

ELECTRIC TARIFF



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Canceling		Revised	Sheet No.	<u>73.1</u>

Schedule No. LTQF-1

LONG-TERM QUALIFYING FACILITY POWER PURCHASE

APPLICABILITY: In lieu of the option for negotiated rates, this Schedule is applicable to any Seller with installed capacity of 3 MW or less, who enters a long-term (five years or longer) Power Purchase Agreement (Agreement) with the Utility for the sale of electric power delivered to the Utility from a Qualifying Facility as defined under the Rules of the MPSC.

In compliance with MPSC Order No. 6124, this Schedule is not available to any Seller who signs a Purchase Agreement after July 1, 1998.

RATES: As determined from applicable payment options from Table I, Table 11, and applicable Agreement terms.

MONTHLY CAPACITY RATES -1996-1997 CONTRACT YEAR:

The Monthly Capacity Rate options, from which a Seller may choose, vary by contract length, by the year in which the Agreement is executed, by the year in which operations are contracted to begin (Contracted Operation Year), and by the type of levelization selected. These options are as follows:

- A. Nominal levelized rates which, for those Sellers executing an Agreement in the 1996 -1997 Contract Year, will remain constant, throughout all years of the Agreement, at the rate corresponding to the Contracted Operation Year and Contract Term set forth below in Table I of this Rate Schedule, Sheet Nos. 73.2, 73.3 and 73.4.
- B. Real levelized rates. The first-year rate will be the rate corresponding to the Contracted Operation Year and Contract Term set forth below in Table I. Such rate will be escalated annually and said Seller is locked into that methodology for the entire duration of the Agreement.

The methodology is as follows:

Actual escalation where the first-year rate will be escalated annually by the appropriate published actual Implicit Price Deflator for the most recent 12-month period.

Note: The Implicit Price Deflator shall be that published by Data Resources, Inc., or some other source that is mutually agreeable to the Seller and the Utility.

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Original Revised Sheet No. 73.2  
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LONG-TERM QUALIFYING FACILITY POWER PURCHASE

TABLE I

MONTHLY CAPACITY RATES

Levelized Capacity Rates (\$/kW/month)

1996-1997 Contract Year – For Contracted Operation Dates Occurring In:

Contract Term (years)	Contracted Operation Year 1996-1997				Contracted Operation Year 1997-1998			
	<u>Real</u>		<u>Nominal</u>		<u>Real</u>		<u>Nominal</u>	
	<u>Winter</u>	<u>Summer</u>	<u>Winter</u>	<u>Summer</u>	<u>Winter</u>	<u>Summer</u>	<u>Winter</u>	<u>Summer</u>
5	3.94	0.00	4.11	0.00	4.10	0.00	4.28	0.00
10	4.05	0.00	4.45	0.00	4.20	0.00	4.63	0.00
15	4.13	0.00	4.76	0.00	4.28	0.00	4.95	0.00

Contract Term (years)	Contracted Operation Year 1998-1999			
	<u>Real</u>		<u>Nominal</u>	
	<u>Winter</u>	<u>Summer</u>	<u>Winter</u>	<u>Summer</u>
5	4.25	0.00	4.45	0.00
10	4.35	0.00	4.81	0.00
15	4.42	0.00	5.15	0.00

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TABLE I

MONTHLY CAPACITY RATES (\$/kW/month)

1995-1996 Contract Year

Contract Term (years)	Contracted Operation Year 1997-1998				Contracted Operation Year 1998-1999			
	Real		Nominal		Real		Nominal	
	Winter	Summer	Winter	Summer	Winter	Summer	Winter	Summer
5	5.09	1.97	5.40	2.09	5.25	2.03	5.58	2.16
10	5.09	1.97	5.76	2.23	5.25	2.03	5.95	2.30
15	5.09	1.97	6.08	2.35	5.25	2.03	6.29	2.43
20	5.09	1.97	6.37	2.46	5.25	2.03	6.58	2.54
25	5.09	1.97	6.61	2.55	5.25	2.03	6.82	2.64
30	5.09	1.97	6.80	2.63	5.25	2.03	7.03	2.72
35	5.09	1.97	6.96	2.69	5.25	2.03	7.19	2.78

