service 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. **All prices must be valid until negotiations are concluded.**

3. Deadline to Respond

NorthWestern Energy must receive responses on or before November 2, 2009. All responses will be acknowledged with an email message.

4. Commencement

Respondents must be capable of beginning service on January 1, 2011.

**Timeline**

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

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

<u>Activity</u>	<u>Date:</u>
RFP posted on NWE OASIS Website	09/14/2009
Electronic Solicitation for Request for Proposal	09/14/2009
Pre-Bid Conference	09/28/2009
Deadline to Respond	11/02/2009
Evaluate RFP/Negotiations	11/02/2009 to 01/01/2010
Execution and Filing of Agreements with FERC	Early 2010

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). Any generation facility that is intended to supply firm regulating reserve service to NWE must be fully operational by January 1, 2011 and capable of providing the required service, as determined by NWE in its sole discretion. NWE reserves the right to select any combination or none of the proposals. This is an RFP and no binding legal obligation will be entered into unless and until the successful bidder and NWE negotiate and execute a definitive agreement. Please

note, the successful bidder may be required to provide and file with FERC a Market Power Study to evaluate possible market power concerns in the sale of regulating reserve service into the NorthWestern balancing authority to comply with the Federal Energy Regulatory Commission's filing requirements of the final agreement. Any cost associated with this study will be the responsibility of the successful bidder.

### **Confidentiality**

All responses will be kept confidential by NWE Transmission Services and its Independent Monitor. Because NWE is regulated, NWE may be required to release RFP information to the appropriate regulatory authorities and other intervening parties during the course of regulatory proceedings associated with this process or other regulatory proceedings. NWE has retained the services of Brown, Williams, Moorhead & Quinn Inc., Energy Consultants, ("BWMQ") to perform the duties of Independent Monitor for the RFP process. NWE will release RFP information to BWMQ as needed to enable BWMQ to perform these duties.

### **Contact**

Questions and Individual to Receive Proposals:

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