



REQUEST FOR PROPOSALS

*MONTANA
COMMUNITY RENEWABLE ENERGY PROJECTS*

Issued May 17th, 2017

Proposals Due June 28th, 2017

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Table of Contents

1. INTRODUCTION	4
2. STANDARDS FOR CREP QUALIFICATION	5
3. COST COMPETITIVENESS	7
4. FEDERAL PRODUCTION TAX CREDIT.....	7
5. FORMS OF AGREEMENT.....	7
5.1 POWER PURCHASE AGREEMENT.....	7
5.2 BUILD-TRANSFER AGREEMENT.....	7
6. LOCATION OF PROJECT DELIVERY	8
7. SCHEDULE.....	9
7.1 SCHEDULE SUMMARY.....	9
7.2 PRE-DEADLINE CONFERENCE CALLS.....	10
7.3 CONTRACT TEMPLATE.....	10
7.4 PROPOSAL SUBMISSION.....	10
7.5 SHORTLISTING AND FINALISTS.....	10
7.6 SECURITY.....	11
8. PROPOSALS.....	11
8.1 COVER LETTER (NO PROPOSAL SECTION NUMBER).....	11
8.2 PROPOSAL SECTION 1: EXECUTIVE SUMMARY	11
8.3 PROPOSAL SECTION 2: COMPLETED TEMPLATE	12
8.4 PROPOSAL SECTION 3: PRICE.....	12
8.5 PROPOSAL SECTION 4: PROJECT TEAM	12
8.5.1 <i>Experience and Qualifications.....</i>	12
8.5.2 <i>Organizational Structure.....</i>	13
8.6 PROPOSAL SECTION 5: DETAILED PROJECT DESCRIPTION.....	13
8.7 PROPOSAL SECTION 6: ENERGY PROJECTIONS	13
8.7.1 <i>Biomass and Methane Projects.....</i>	14
8.7.2 <i>Geothermal Projects.....</i>	14
8.7.3 <i>Solar Projects.....</i>	14
8.7.4 <i>Wind Projects.....</i>	14
8.7.5 <i>Hydro-Electric.....</i>	15
8.7.6 <i>Other Renewable Resource Types.....</i>	15
8.8 PROPOSAL SECTION 7: FINANCIAL	15
8.9 PROPOSAL SECTION 8: INTERCONNECTION AND TRANSMISSION TO THE POINT OF DELIVERY	16
8.10 PROPOSAL SECTION 9: PROJECT DEVELOPMENT SCHEDULE AND STATUS.....	17
8.10.1 <i>Schedule.....</i>	17
8.10.2 <i>Permits and Approvals.....</i>	17
8.10.3 <i>Construction</i>	17
8.10.4 <i>Testing.....</i>	18
8.10.5 <i>Commercial Operation.....</i>	18
8.11 PROPOSAL SECTION 10: SITE CONTROL	18
8.12 PROPOSAL SECTION 12: ENVIRONMENTAL.....	18
8.12.1 <i>Environmental Assessment.....</i>	18
8.12.2 <i>Critical Environmental Conditions.....</i>	19
8.12.3 <i>Wildlife and Habitats.....</i>	19

8.12.4	<i>Guidelines for Wind</i>	19
8.12.5	<i>Environmental Permitting</i>	20
8.12.6	<i>WREGIS Certification</i>	20
8.13	PROPOSAL SECTION 13: COMMUNITY RENEWABLE STATUS.....	20
8.14	PROPOSAL SECTION 14: CONTRACT EXCEPTIONS.....	21
9.	EVALUATION CRITERIA	21
9.1	PRICE AND VALUE OF ENERGY, CAPACITY AND RECS.....	21
9.2	COMPANY/DEVELOPMENT TEAM.....	21
9.3	TECHNOLOGY.....	21
9.4	SITE SUITABILITY.....	21
9.5	DEVELOPMENT MILESTONES.....	22
9.6	NON-EXCLUSIVE LIST.....	22
10.	ADDITIONAL PROVISIONS	22
10.1	RIGHT TO TAKE NO ACTION.....	22
10.2	CONFIDENTIALITY.....	22
10.3	REGULATORY APPROVALS.....	23
10.4	OWNERSHIP AND RETURN OF RESPONSES.....	23
10.5	COST OF RESPONDING.....	23

APPENDICES

Appendix A – Response Template

Appendix B – PPA Template

Appendix C – Build-Transfer Template

Appendix D – Bid Security Agreement

1. INTRODUCTION

NorthWestern Corporation d/b/a NorthWestern (“NorthWestern”) seeks up to 45 MW¹ of eligible Community Renewable Energy Projects (“CREP” or “CREPs”) to augment its Montana energy resource portfolio with targeted Commercial Operation Dates (“CODs”) prior to the end of 2018, although projects with later CODs will be accepted and considered. Proposals are hereby requested from developers, landowners, energy companies and Montana businesses that can provide CREP resources to NorthWestern. This solicitation does not cover, nor is NorthWestern in this RFP soliciting proposals for non-CREP renewable resources, unbundled renewable energy credits (“RECs”), or non-renewable resources.

NorthWestern is required to procure CREP resources under Montana law. The CREP provisions of the Montana Renewable Portfolio Standard (“RPS”) were established to specifically promote the development and ownership of smaller renewable energy projects by in-state owners. In order to meet the standards for CREP development, both NorthWestern and the project developers must meet a number of criteria established under Montana statutes and as administered and enforced by the Montana Public Service Commission (“MPSC”). Respondents must closely review the legal requirements for CREP eligibility prior to submitting proposals and ensure that CREP eligibility is clearly and completely demonstrated in the proposal.

A conference call will be held on May 25th, 2017 at 10:00 am Mountain Time to answer questions concerning the RFP. Conference call information will be posted in advance of the call. All potential RFP respondents are encouraged to participate in the call. Other dates are included in Section 7 below.