Contract Term (years)	Contracted Operation Year 1999-2000				Contracted Operation Year 2000-2001			
	Real		Nominal		Real		Nominal	
	Winter	Summer	Winter	Summer	Winter	Summer	Winter	Summer
5	5.43	2.10	5.76	2.23	5.61	2.17	5.95	2.30
10	5.43	2.10	6.15	2.38	5.61	2.17	6.35	2.45
15	5.43	2.10	6.49	2.51	5.61	2.17	6.71	2.59
20	5.43	2.10	6.79	2.63	5.61	2.17	7.02	2.71
25	5.43	2.10	7.05	2.72	5.61	2.17	7.28	2.81
30	5.43	2.10	7.26	2.81	5.61	2.17	7.50	2.90
35	5.43	2.10	7.43	2.87	5.61	2.17	7.68	2.97

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LONG-TERM QUALIFYING FACILITY POWER PURCHASE

TABLE I

MONTHLY CAPACITY RATES (\$/kW/month)

1995-1996 Contract Year

Contract Term (years)	Contracted Operation Year 2001-2002				Contracted Operation Year 2002-2003			
	Real		Nominal		Real		Nominal	
	Winter	Summer	Winter	Summer	Winter	Summer	Winter	Summer
5	5.79	2.24	6.15	2.38	5.98	2.31	6.35	2.45
10	5.79	2.24	6.56	2.54	5.98	2.31	6.78	2.62
15	5.79	2.24	6.93	2.68	5.98	2.31	7.16	2.77
20	5.79	2.24	7.25	2.80	5.98	2.31	7.49	2.89
25	5.79	2.24	7.52	2.91	5.98	2.31	7.77	3.00
30	5.79	2.24	7.75	2.99	5.98	2.31	8.00	3.09
35	5.79	2.24	7.93	3.07	5.98	2.31	8.19	3.17

Contract Term (years)	Contracted Operation Year 2003-2004				Contracted Operation Year 2004-2005			
	Real		Nominal		Real		Nominal	
	Winter	Summer	Winter	Summer	Winter	Summer	Winter	Summer
5	6.18	2.39	6.56	2.54	6.38	2.47	6.78	2.62
10	6.18	2.39	7.00	2.71	6.38	2.47	7.23	2.80
15	6.18	2.39	7.39	2.86	6.38	2.47	7.64	2.95
20	6.18	2.39	7.74	2.99	6.38	2.47	7.99	3.09
25	6.18	2.39	8.03	3.10	6.38	2.47	8.29	3.20
30	6.18	2.39	8.27	3.20	6.38	2.47	8.54	3.30
35	6.18	2.39	8.46	3.27	6.38	2.47	8.74	3.38

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LONG-TERM QUALIFYING FACILITY POWER PURCHASE

MONTHLY ENERGY RATES – 1996-1997 CONTRACT YEAR:

The Contract Energy Rate options, from which a Seller may choose, are:

- A. NWE's actual avoided system energy price, as determined each month, applied to Seller's energy production in each such month; or
- B. Annual forecasted avoided system energy prices applied to Seller's energy production in each month which, for the 1996-97 Contract Year, are:

Winter \$ 0.01620 per kWh  
Summer \$ 0.01620 per kWh; or

- C. Real levelized avoided system energy costs [prices]. The first-year rates will be the rates corresponding to the applicable Contract Term set forth in Table II of the applicable LTQF-1 Rate Schedule Sheets (or the then-applicable Rate Schedule) in effect on the Operation Date (i.e., the first-year rates shown below in Table II apply only to an Operation Date occurring in Contract Year 1996-97). Seller is locked into that methodology for the entire duration of the contract. Such rates will be escalated annually by the following methodology:

Actual escalation where the first-year rate will be escalated annually by the appropriate published actual Implicit Price Deflator for the most recent 12-month period.

Note: The Implicit Price Deflator shall be that published by Data Resources, Inc., or some other source that is mutually agreeable to the Seller and the Utility.

TABLE II

Real Levelized Energy Rates (\$/kWh)

Contract Term (years)	Winter	Summer
5	0.01687	0.01687
10	0.01732	0.01732
15	0.01748	0.01748

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LONG-TERM QUALIFYING FACILITY POWER PURCHASE

IMPLICIT PRICE DEFLATOR:

TABLE III

Forecast Implicit Price Deflator Index\*

Contract Year	Index
1996	2.4
1997	2.4
1998	2.3
1999	2.4
2000	2.6
2001	2.8
2002	2.9
2003	2.9
2004	3.0
2005	3.2
2006	3.2
2007	3.3

\* Source: Data Resources (DRI) / McGraw-Hill Long-Range Focus, Summer 1995

Note: Each year's Implicit Price Deflator Index is applied to that year's rate to get the following year's rate. For example, the 1997 rate is (1.024) x (1996 rate).

