

EXHIBIT 1

QF-1 TARIFF QUEUE PROCEDURES

I. INTRODUCTION

These QF-1 Tariff Queue Procedures (“Procedures”) are adopted and implemented by NorthWestern Energy (“NorthWestern”) for the purpose of processing Requests for Power Purchase Agreements (“PPA”) under the terms of the current Montana Public Service Commission (“Commission”) approved QF-1 Tariff. These Procedures will be posted and maintained on NorthWestern’s website. However, NorthWestern reserves the right to alter, amend, supplement, or revise these Procedures, with or without notice, as may be necessary from time to time due to changes in applicable law or regulation.

II. APPLICABILITY

These Procedures are applicable to any Seller with a Qualifying Facility (“QF”) with an installed capacity of 10 MW or less seeking to enter into a PPA with NorthWestern. Eligible QFs are those Projects that are certified under these Procedures as eligible for a contract pursuant to the QF-1 Tariff.

III. QUEUE

NorthWestern has established and maintains a list of eligible QF Projects seeking PPAs under the terms of the QF-1 Tariff (“Queue”). The Queue is a device intended to facilitate the processing and management of Requests for PPAs under the terms of the QF-1 tariff. The Queue is not intended to eliminate or disqualify QFs from obtaining a PPA with NorthWestern.

The Procedures set forth below will govern the establishment, maintenance, and administration of the Queue.

A. Establishment & Maintenance of the Queue

- Requests for contracts pursuant to the QF-1 Tariff will be placed in the QF-1 Tariff Processing Queue in the order in which they are received by the utility.
- Requests shall be processed through the Queue according to the Procedures set forth in Section III, B.
- QF Projects that meet the requirements and satisfy the Procedures in Section III, B will enter into negotiations and execute contracts consistent with the QF-1 Tariff as provided for in Section IV.

- NorthWestern will continue to process Requests as described in Section III, B and enter into contracts pursuant to the QF-1 Tariff and these Procedures until its capacity is exhausted and its need for QF energy is satisfied.
- If a QF is not capable of meeting the requirements of either the QF-1 Tariff or these Procedures within the prescribed timeframes, NorthWestern will process the next Request in the Queue. NorthWestern will continue sequential processing of the Queue until its capacity is exhausted and its need for QF energy is satisfied.
- If NorthWestern exhausts its capacity or need for QF power before making a complete cycle of the Queue, and the need subsequently arises to increase allowed capacity or if the capacity limit increases, NorthWestern will begin processing the most senior Request in the Queue following the last negotiated Request in the Queue that was processed.
- A QF Project may submit a Request for a QF-1 Contract at any time. New Requests will be added to the end of the existing Queue.
- A QF Project may withdraw its Request for a QF-1 contract at any time.
- Projects requesting QF-1 contracts will not be removed from the Queue unless they are totally inactive and or non-responsive to requests (i.e. making no significant progress in complying with these Procedures or moving toward an executed contract pursuant to the QF-1 Tariff).

B. Queue Processing Procedures

Within 30 days from the submittal of its initial Request¹, the QF Project must provide the utility suitable documentation² establishing the following:

- The certification of the Project as a Qualifying Facility as set forth in Title 18, Chapter 1, Part 292 of the Code of Federal Regulations;
- The type, location, and size of the facility, which shall include distance and direction to the nearest city, and legal land description including Township, Range, Section, and Quarter section;

¹ **NOTE: Projects that had submitted requests for interconnection prior to the publication of these Procedures will be handled pursuant to APPENDIX A: APPLICATION OF QF-1 TARIFF QUEUE PROCEDURES FOR EXISTING REQUESTS.**

² Suitable Documentation in this Section is defined as: Appropriate documentation from a Governmental Agency, the QFs records prepared in the normal course of business, or similar documents in any format that are sufficient to show that there is a presumption that the proposed/existing facility meets the definition of a QF and that it will be able to perform under the terms of a PPA.

- Compliance with the Transmission Function's FERC Approved Small Generation Interconnection Procedure. A photocopy of the completed Small Generator Interconnection request form and follow up applications and or final approval notification from the Transmission and Distribution Business Unit will be required;
- That interconnection and appropriate transmission arrangements have been made and will be in place in advance of the proposed effective date of the PPA;
- An ability to be commercially operable and capable of delivering power within 60 days of the effective date of the Contract;
- Written notice of a wind QF's intent to either self-supply regulation services or to negotiate with NorthWestern a charge for regulation service consistent with the QF-1 Tariff;
- In the event a Wind QF intends to self-supply regulation service it must provide NorthWestern the following: (1) name of the supplier, (2) the quantity to be supplied, (3) evidence of satisfaction of all technical details and, (4) the date the service is to commence;
- In the event a wind QF intends to negotiate with NorthWestern a charge for regulation services it must provide, in writing, the basis for a regulation charge or adjustment that is consistent with applicable Commission rules, tariffs, and precedent;
- Community renewable energy project QFs that meet the Montana Code Annotated requirements must also designate, in writing, whether or not Renewable Energy Credits are to be included within the PPA, and if so at what requested rate in \$/MWh;
- Hydro QFs must provide a forecast of production indicating when the facility produces energy and the basis of the forecast.