NorthWestern, as a regulated investor-owned utility in the State of Montana, follows certain guidelines regarding the procurement of electric resources provided for in statute and by the MPSC, which are summarized in §69-3-2005, MCA. These guidelines include the use of competitive solicitations such as this RFP. This RFP is the preferred process for NorthWestern to receive, evaluate, and potentially select CREP eligible proposals for contracting purposes. Proposals not submitted into the competitive process will not be considered.

NorthWestern will consider both Power Purchase Agreements (“PPA”) and Build-Transfer (“B-T Agreement”) arrangements in this RFP. NorthWestern’s form of PPA is provided in Appendix B, and the term sheet provisions for a Build-Transfer Agreement are included in Appendix C.

NorthWestern will neither submit nor consider a self-build option in competition against the proposals submitted.

Sapere Consulting (“Sapere”) will administer the RFP and will serve as the point of contact for all respondents. **Any inquiries or correspondence regarding this RFP must be directed to Sapere:**

Steve Lewis
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206-726-3695

Andrew Bulmer
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509-860-0452

Carol Loughlin
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206-732-6533

¹ There are many factors that influence NorthWestern’s estimate of needed CREP resources. The determination is under continuous review and the amount ultimately procured may change. Changes during the course of this solicitation may not be communicated to the respondents. In order to reach 45 MW of additional CREP capacity, NorthWestern may contract with two or more parties for multiple projects eligible for CREP status.

2. STANDARDS FOR CREP QUALIFICATION

CREP facilities must meet the standards for both renewable energy projects and for CREP. The Montana Codes for both renewable projects (CREP or non-CREP) and the additional requirements for CREP are listed below. Potential respondents should review the current statutes and determine if it is appropriate to seek independent legal advice regarding these provisions. NorthWestern or Sapere will not provide legal assistance or legal interpretations to respondents.

Prior to commercial operation, and as a required condition of the agreement with NorthWestern, if such agreement is a PPA and/or such project is an expansion of existing hydroelectric project, the selected respondent will obtain from the MPSC a declaration that the proposed ownership structure satisfies Montana's CREP requirements and/or it qualifies as a renewable energy project under the law, or such agreement is a B-T Agreement, the selected respondent will support an assist NorthWestern in obtaining CREP certification.

Renewable Projects

Section 69-3-2003(10), MCA includes the following explanation of qualifying renewable energy projects:

Eligible renewable resource means a facility either located within Montana or delivering electricity from another state into Montana that commences commercial operation after January 1, 2005, or a hydroelectric project expansion referred to in subsection (10)(d)(iii)m, any of which produces electricity from one or more of the following sources:

- a. wind;
- b. solar;
- c. geothermal;
- d. water power, in the case of a hydroelectric project that:
 - i. does not require a new appropriation, diversion, or impoundment of water and that has a nameplate rating of 10 megawatts or less;
 - ii. is installed at an existing reservoir or an existing irrigation system that does not have hydroelectric generation as of April 16, 2009, and has a nameplate capacity of 15 megawatts or less; or
 - iii. is an expansion of an existing hydroelectric project that commences construction and increases existing generation capacity on or after October 1, 2013. Engineering estimates of the average incremental generation from the increase in existing generation capacity must be submitted to the commission for review. The commission shall determine an average annual incremental generation that will constitute the eligible renewable resource from the capacity expansion, subject to further revision by the Commission in the event of significant changes in stream flow or dam operation.
- e. landfill or farm-based methane gas;
- f. gas produced during the treatment of wastewater;
- g. low-emission, nontoxic biomass based on dedicated energy crops, animal wastes, or solid organic fuels from wood, forest, or field residues, including wood pieces that have been treated with chemical preservatives, such as creosote, pentachlorophenol, or copper-chrome-arsenic, and that are used at a facility that has a nameplate capacity of 5 megawatts or less;
- h. hydrogen derived from any of the sources in this subsection (10) for use in fuel cells; and
- i. the renewable energy fraction from:

- i. *the sources identified in this subsection (10) of the electric production from a multiple-fuel process with fossil fuels;*
- ii. *flywheel storage as defined in 15-6-157(4)(d);*
- iii. *hydroelectric pumped storage as defined in 15-6-157(4)(e);*
- iv. *batteries; and*
- v. *compressed air derived from any of the sources in this subsection (10) that is forced into an underground storage reservoir and later released, heated, and passed through a turbine generator.*

Community Renewable Energy Projects - CREP

Section 69-3-2003(4), MCA defines a Community Renewable Energy Project as an “eligible renewable resource that: (1) is interconnected on the utility side of the meter in which local owners have a controlling interest and that is less than or equal to 25 megawatts in total calculated nameplate capacity; or (2) is owned by a public utility and less than or equal to 25 megawatts in total nameplate capacity.”

Section 69-3-2003(11), MCA defines local owner as:

- (a) *Montana residents;*
- (b) *general partnerships of which all partners are Montana residents;*
- (c) *business entities organized under the laws of Montana that:*
 - a. *have less than \$50 million of gross revenue;*
 - b. *have less than \$100 million of assets; and*
 - c. *have at least 50% of the equity interests, income interests, and voting interests owned by Montana residents;*
- (d) *Montana nonprofit organizations;*
- (e) *Montana-based tribal councils;*
- (f) *Montana political subdivisions or local governments;*
- (g) *Montana-based cooperatives other than cooperative utilities; or*
- (h) *any combination of the individuals or entities listed in subsections (11)(a) through (11)(g).*

Note that an out-of-state company that forms an in-state subsidiary needs to ensure that they clearly meet the criteria cited above. Project proposals that do not provide information concerning ownership that clearly demonstrates CREP eligibility may be rejected.

