

**Request for Proposal  
For Regulating Reserve Service  
To Optimize the Operation of  
Dave Gates Generating Station at Mill Creek**

**Updated Questions  
November 22, 2011**

**Question:**

Your RFP states, “.....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”. The bidder would prefer not to include the transmission rate in the total cost of the regulation service. Since NWE is requesting a long-term contract and since the cost-based rate for transmission service changes from time to time, the bidder would prefer to quote a price for the regulation service and a separate price for the transmission service based upon the bidders OATT, as amended. Is this acceptable?

**Answer:**

NorthWestern Energy will consider a bid that clearly describes the bidders logic and assumptions in the response. A bidder must clearly identify all Transmission rates, and if they may fluctuate as to the cost and the POR/ POD.

**Updated Questions  
November 17, 2011**

**Question 1:**

**Is the regulation service firm which requires bidders to carry a contingency reserve?**

**Answer:**

Please Refer to number 3 in the Requirements Section of the RFP which states that the regulating reserve service must be firm and must be provided to NWE's balancing authority area. It will be the requirement of the bidder to review their balancing authorities contingency reserve requirements.

**Question 2:**

**Does NorthWestern Energy prefer to settle the energy component financially and not require a back schedule of energy?**

**Answer:**

Northwestern will require a back schedule of energy and this back schedule will be settled financially on a monthly basis.

**Question 3:**

**What is the link to the website referred to in the pre-bid conference call?**

**Answer:**

As stated in Question 7 below the link is. <http://www.oatioasis.com/NWMT>. Look under the Folder "Regulating Reserve Services RFP" –(Sub folder) "2011 Regulating Service RFP". All documents will be located in this subfolder.

**Pre-Bid Conference Call**

**October 18, 2011**

**Frequently Asked Questions:**

**Question 1**

Your fixed costs at the Dave Gates Generating Station are sunk. How will NorthWestern evaluate proposals for costs and which variable costs at Dave Gates Generating Station will you be comparing to proposal costs?

**Answer:**

*NorthWestern Energy will evaluate proposed costs consistent with variable costs in our filings.*

Question 2:

Operations and Maintenance, some costs are avoidable costs, which costs at Dave Gates Generating Station does NorthWestern Energy view as avoidable?

*Answer:*

*See answer to Question 1 above.*

Question 3:

Are proposals required to contain a hard commitment or can they be contingent upon Commission approval?

*Answer:*

*As stated in the RFP, the term is intended to start January 1, 2013. NorthWestern Energy will consider any length of term or start date however; a minimum of 1 year is required. The proposed start date and any period when service may not be available or is reduced must be clearly described in responses.*

Question 4:

*Answer:*

*NorthWestern Energy will consider any length of term or start date after January 1, 2013 however; a minimum of 1 year is required. The proposed start date and any period when service may not be available or is reduced must be clearly described in responses. (Duplicate?)*

Question 5:

Is a year old market study acceptable for bidding?

*Answer:*

*NorthWestern Energy will not require a market power study with the initial bid. However, bidders should be aware that Federal Energy Regulatory Commission (FERC) will require a market power study from successful bidders making a market based bid and may require a market power study for a cost based bid. NorthWestern Energy and bidders should not assume that previous studies would be acceptable to FERC. An updated study may be required by FERC and it will be the responsibility of the bidder to complete and pay for the study.*

Question 6:

What if someone has a start date that is outside of the January 1, 2013 anticipated start, would that bid be rejected?

*Answer:*

*As stated in the RFP, the term is intended to start January 1, 2013. NorthWestern Energy will consider any length of term or start date however; a minimum of 1 year is required. The proposed start date and any period when service may not be available or is reduced must be clearly described in responses.*

Question 7:

What is the address for the web site?

*Answer:*

*<http://www.oatioasis.com/NWMT> Under the Folder "Regulating Reserve Services RFP" –(Sub folder) "2011 Regulating Service RFP". All documents will be saved in this subfolder.*