

SECTION 1. GOALS AND OBJECTIVES

NWE objectives in operating the Natural Gas Supply procurement function are to: provide customers with reliable gas supply; provide customers reasonable and stable prices that reflect market conditions over time; and assure NWE cost recovery for all prudently incurred natural gas supply related expenditures.

This Plan describes NWE's procurement strategy for the 2009 through 2011 tracking periods, which is designed to achieve these objectives. Specifically, NWE proposes to: enter into sufficient contracts for flowing gas to help assure reliability during the winter heating season (typically defined as November through March of the following year); place natural gas into storage during the injection season (typically defined as April through October); use its system storage rights to provide additional reliability during the winter heating season; use where appropriate, storage for ratepayer economic benefit; and, employ hedging mechanisms in the form of both forward market fixed-price purchases and the use of storage gas to dampen the effect of volatile gas markets.