Also note there are rules designed to prevent NorthWestern and CREP owners from splitting single projects into parts to meet the capacity threshold for CREP-eligibility. These rules specify that the total calculated nameplate capacity of any CREP project includes other resources that meet all three of the following tests, which can be found in Section 69-3-2003(19), MCA:

- (a) *located within 5 miles of the project;*
- (b) *constructed within the same 12-month period; and*
- (c) *under common ownership.*

PSC Decisions regarding CREP Eligibility

The Montana PSC has recently ruled on specific requests to certify a resource as CREP under the Montana statutes. They have approved some of these requests and denied others. Review of the rulings and related materials will provide insight into how the rules regarding Montana ownership have been interpreted and enforced by the Montana PSC. The proceedings may be reviewed by looking them up with their docket numbers at <http://psc.mt.gov/Docs/ElectronicDocuments/>

- 1) Rejection of Crazy Mountain: Docket D2014.1.7
- 2) Rejection of Greycliff: Docket D2014.1.9
- 3) Acceptance of Gordon Butte: Docket D2011.11.93
- 4) Acceptance of Lower South Fork: Docket D2103.5.35
- 5) Rejection of Greycliff: Docket D2015.3.23

3. COST COMPETITIVENESS

Montana law stipulates targets for renewable and CREP resources by NorthWestern, but the utility must also ensure that procured resources are cost competitive. The current energy markets are quite low compared to historical levels, making the demonstration of cost-competitiveness challenging for both NorthWestern and project developers. All submitted proposals will be reviewed for cost-effectiveness, which will include the cost of any transmission network upgrade charges or other charges or costs that would be incurred by NorthWestern in procuring the offered PPA or Build-Transfer Agreement.

4. FEDERAL PRODUCTION TAX CREDIT

The federal Production Tax Credits (“PTCs”) for wind projects begins ramping down in 2017 in 20% increments each year and ends for projects commencing in 2020. As in the past, there are safe harbor provisions allowing a project to qualify for PTCs based on a nominal investment or sufficient commencement of construction rather than the commercial on-line date. There are regulatory provisions governing the qualification of projects for this safe harbor treatment. Developers that plan to qualify a project for PTCs or ITCs using the safe harbor treatment should properly research the rules and requirements and include a clear explanation of the approach in the proposal.

5. FORMS OF AGREEMENT

NorthWestern will entertain offers for Power Purchase Agreements (“PPAs”) or Build-Transfer Agreements (“B-T Agreements”). Respondents may submit proposals for just one or both forms of agreement. NorthWestern and Sapere will evaluate all forms of agreement proposed by respondents in a comparable fashion, recognizing that the risks and costs associated with project ownership in a B-T Agreement differ from risks and costs associated with a PPA.

5.1 POWER PURCHASE AGREEMENT

Under a PPA structure, the respondent retains ownership of the project and delivers all electrical output of the project to NorthWestern at the point of delivery specified in the PPA. NorthWestern pays for project output based on energy produced and delivered to the point of delivery. Appendix B provides a template PPA that NorthWestern intends to execute with the selected respondent(s).

5.2 BUILD-TRANSFER AGREEMENT

A respondent that proposes a B-T Agreement shall obtain all permits, acquire equipment, and construct the project. At commercial operation, and subject to acceptance by NorthWestern, the respondent will transfer project ownership, as well as all permits and equipment and contractor warranties to NorthWestern. Appendix C provides a template B-T Agreement Term Sheet that NorthWestern intends to execute with the selected respondent(s). The development and execution of the definitive B-T Agreement will take place after the execution and pursuant to the terms and conditions contained in the

Build-Transfer Term Sheet. The sale under the B-T Agreement will convey ownership in all properties, tangible and intangible, that are part of the project or otherwise required to operate and maintain the project. This includes, but is not limited to, the generating equipment, replacement parts, maintenance equipment and tools, associated equipment such as met-towers, metering equipment, SCADA equipment, the collection and interconnection facilities, rights to the property through transfer in of titles and deeds or transfer of lease agreements, the assignment and transfer of maintenance agreements, warranties, permits and so forth.

6. LOCATION OF PROJECT DELIVERY

There are transmission constraints related to the ability of NorthWestern to accept delivery of the electrical output of the project, particularly for intermittent resources. Projects will be evaluated on a case by case basis. NorthWestern prefers that CREP Projects connecting directly to NorthWestern's system submit interconnection requests and secure interconnection agreements as Network Resources rather than Energy Resources. This will ensure that the study work performed by the NorthWestern Transmission Department factors in the transmission implications required to support the addition of the project to NorthWestern's Energy Supply Department's resource portfolio. Projects that have already commenced the interconnection process as an Energy Resource should contact the Transmission Department to inquire about adding the Network Resource studies to the interconnection process.

Projects that interconnect outside of the NorthWestern Balancing Authority Area ("BA") must secure and pay for transmission and integration services to allow the delivery of the project output to a delivery point on NorthWestern's transmission system and into the NorthWestern BA. Note that NorthWestern owns transmission facilities located in the Western Area Power Administration ("WAPA") balancing area. Projects connecting to these facilities in the WAPA BA are also required to procure balancing and integration services.

Projects that interconnect inside of the NorthWestern BA, but onto facilities owned by another company must secure transmission services to deliver the project output from the point of interconnection to a delivery point on NorthWestern's system.

For all projects that do not propose to interconnect directly to the NorthWestern transmission system within the NorthWestern BA, a full description of the third party provider services must be included in the proposal including the status of interconnection requests, transmission service requests, and ancillary services requests.

Projects that connect to NorthWestern's electric system may submit their interconnection request as either a Network Resource or an Energy Resource.

The impact of congestion for each project will be considered as part of the screening process, including the potential for network transmission upgrade charges. Proposals should clearly indicate and provide any information the respondent has regarding the transmission upgrade charges and also determine which transmission zone their project is in and include the zone identification in their proposal. The associated costs for the transmission upgrade should not be added to your proposed pricing for the project as the costs will be added in the evaluation and screening process. If your project has access to lower cost transmission service, please include an explanation of the access to transmission, the amount of transmission upgrade charges your project will be subject to and an explanation of how the transmission service would be coordinated with the network resource designation to be made for the project by NorthWestern's Energy Supply Department.