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LONG-TERM QUALIFYING FACILITY POWER PURCHASE

PAYMENTS: Seller will be compensated monthly for capacity and energy in accordance with this Rate Schedule and the payment provisions of the Agreement.

Capacity:

Monthly Capacity Payment = Monthly Actual kW x MCR

where: MCR = Monthly Capacity Rate (as defined below in special terms and conditions).

Energy:

Payments for energy each month shall be made in amounts determined by the following formula:

Monthly Energy Payment = MER x kWh

where: MER = Monthly Energy Rate (as defined below in special terms and conditions).

kWh = Kilowatt-hours of energy supplied to Company.

SEASON DEFINITION:

“Winter” rates shall apply to capacity and energy delivered from November through February inclusive.

“Summer” rates shall apply to capacity and energy delivered from March through October inclusive.

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IMPLICIT PRICE DEFLATOR:

TABLE III

Forecast Implicit Price Deflator Index\*

<u>Contract</u>		<u>Contract</u>	
<u>Year</u>	<u>Index</u>	<u>Year</u>	<u>Index</u>
1995	3.3	2011	3.3
1996	3.3	2012	3.3
1997	3.3	2013	3.3
1998	3.3	2014	3.3
1999	3.3	2015	3.3
2000	3.3	2016	3.3
2001	3.3	2017	3.3
2002	3.3	2018	3.3
2003	3.3	2019	3.3
2004	3.3	2020	3.3
2005	3.3	2021	3.3
2006	3.3	2022	3.3
2007	3.3	2023	3.3
2008	3.3	2024	3.3
2009	3.3	2025	3.3
2010	3.3	2026-2038	3.3

\* Source: Data Resources (DRI) / McGraw-Hill Forecast 4/95

Note: Each year's Implicit Price Deflator Index is applied to that year's rate to get the following year's rate. For example, the 1996 rate is (1.033) x (1995 rate).

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LONG-TERM QUALIFYING FACILITY POWER PURCHASE

ILLUSTRATIVE NOMINAL SYSTEM ENERGY PRICES: For illustrative purposes only, a 35-year forecast of nominal system energy prices is set forth below in Table IV. These energy rates are those that are forecasted in the 1995-96 contract year and may be used for approximated planning purposes only. They are rates that a prospective seller might reasonably anticipate receiving in payment for energy delivered to the Utility system in each of the next 35 years. It is expected that this table will be updated annually to the then current forecast.

TABLE IV

ILLUSTRATIVE 35-Year Forecast of Nominal\* Energy Prices

<u>Year</u>	<u>Winter (\$/kWh)</u>	<u>Summer (\$/kWh)</u>	<u>Year</u>	<u>Winter (\$/kWh)</u>	<u>Summer (\$/kWh)</u>
1995	\$ .02901	\$ .02102	2017	\$ .05925	\$ .04295
1996	\$ .02996	\$ .02172	2018	\$ .06120	\$ .04436
1997	\$ .03095	\$ .02243	2019	\$ .06322	\$ .04583
1998	\$ .03197	\$ .02317	2020	\$ .06531	\$ .04734
1999	\$ .03303	\$ .02394	2021	\$ .06747	\$ .04890
2000	\$ .03412	\$ .02473	2022	\$ .06969	\$ .05051
2001	\$ .03524	\$ .02555	2023	\$ .07199	\$ .05218
2002	\$ .03641	\$ .02639	2024	\$ .07437	\$ .05390
2003	\$ .03761	\$ .02726	2025	\$ .07682	\$ .05568
2004	\$ .03885	\$ .02816	2026	\$ .07936	\$ .05752
2005	\$ .04013	\$ .02909	2027	\$ .08198	\$ .05942
2006	\$ .04146	\$ .03005	2028	\$ .08468	\$ .06138
2007	\$ .04282	\$ .03104	2029	\$ .08748	\$ .06340
2008	\$ .04424	\$ .03206			
2009	\$ .04570	\$ .03312			
2010	\$ .04720	\$ .03421			
2011	\$ .04876	\$ .03534			
2012	\$ .05037	\$ .03651			
2013	\$ .05203	\$ .03771			
2014	\$ .05375	\$ .03896			
2015	\$ .05552	\$ .04025			
2016	\$ .05736	\$ .04157			

\* Nominal means that the amounts shown are in current (same year) dollars for each year shown.