In the event the QF is unwilling or unable to produce the materials described herein within the designated time constraints, NorthWestern will move forward and process the next QF in the Queue. A QF unable or unwilling to make the required showing under this Section will not be immediately removed from the Queue. The QF will retain its cycled position in the Queue and have the opportunity to make a subsequent showing of its ability to meet the criteria set forth above. Removal from the Queue is described in Section A of these Procedures.

- No extensions of the timeframes set forth herein will be granted.

Once the QF has submitted the appropriate documentation outlined above and established a presumption that the Project is viable, qualified, and able to perform under the terms of a PPA, NorthWestern will notify the Project and tender a draft PPA for negotiation and execution as described in Section IV.

IV. NEGOTIATION AND EXECUTION OF POWER PURCHASE AGREEMENTS UNDER THE QF-1 TARIFF.

- QFs and NorthWestern shall negotiate in good faith and execute a contract pursuant to the QF-1 Tariff within 30 days from the tender of the draft PPA to the QF. NWE requests that the QF defer petitioning the Commission for at least a 30 day time period to allow for reasonable negotiations after which the QF shall have the right to petition the Commission to set terms in accordance with Title 69 of the Code.
- Power Purchase Agreements must include the Following Provisions:
 - Conditions Precedent: The contract shall include provisions, consistent with applicable law and regulation, that allow for the PPA to be nullified if certain milestones, interconnection, or other criteria required for the purchase, sale, and delivery of power are not satisfied within a reasonable time frame.
 - Integration Services: Wind QF contracts must contain language, consistent with the existing QF-1 Tariff, that provides for the provision of regulating reserves.

APPENDIX A
APPLICATION OF QF-1 TARIFF QUEUE PROCEDURES FOR EXISTING
REQUESTS

As of May 7, 2008, NorthWestern has 45 Projects representing approximately 180MW of QF power seeking PPAs under the terms of the QF-1 Tariff in the Queue. Under Final Orders 6501(f) and 6501(g) there is a 50 MW threshold set by the Commission for Projects seeking PPAs pursuant to the QF-1 Tariff.

Projects 1-13 have had Requests in the Queue since at least January of 2007. Thus, there is good cause and reason to amend the timelines provided for in the Procedures to effectuate a fair and equitable implementation of the Procedures. Therefore, the following will apply to Projects holding Queue positions 1-45 (Existing Requests):

- NorthWestern will process the existing Projects within the Queue as provided in the QF-1 Queue Tariff Procedures. However, the Existing Requests in the Queue holding positions 1-10 will have 14 days from the issuance of these Procedures to meet the requirements of Sections A and B of the QF-1 Procedures.
- NorthWestern shall make a determination as to whether each QF represented by an Existing Request have supported a presumption that it is willing, capable, and qualified to perform the obligations of a PPA pursuant to the QF-1 Tariff and tender a contract for negotiation and execution pursuant to Section IV of the Procedures for those who are qualified.
- Those Projects unwilling or unable to make the showing required by Sections A and B in the Procedures will be processed as provided in Section A.
- After processing the first 10 Existing Requests, NorthWestern will then notify Existing Requests 11-21 who will have 14 days from such notice to meet the requirements of Sections A and B of the Procedures.
- NorthWestern shall make a determination as to whether Existing Requests holding positions 11-21 have established a presumption that it is willing, capable, and qualified to perform the obligations of a PPA pursuant to the QF-1 Tariff and tender a contract for negotiation and execution pursuant to Section IV of the Procedures for those who are qualified.
- Existing Requests 11-21 unwilling or unable to make the showing required by Sections A and B in the Procedures will be processed as provided in Section A.

- After processing Existing Requests 11-21, NorthWestern will contact Existing Requests 22-32 who will have 14 days from such notice to meet the requirements of Sections A and B of the Procedures.
- NorthWestern shall make a determination as to whether Existing Requests holding positions 22-32 have established a presumption that it is willing, capable, and qualified to perform the obligations of a PPA pursuant to the QF-1 Tariff and tender a contract for negotiation and execution pursuant to Section IV of the Procedures for those who are qualified.
- Existing Requests 22-32 who are unwilling or unable to make the showing required by Sections A and B in the Procedures will be processed as provided in Section A.
- After processing Existing Requests 22-32, NorthWestern will contact Existing Requests 33-45 who will have 14 days from the notice to meet the requirements of Section A and B of the Procedures.
- NorthWestern shall make a determination as to whether Existing Request holding the positions 33-45 have established a presumption that it is willing, capable, and qualified to perform the obligations of a PPA pursuant to the QF-1 Tariff and tender a contract for negotiation and execution pursuant to Section IV of the Procedures for those who are qualified.
- Existing Requests 33-45 who are unwilling or unable to make the showing required by Sections A and B in the Procedures will be processed as provided in Section A.
- After NorthWestern completes the initial cycling of the Existing Requests, it will process the Queue in accordance with the timing provisions outlined within the QF-1 Tariff Queue Procedures.