7. SCHEDULE

7.1 SCHEDULE SUMMARY

A basic outline for the RFP process is provided in the following table. The dates and times contained in the table are subject to change and may be advanced in order to achieve the best economics available. Any changes will be communicated by e-mail to a distribution list maintained by Sapere. Dates and times may either be advanced or postponed as required by NorthWestern.

DRAFT

ITEM	DATE	TIME (Mountain)
CREP RFP Issued	May 17th, 2017	
Conference Call	May 25 th , 2017	10:00 am
Proposals Due	June 28th, 2017	5:00 pm
Initial Screening Completed	July 7 th , 2017	
Shortlist Selected	July 20 th , 2017	
Finalists Selected	September 8th, 2017	
Contract Negotiations	September -November	

7.2 PRE-DEADLINE CONFERENCE CALLS

A conference call will be held prior to the proposal submission deadline. The conference call is scheduled for May 25th at 10:00 am Mountain Time. This call will provide an opportunity for NorthWestern to elaborate on the RFP process, make specific announcements as needed and take questions from interested parties. Notices for the conference call will be distributed by e-mail in advance. Please contact Sapere staff to ensure that your firm is on the distribution list for the call.

7.3 CONTRACT TEMPLATE

NorthWestern intends to sign a PPA materially in the form of the template included in Appendix B or a Build-Transfer Agreement containing the terms and provisions contained in the Build-Transfer term sheet provided in Appendix C. If changes are proposed to the PPA template, the proposal should include a Microsoft Word version containing the proposed changes in the track changes format. Substantive changes to the proposed contract templates may result in dismissal from consideration.

7.4 PROPOSAL SUBMISSION

Proposals will be submitted to Sapere by electronic file upload. Please contact Sapere ahead of time to set up the account information to upload proposal information. ***The complete electronic proposals must be uploaded prior to the deadline of June 28th at 5:00 pm Mountain Time. Printed copies of the proposals will not be accepted.***

7.5 SHORTLISTING AND FINALISTS

At the conclusion of the initial screening and shortlisting process, Sapere and NorthWestern will make a determination of the screened and shortlisted proposals. There is no predetermined limit to the number of parties that will be included at each step, nor is there any guarantee that any proposals will clear the initial screening or be shortlisted. All parties, including those shortlisted and those not shortlisted will be informed of their status at that time.

7.6 SECURITY

Finalists will be required to furnish bid security in an amount equal to \$2,000 per MW of the proposed project's nameplate capacity within 10 days of notification of selection as finalists. Failure to provide security will result in the dismissal of the proposal from the shortlist. The terms of the bid security arrangement will be established in a separate agreement between respondent and NorthWestern. Additional information defining the acceptable forms of security and the conditions under which NorthWestern will retain or return the bid security will be provided at a later date.

The successful respondent will be required to furnish performance security in an amount at least equal to \$40,000 per MW of the proposed project's nameplate capacity within 5 days of the execution of a PPA or B-T Agreement, to secure the faithful performance of respondent's contractual obligations. The terms governing performance security are established in the PPA and B-T Term Sheet.

8. PROPOSALS

Complete proposals should be submitted in the format and order indicated in this section using the appropriate section headers and section numbering. Failure to follow this outline may result in disqualification. Additional information may be appended in additional sections. This format is provided to improve the ease with which proposals can be reviewed upon receipt. The level of detail represents the amount of information that NorthWestern generally seeks from commercial counterparties regarding proposed power supplies or project developments. Sapere will not be responsible for the preparation or content of any project submittal but will be available to answer questions and provide feedback regarding adherence to the process to submit proposals. Complete proposal submissions are due by 5:00 PM (Mountain Time) on June 28th, 2017.

8.1 COVER LETTER (NO PROPOSAL SECTION NUMBER)

The proposal should include a cover letter, which must contain the signature of a duly authorized officer, elected official or empowered agent of the contracting entity indicating that the proposal is valid. The cover letter should also include and address the following issues:

1. The respondent's proposal is genuine;
2. The proposal is not made in the interest of, or on behalf of, any undisclosed person, firm, or corporation;
3. The proposal conforms to the requirements for a CREP eligible renewable resource in the State of Montana;
4. The respondent has not directly or indirectly induced or solicited any other respondent to submit a false or sham proposal;
5. The respondent has not solicited or induced any other person, firm, or corporation to refrain from proposing; and
6. The respondent has not sought by collusion to obtain for himself/herself any advantage over any other respondent.

In addition, the cover letter may include any other such information as the respondent wishes to include.

8.2 PROPOSAL SECTION 1: EXECUTIVE SUMMARY

Respondents should provide a brief summary of the project. The Executive Summary should contain high-level summaries appropriate for use in briefing sessions and limited if possible to no more than two

pages. The Executive Summary should include such facts that are appropriate for a high level summary that would assist in the review.

8.3 PROPOSAL SECTION 2: COMPLETED TEMPLATE

Respondents should submit the Excel template provided in Appendix A completed and filled in with the relevant information for your proposal. The template provides a basic overview of the project for quick summaries, but information in the subsequent sections is important to fully explain and define the project and the project proposal. The completed template should be submitted electronically in the original Microsoft Excel format retaining the worksheet structure.

8.4 PROPOSAL SECTION 3: PRICE

Elaborate upon or explain any additional details to the pricing supplementing what was included in the price section of the template.

8.5 PROPOSAL SECTION 4: PROJECT TEAM

8.5.1 Experience and Qualifications

The proposal should contain the following minimum information indicating why the project team is qualified to respond to the RFP:

1. The organization and key personnel responsible for implementing the project. Identify the project manager with tenure experience and scope of responsibility.
2. An organization chart for the above mentioned team members.
3. Existing projects developed, constructed and/or operated by the respondent. NorthWestern would like to review projects that have gone through the complete development, construction and operational cycle. Respondents should indicate projects completed of similar size, similar technology, similar resource type and even non-generating projects of relevance. Details regarding operating and maintaining existing projects should be provided.
4. The personnel and/or organizations responsible for the following areas (can be included in the above organization chart) and associated experience:
 - Project prime mover (e.g. wind, water, biomass, etc.) resource assessment and energy projections
 - Project financing and project structure (including principles, ownership, and controlling interests)
 - Project design, engineering and construction specifications
 - Interconnection and substation design
 - Project environmental assessments
 - Permits and related approvals
 - Project construction and commissioning
 - Project operations and maintenance
5. Contacts and references (name, title, address, telephone, and e-mail) knowledgeable about the previous renewable project experience of either the key participants or organization proposing the project.
6. Financial statements for the organizations participating in project execution.
7. Detail of experience financing renewable projects.