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LONG-TERM QUALIFYING FACILITY POWER PURCHASE

SPECIAL TERMS AND CONDITIONS:

1. DEFINITIONS:

- A. "Seller," for purposes of this schedule, is any individual, partnership, corporation, association, government agency, political subdivision, municipality or other entity that:
1. Operates a Qualifying Facility (QF) or a Cogeneration or Small Power Production (COG/SPP) Facility;
  2. Has entered into an Agreement with the Utility stipulating the terms and conditions of the interconnection and sale of electric power to the Utility; and
  3. Has agreed in such Agreement to provide electricity to the Utility for a period of five years or longer.
- B. "Agreement" means the Long-Term Power Purchase Agreement between Seller and the Utility.
- C. "Utility" means NorthWestern Energy.
- D. "MPSC" means the Montana Public Service Commission.
- E. "Contract Year" means a twelve-month period beginning on July 1 of any year.
- F. "Monthly Capacity Rate" (MCR) means the applicable monthly rate of payment for Capacity delivered during any month of the Contract Year under Agreement.
- G. "Monthly Energy Rate" (MER) means applicable monthly rate of payment for energy during any month of the Contract Year in which energy is delivered under the agreement.
- H. "Operation Date" means the date on which Seller actually begins delivering energy and capacity to the Utility under the Agreement.
- I. "Contracted Operation Year" means the year in which a Seller initially specifies in the Agreement as the year said Seller will begin delivering energy and capacity to the Utility.
- J. "Monthly Actual kW" is the maximum capacity (in kW) delivered in any given month.

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2. Changes of Rates:

Table I and Table II will be revised annually for each Contract Year, as appropriate, upon MPSC approval.

3. Net Billing Option:

A. If the Seller opts for Net Billing in its Agreement and the Seller's consumption kWh exceeds the production kWh, the Seller will be billed for only the consumption kWh in excess of production kWh according to the Utility's applicable Retail Sales Rate Schedule. If the Seller's consumption kWh is less than the production kWh, the Seller will receive payment for only the production kWh in excess of consumption kWh according to the energy rate in this Rate Schedule.

B. To meet the conditions of this Option and to receive a separate capacity payment, the Seller's demand consumption and production capacity for any period must be measured by separate consumption demand and production demand meters. Under this option, if Seller's consumption demand exceeds the production capacity, then Seller will be billed at the Utility's applicable Retail Sales Rate Schedule for the difference between the maximum consumption demand and the maximum production capacity in any billing month. If the Seller's production capacity exceeds the consumption demand, then Seller will be compensated for the difference between the maximum production capacity and the maximum consumption demand in any billing month.

4. Terms of Contract: Terms of contracts can be for any duration from five years to 15 years.

5. Capacity Restriction: Any seller, whose installed capacity is greater than 3 MW, may obtain long-term contracts for sales of energy and capacity through the competitive solicitation process. Between solicitations, said Seller may enter into short-term contracts with the Utility for the sale of energy and capacity. If the Utility and Seller are unable to agree to a contract energy price, Seller may opt to receive any one of the tariff energy rate options and Seller may negotiate a capacity rate with the Utility, if they so choose. These short-term contracts shall be in force only during the time between competitive solicitations; all contracts will expire upon the conclusion of the first subsequent solicitation. Any Seller not selected in the solicitation or who did not participate in the solicitation, must then negotiate a new short-term contract under newly computed, MPSC approved avoided cost tariffs.

6. Transmission Losses: On a project specific basis, NWE shall calculate the transmission losses credit or debit value and such losses shall be applied to the QF's energy and capacity production. Any disputes shall be handled per the arbitration section of the power purchase agreement.

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SERVICE RATES SUBJECT TO COMMISSION JURISDICTION: All rates and service conditions under this Rate Schedule are governed by the rules and regulations of the Public Service Commission of Montana and are subject to revision as the Commission may duly authorize in the exercise of its jurisdiction.

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