If project team members have not been identified for all these areas, the respondent should describe in detail how they intend to supplement their project team should they be selected as a result of the RFP.

8.5.2 Organizational Structure

For all legal entities represented on the project team, please provide the organizational structure of the entities, whether governmental agencies, corporate, not-for-profit entities or likewise. Any business entities listed as part of project team should list any corporate affiliates, parents, and/or subsidiaries.

8.6 PROPOSAL SECTION 5: DETAILED PROJECT DESCRIPTION

The proposal should include a detailed description of the project including the project's features and the development work completed to date. Include the following information:

- Project location, which shall include county and the GPS coordinates for the project. Wind project locations should be fully described, and the GPS coordinates provided should be roughly the middle of the land area for the towers. Include the distance in miles for the project transmission line necessary for interconnection.
- Location and brief description of any other project or project expansion plans the respondent has developed, is developing, or plans to develop within 5 miles of the proposed project.
- Project size in megawatts.
- The description, size, number and manufacturer of generating equipment that will be used. Provide a summary of the commercial operating experience of the equipment chosen. If a final equipment selection has not been made, list the candidates under consideration and the status of the decision. Provide the following information that is appropriate for the technology proposed:
 - All technical specifications
 - Design life
 - Level of certification achieved
 - Summary of warranty provided
 - Status of procurement and timing expected in order to secure delivery
 - For wind projects:
 - Tower type and proposed hub height
 - IEC design wind class (I - IV)
 - Power Curve at sea level and average project site air density in 0.5 m/s increments (excel spreadsheet)
 - Examples (if any) of the turbine operating in weather conditions similar to those expected for the proposed site.
- Explanation of decision to choose specific equipment, given the specific site conditions.
- The description, size, and manufacturer of all power electronics to be used.

8.7 PROPOSAL SECTION 6: ENERGY PROJECTIONS

Respondents should provide all data and analysis collected to support forecasted estimates of energy that will be produced by proposed resource.

All projects should indicate if the energy projections are based on equipment and technology that has a proven track record with specific citations for existing plants or projects using the same resource technologies. Also indicate any components to be used at the project that are considered new or leading edge deployments, whether it is a new model for an existing manufacturer or a completely new design or approach to energy generation.

8.7.1 Biomass and Methane Projects

Provide the analysis used to estimate the annual energy output of the project. This analysis should include at a minimum:

- Determination of the availability and source(s) of the fuel supplies intended to be used by the project, including any engineering assessments of the supplies and the duration for which the fuel supply appears to be reasonably adequate to provide the expected output of the project. Provide third-party fuel availability studies where available.
- A summary of the total delivered cost to acquire the fuel, including any contracts already in place or other supporting evidence that contracts for supply can be obtained and that cost estimates for the fuel are reasonable.
- The method for determining the annual energy output incorporating expected planned and unplanned outages, the plant efficiency, and how any variations of fuel availability within the year might impact energy output and project reliability.

8.7.2 Geothermal Projects

Provide any engineering studies or research indicating the needed geothermal resources are available at the project site and the extent to which such research and studies provides certainty regarding the expected project output. Provide third-party resource evaluation reports where available. Also include a description of the technology to be employed, including the expected plant efficiency, and other technological information such as whether the plant will be a closed or open-loop system and whether a scrubbing system will be employed.

In particular, address how the plant output may change over time and what levels of output depletion might occur as the geothermal resource is tapped and utilized.

8.7.3 Solar Projects

Solar plants should provide the expected hourly output for the site, which should factor in seasonal impacts such as length of day, changing angles of incidence by season and the average amount of cloud cover throughout the year.

Provide documentation from the panel manufacturer supporting the projected project efficiency across the range of solar energy available at the site and the certainty such estimates provide as well as the extent to which the expected output may change over time.

8.7.4 Wind Projects

Wind developers should submit all collected hourly at-site wind speed data. With the data, describe in detail the wind speed collection equipment, including the height(s) of the collection tower(s) and sensors, the location and number of sensors per tower, the geographical and topological placement of the tower in relation to the anticipated wind turbine placement.

Also include the determination of the net expected energy production and net capacity factor using the aforementioned wind data, taking care to provide the P50, P90 and P95 expected annual outputs. Copies of all wind resource assessment studies by outside consultants should be provided complete with technical appendices, baseline data and all information used by the consultant to make the assessment. A complete description of any software tools used by the outside consultant should also be provided. The net capacity factor should incorporate all the

normal adjustments from gross output, including the losses, station power, wake effects, icing, etc.

Any gaps or missing data should be explained in full. All correction factors and manipulation of weather data must be documented and explained, including any smoothing or other adjustments.

If the wind turbine manufacturer has certified the use of specific turbine and rotor for the project this information should be included.

8.7.5 Hydro-Electric

Provide any and all streamflow data for the proposed site and the computations that were used to convert the streamflow information to expected energy output. Also provide critical inputs to the energy determination including the expected net head at the project, the configuration of intakes, penstocks, and the tailrace outlets as well as the specific design and manufacturer for the turbines and generators.

Quantify the expected variance in output based on the observed natural variations in stream flows and the influence of upstream or at-site re-regulation dams, the impact of irrigation withdrawals, and the influence irrigation interests have in dictating the at-site flows and energy production, including the extent to which flows and generation may vary between nighttime and daytime.

Include any potential risk of expected output due to additional irrigation rights that might be granted.

8.7.6 Other Renewable Resource Types

Please contact the RFP facilitators to discuss the energy estimates for other types of renewable resources that can be provided with your proposal.

8.8 PROPOSAL SECTION 7: FINANCIAL

Provide a summary of the major project capital and operating expenses and documentation to support the reasonableness of the estimates. This should include a budget with a complete breakdown of projected capital costs. A clear description of pro forma information including the name, affiliation, and qualification of the preparer should also be included. Sources of information should be clearly identified.

Respondents should provide pro forma financial projections showing the project cash flow and financing. At a minimum the pro forma (provide in an Excel file) should include the following:

- Annual energy production and assumed revenue
- Annual operating expenses including turbine/engine and balance-of-plant operations and maintenance costs, land leases, property taxes, insurance and other expenses
- Transmission and Ancillary Services costs (if any)
- Debt service
- Debt Coverage Ratios
- Depreciation
- Taxes

Any third party sources of data included in the pro forma should be cited and referenced.

Describe the status of the project financing, including the intended financiers. Include the significant conditions precedent upon which the financing depends and the milestones that need to be achieved to secure both construction and term financing (as required) to support the project schedule. This level of detail on project financing will assist the financial rating portion of this RFP. Also describe respondent's experience with financing similar projects and with similar financial structures.

Provide a description of the credit the seller will provide to NorthWestern in the form of an acceptable letter of credit or an acceptable parent guarantee in the amount required under the PPA.

8.9 PROPOSAL SECTION 8: INTERCONNECTION AND TRANSMISSION TO THE POINT OF DELIVERY

Respondents are responsible for making all necessary arrangements to interconnect their project to NorthWestern's power system. This includes the submission of interconnection requests, paying any reservation and/or study charges, and the completion of an interconnection agreement. Respondents are responsible for all costs of interconnection and transmission to the NorthWestern system.

For those that plan to interconnect directly to the NorthWestern system, information regarding the initiation and management of the project interconnection can be found on the NorthWestern OASIS site (<http://www.oatioasis.com/NWMT/NWMTdocs/GenConnect7.html>). Any additional communications regarding the interconnection process should be directed to NorthWestern's transmission department and are subject to all procedures for interconnection in accordance with NorthWestern's OATT.

For those respondents that plan to interconnect to systems other than NorthWestern, or outside the NorthWestern BA, arrangements must be made with the local system operator to secure the project's interconnection, transmission, and integration services to deliver the output onto NorthWestern's system and into NorthWestern's BA.

For purposes of this RFP, the term "Interconnection Point" is based on the provisions of MCA 69-3-2003 (4), which prescribes the Interconnection Point to be the interconnection on the NorthWestern utility side of the meter, or a point on NorthWestern's system where the respondent has or will secure the necessary transmission system access to deliver the project output. Unless otherwise specified by the respondent, it will be assumed that the Interconnection Point will be the Point of Delivery. Any and all cost to interconnect to the local utility's system shall be borne by the project. This shall include ancillary services billed to the generator through the Generation Interconnection Agreement and not otherwise assumed by NorthWestern through the PPA, costs to deliver the project output to such point of interconnection on NorthWestern's system, and costs to monitor the project output and provide NorthWestern the ability to monitor the project output on a real-time basis through telemetering and SCADA systems.

Include a clear statement of the proposed Interconnection Point and a description of the current status of the interconnection and any related transmission processes. To the extent they are known, provide details on the structures/ facilities that will have to be built in order to deliver the project's power successfully, including:

- Interconnection requests,
- Copies of any System Impact Studies,
- Interconnection agreement(s),
- Interconnection structures,

- Metering equipment,
- Potential alternatives to interconnection arrangements, if any, and
- Specific contacts at the interconnecting utility that may be contacted by the review team.

Describe in detail additional transmission facilities needed to deliver project output. Information should include distance from the project site to existing transmission interconnection alternatives and status of easements needed to build these transmission additions.

Also, send a written notification to the transmission operator explicitly stating that you have submitted a proposal to the NorthWestern energy supply function for review and that the transmission utility is granted permission and directed to confirm the status of the interconnection request when contacted by the evaluation team. A copy of this letter should be included in this Section of the proposal.

8.10 PROPOSAL SECTION 9: PROJECT DEVELOPMENT SCHEDULE AND STATUS

The proposal should provide the following information concerning the status of project development activity. Please elaborate on any aspect of the construction or construction plan related to maintaining PTC safe-harbor eligibility.

8.10.1 Schedule

Provide, in a format such as a Gantt chart, the best schedule estimates available on the various project activities covering the period from the point prime mover resource measurements were initiated on site through the project's proposed commercial operation date. Include a schedule item for each significant project development and construction activity. Provide any additional time lines applicable to the project that help to show its status and plans.

Indicate what actions have been taken to ensure the schedule is met (such as placing orders for equipment with long lead times).

8.10.2 Permits and Approvals

Identify the key permits (such as a conditional use permit, site certificate, air quality or other environmental permits) required to build and operate the project. Discuss their current status, the schedule for obtaining key permits and approvals, and the approach to be used. Provide detail about required permits and history to date in working with permitting entities. Outline the process planned to involve local residents and other affected parties in the planning/permit process.

If the project is located in an area that is ceded land or may have been historically used by a Native American tribe, describe any contacts that have been made with the tribe (include names and phone numbers) or plans to consult the tribe regarding the project.

8.10.3 Construction

Describe arrangements and commitments that have been made for the construction of the project. Arrangements with the major component supplier(s) should be described in detail. Describe in detail the arrangements that have/will be made for securing major components to meet the proposed schedule. Describe the arrangements with the balance of plant vendors including the status of contracts, timeline and remedies for failure to complete the project by the contractual commercial operation date. Describe the experience of the vendors in completing the construction of renewable projects. If a vendor has not been selected, describe the status of

negotiations and the steps anticipated leading to a final selection of a construction company. Describe the respondent's opportunities to provide jobs for Montana residents and approach to complying with Montana prevailing wage statutes. (MCA 69-3-2005(3))

8.10.4 Testing

Summarize the testing planned prior to acceptance of the equipment from the manufacturer and completion of the project. Possible tests include power, availability tests, SCADA acceptance, distribution system acceptance, etc. Provide detailed information on the initial years of operation and the requirements for the turbine manufacturer and construction vendor to demonstrate acceptable project performance.

8.10.5 Commercial Operation

The proposal should clearly describe the anticipated commercial operation date and the ongoing operations and maintenance plan for the project, how spares availability will be assured and other operations, maintenance and logistics issues. Provide a detailed plan for operations and maintenance through the term of the transaction. Details should include a description of the operations and maintenance plan for the term of the turbine generator manufacturer's warranty and the maintenance plan once these warranties have expired.

8.11 PROPOSAL SECTION 10: SITE CONTROL

Provide detailed documentation of site control, access road, and transmission corridor easements needed to construct and operate the facility during the term of the PPA. Details should include a clear description of the land under control, including the percentage of the proposed project site under control, the nature of the control (owned outright, under lease, under lease-option, etc.), and the strategy for securing control of the remainder of the site area. Also include a clear disclosure of any critical portion of the site that is not under control.

Provide identify all neighboring land owners and provide their contact information.

Identify anybody who has expressed objections to your plans to develop the site, including the nature of their objections and your plans to deal with the objections.

Provide any information regarding communications with the county or other local government agencies. If local agencies have been contacted, explain their reaction to your plans and how any negative reactions will be addressed.

8.12 PROPOSAL SECTION 12: ENVIRONMENTAL

8.12.1 Environmental Assessment

Provide the Phase 1 Environmental Site Assessment ("EA") for the entire project area including qualifications of people or entities conducting the assessment. Also summarize any environmental conditions identified in the Phase 1 EA and how you propose to address these issues.

8.12.2 Critical Environmental Conditions

Provide reports documenting the evaluation of all critical environmental conditions on or near the project which may affect construction or operation and maintenance of the project including but not limited to:

- Environmental liens
- Federal National Priority List Sites (Superfund)
- Montana State Hazardous Waste Sites (CECRA)
- Wetlands
- Cultural resources
- Specially designated lands (i.e., Wilderness, Wilderness Study Areas, Wild and Scenic River, State Parks, National Monuments, Areas of Critical Environmental Concern, Research Natural Areas, etc.)

Provide permission for NorthWestern Energy to contact any sources of information about potential environmental, water, fish, wildlife, and habitat impacts including but not limited to city and county offices, state, and federal agencies, non-governmental organizations, and others without restriction.

8.12.3 Wildlife and Habitats

Provide reports assessing wildlife and habitats in and around the project including but not limited to:

- Plant and animal species of concern as identified on appropriate Federal or Montana lists such as Endangered Species Act, Montana Species of Concern etc.
- Identification and evaluation of any other significant fish or wildlife or their habitats which may impact the construction, operation or maintenance of the project.
- Provide documentation of project consultation with the United States Fish and Wildlife Service (USFWS) and Montana Fish Wildlife and Parks (FWP) including agency recommendations, concerns or suggestions and copies of all correspondence to and from these agencies regarding the project.
- If the proposed project is in or near Sage Grouse Core, General, or Connectivity Habitat as identified in the Montana Governor’s Executive Order for Sage Grouse Conservation provide:
 - Map showing the project location in relation to the Sage Grouse Habitat.
 - Information describing how the project will comply with the Executive Order for Sage Grouse Conservation.
 - A copy of the Sage Grouse Consultation Letter for the project form the state.

8.12.4 Guidelines for Wind

If the proposed project includes wind generation, please demonstrate compliance with the United States Fish and Wildlife Service (USFWS) Land Based Wind Energy Guidelines (LBWEG) and the USFWS Eagle Conservation Plan Guidance (ECPG) by providing the following.

- Copies of all consultations, and communications with and responses from USFWS, Montana Fish Wildlife and Parks (MTFWP) and all other resource agencies involved with the project.
- Documentation the USFWS and FWP received copies of the following at least one week prior to at least one consultation:

- Tier 1 Site Evaluation
- Tier 2 Site Characterization
- Tier 3 Field Studies documenting wildlife and habitats and predicting project impacts including but not limited to:
 - Raptor nest surveys as described in the LBWEG
 - Eagle nest surveys as described in the ECPG
 - Eagle Point Counts
 - Avian Point Counts
 - Bat Acoustic Surveys
 - Location of any Prairie Grouse (Sage Grouse and Sharptail Grouse) Leks
 - Proposed mitigation for identified impacts.
 -

Provide the agency response to the above studies or study plans in a letter or email from the agency:

For existing wind projects, in addition to the above, include the following:

- Tier 4 Post Construction monitoring studies to estimate impacts including fatality monitoring.
- Tier 5 Other post-construction monitoring studies and research.
- Documentation of all bird and bat mortalities since project operation began.
- Copies of any correspondence with USFWS and FWP or other agencies concerning any bird or bat mortalities occurring at the project since operations began.

8.12.5 Environmental Permitting

Provide a list of all Federal, State or County required environmental permits and the status of such permits including the timeframe expected for acquiring any permits not already obtained. Include copies of any responses received from permitting agencies.

8.12.6 WREGIS Certification

All renewable output will be submitted to the Western Renewable Energy Generation Information System (“WREGIS”) for certification, either by NorthWestern or the project owner as part of the certification. NorthWestern can submit the relevant operational data to WREGIS to facilitate their certification, but may require the project owner to provide certain information, including the aforementioned executed seller’s certification, and authorize NorthWestern to disclose such information to WREGIS as part of the terms of the PPA resulting from this process. Additional information can be obtained at www.wregis.org.

8.13 PROPOSAL SECTION 13: COMMUNITY RENEWABLE STATUS

If respondent is submitting a PPA proposal, provide a summary of the steps taken to ensure that the project is and will remain CREP-eligible throughout the term of the development. If the respondent is submitting a PPA proposal, provide the ownership structure of the company or entity developing the project including the specific identities of all major and minor owners including verification that the minimum requirement for local ownership is met.

8.14 PROPOSAL SECTION 14: CONTRACT EXCEPTIONS

List and explain in detail the changes or exceptions you will require in the PPA template provided in Appendix B. If no changes are required, indicate that no changes will be requested. All changes must be accompanied with a Microsoft Word version of the PPA with all changes submitted with the “track changes” feature to highlight all proposed changes to the template.

9. EVALUATION CRITERIA

The following evaluation criteria will be used to comparatively score the proposals and determine the results of the screenings. Respondents should take care in the preparation of their proposals to address each of these subject areas in the appropriate section of the proposal. It is important that information provided in the proposals be accurate and a fair representation of the products and services being offered. Any attempts to influence the scoring by providing inaccurate or incomplete information will be grounds for immediate dismissal from the process and the suspension of any discussions that may be underway.

9.1 PRICE AND VALUE OF ENERGY, CAPACITY AND RECS

The price evaluation criteria will be based on the net cost to NorthWestern for the power output and environmental attributes of the project. The net cost will include such costs as those associated with transmission and ancillary services needed to make the proposed energy production usable to serve NorthWestern’s retail load in the State of Montana.

9.2 COMPANY/DEVELOPMENT TEAM

Another evaluation criterion is the risk that the respondent will not be able to perform and NorthWestern will not receive the project output as outlined in the proposal. This risk will be assessed based on the following criteria:

1. Demonstrated development experience
2. Experience in the ownership, operation and maintenance of similar projects
3. Willingness to accept the contract templates provided by NorthWestern
4. Compliance with Section 69-3-2005(3), MCA regarding local employment and prevailing wage
5. Ability to provide credit assurances in the form of a parental guarantee or letter of credit
6. Ability to meet schedule

9.3 TECHNOLOGY

Proposals will be evaluated for technical feasibility including the following criteria:

1. Commercial feasibility of the technology chosen
2. Project contribution to NorthWestern’s load service capacity needs: NorthWestern is a dual peaking utility that experiences high load events in both the Summer and the Winter. Dependable capacity in either or both of these time frames will be credited to the proposal.
3. Access to necessary project major components

9.4 SITE SUITABILITY

The proposal shall be reviewed for the overall environmental impacts of the renewable facility. The builder and developer will be responsible for ensuring the project meets all applicable environmental standards required in their permits, state law, and to ensure the output maintains the criteria for renewable power as specified under WREGIS. Notwithstanding, all environmental attributes and claims to the renewable output of the project shall accrue to the beneficial use of NorthWestern under the PPA or B-T

Agreement. Access to transmission facilities, resource diversification and local support/opposition will all be considered as part of the evaluation process.

1. Environmental issues including adherence to USFWS Land-Based Wind Energy Guidelines, air quality permits, FERC licenses, land use suitability and needed approvals. Issues evaluated will be those appropriate for the resource type. Impacts on protected species or environmental hazards will affect project score
2. Resource assessment of the project energy projections and availability of the prime mover
3. Local support or opposition to the project
4. The requirement for new transmission facilities including the distance required and feasibility of construction
5. Project resource diversity from existing utility resources

9.5 DEVELOPMENT MILESTONES

These evaluation criteria will include the following items meant to assess the readiness of the project to move forward and the likelihood of a successful and timely development.

1. Site control
2. Permitting status
3. Status of project financing and financial feasibility
4. Project progress with interconnecting with the appropriate utility system
5. Potential upgrade requirements on the NorthWestern transmission system as part of the transmission request.

9.6 NON-EXCLUSIVE LIST

NorthWestern reserves the right to exercise reasonable and prudent judgment in evaluating responses and may modify the criteria at its sole discretion in order to support such exercise of reasonable and prudent judgment.

10. ADDITIONAL PROVISIONS

10.1 RIGHT TO TAKE NO ACTION

NorthWestern reserves the right to enter into bilateral negotiations with respondents, shortlist respondents or take no action at its sole discretion.

10.2 CONFIDENTIALITY

NorthWestern, its contractors and consultants will not disclose information received in the RFP except as needed to support a regulatory process or unless legally compelled to disclose the information. As a regulated utility under the jurisdiction of the MPSC, NorthWestern follows requirements for resource procurement and expects to submit detailed information (including information contained in RFP responses) to the MPSC to support regulatory proceedings as a result of this RFP. Based on concerns that certain information requested in this RFP may be proprietary, NorthWestern will request that the MPSC treat the following information in a confidential manner in any such proceedings:

1. Site-specific wind data and associated meteorological data prepared or acquired by CREP developers for their projects.
2. Landowner development agreements, including leaseholds and royalty agreements, under which the CREP developers located and developed their projects.

3. Turbine contracts, including not only pricing terms, but non-price terms such as warranty and service provisions.
4. Financial data, such as cost of capital or pro forma financials.

NorthWestern provides no assurance that information contained within proposals will actually be granted protection by the MPSC, but similar prior requests by NorthWestern have been granted. If protection is granted, it is likely that the MPSC will allow parties to the docket access once they have signed a confidentiality agreement limiting each party's use and redistribution of the information. Any respondents who information is proposed to be filed with the MPSC for which protection is sought agree to work with and assist NorthWestern in seeking the necessary protection of information above. If respondents are not concerned with protection of all or parts of their information submitted during this RFP process to NorthWestern, they shall notify NorthWestern of such position in their project submission.

10.3 REGULATORY APPROVALS

NorthWestern, in its sole discretion, may submit agreements resulting from this solicitation for regulatory advance approval by the MPSC. Agreements submitted to the MPSC advanced approval process can take up to 9 months from the time the request is submitted.

10.4 OWNERSHIP AND RETURN OF RESPONSES

All materials submitted as part of this RFP shall become the property of NorthWestern and shall not be returned.

10.5 COST OF RESPONDING

Each response prepared in response to this RFP will be prepared at the sole cost and expense of the respondent and with the express understanding that there will be no claims whatsoever for reimbursement from NorthWestern.