

## **GREEN POWER PROGRAM TERM SHEET**

### **Generally**

<b>Parties</b>	NorthWestern Corporation d/b/a NorthWestern Energy ("NorthWestern"), the City of Missoula, Missoula County, and the City of Bozeman ("Lead Communities").
<b>Purpose</b>	This non-binding document memorializes the intent and general understanding between NorthWestern and the Lead Communities for the development of the Green Power Program.

### **Definitions**

<b>Commercial and Industrial (C&amp;I) Subscriber</b>	A Montana electric supply customer served by NorthWestern, excluding any Montana county or incorporated city or town, who receives service under Tariff Schedule Nos. GSEDS-1 or GSEDS-2 and has entered into a Subscription Agreement with NorthWestern.
<b>Community Subscriber</b>	Any Montana county or incorporated city or town, in which NorthWestern provides residential electric service, and has entered into a Subscription Agreement with NorthWestern.
<b>Green Power Program</b>	A PSC-approved tariff program designed to provide Community, C&I Subscribers, and qualifying Residential Customers with a Green Power Resource to reduce greenhouse gas emissions associated with their electricity service. This initial program will be capped at 50MW.
<b>Green Power Resource</b>	A new renewable energy supply resource (e.g., wind or solar generator, potentially paired with a battery storage system) located in Montana, and procured to fulfill the Green Power Program. This resource would be above the supply needs identified in NorthWestern's Integrated Resource Plans.
<b>Lead Communities</b>	A sub-set of the Community Subscribers who are initiating the Green Power Program, i.e., the City of Missoula, the County of Missoula, and the City of Bozeman.
<b>Lead Community Support Agreement</b>	A contract between each Lead Community and NorthWestern that commits the Lead Community to supporting the Green Power Program tariff filing, and funding the RFP if there is not a final PSC-approved tariff for the Green Power Program.
<b>Notice of Interest</b>	A non-binding notice, submitted by a potential Community Subscriber or potential C&I Subscriber to NorthWestern, that identifies its expected load commitment in the Green Power Program.
<b>PSC</b>	Montana Public Service Commission.
<b>Residential Customers</b>	A Community Subscriber may allocate a portion of its load commitment identified in its Subscription Agreement for residential customers residing within their city/county limits. If a Community Subscriber elects to allocate a portion of

its commitment to residential customers, the Community Subscriber shall continue to be responsible for cost recovery of the full commitment set forth in its Subscription Agreement, including any unsubscribed, or unpaid for, residential allocation.

**Request for  
Proposal (RFP)**

A process that announces the Green Power Program, describes the resource requirements, and solicits bids from qualified contractors to complete the construction of the Green Power Resource.

**Subscription  
Agreement**

A form approved by the PSC and submitted by a potential Community Subscriber or potential C&I Subscriber to participate in the Green Power Program. The Subscription Agreement commits the Community Subscriber or C&I Subscriber to the Green Power Program. The form may vary depending on the type of subscriber and will, among other things, require a binding load commitment for the depreciable life of the Green Power Resource.

**Process Sequence**

**PSC filing**

After execution of the Lead Community Support Agreements, NorthWestern and Lead Communities shall jointly file with the PSC seeking approval of a conceptual design for the Green Power Program tariff and the Subscription Agreements.

**Recruiting**

After issuance of a Final Order by the PSC approving the conceptual Green Power Program tariff acceptable to NorthWestern and Lead Communities, the Lead Communities will have up to 180 days to recruit potential Community Subscribers and C&I Subscribers ("Recruitment Period") who may submit Notices of Interest to NorthWestern for participation in the Green Power Program.

**RFP**

After the Recruitment Period ends, and under the terms to be agreed to in the Lead Community Support Agreements, NorthWestern and the Lead Communities will finalize design of an RFP to seek bids for a Green Power Resource up to the aggregate load commitment identified in the Notices of Interest. NorthWestern and the Lead Communities will select the Green Power Resource as agreed to in the Lead Community Support Agreements.

**Revenue  
Requirement**

After the closing of the RFP submittal period, NorthWestern and the Lead Communities, under the terms of the Lead Community Support Agreements, will identify a short list of bids. NorthWestern will calculate and provide the revenue requirement and associated tariff pricing for two bids from the short listed bids. The calculated revenue requirement will include all known capital and expenses for the Green Power Resource(s) and program pricing, which pricing will be subject to the PSC's approval through a compliance filing. NorthWestern and the Lead Communities will select the Green Power Resource from the short listed bids.

<b>Submission of Subscription Agreements</b>	To participate in the Green Power Program, potential Community Subscribers and C&I Subscribers must submit their fully executed Subscription Agreements to NorthWestern. If NorthWestern does not receive Subscription Agreements totaling at least the average annual output of the Green Power Resource, NorthWestern is not obligated to offer a Green Power Program. If NorthWestern receives Subscription Agreements totaling more than the expected average annual output of the Green Power Resource, NorthWestern will allocate participation in consultation with Lead Communities.
<b>Initial Compliance Filing</b>	Upon the selection of, and successful contracting with, a Green Power Resource and receipt of Subscription Agreements by NorthWestern totaling at least the average annual output of the Green Power Resource, NorthWestern will file a compliance tariff letter reflecting the pricing for the Green Power Program for approval by the PSC.
<b>Residential Participation</b>	Community Subscribers may allocate a portion of their committed load for NorthWestern residential customers within their jurisdiction as described in the Green Power Program tariff.
<b>Additional Subscribers</b>	In the event that additional participants are identified for participation in and desire to submit Subscription Agreements for the Green Power Program after the PSC's approval of the compliance filing, NorthWestern and the interested entities will work in collaboration to determine timing for future stages of potential growth of the Green Power Program.
<b>Annual Compliance Filings</b>	After approval of the Green Power Program by the PSC, NorthWestern will reflect appropriate changes in costs through either annual compliance filings made at the PSC (e.g., O&M and taxes) or during general rate reviews (e.g., rate base and rate of return) to assure full cost recovery and achieve the goal of no cost shifting.
<b>Resource Life</b>	If NorthWestern, in its discretion, chooses to continue operating the Green Power Resource beyond its depreciable life, all subscribers will have the opportunity to extend their Subscription Agreements for this additional operational period and will be subject to all costs and credits of the Green Power Resource associated with this extended operational period.

## **Green Power Program Concepts**

<b>Marketing</b>	While NorthWestern may promote and will support the Lead Communities in promoting the PSC-approved Green Power Program, any marketing costs including costs associated with the recruitment of potential Community Subscribers and C&I Subscribers will be controlled by, and be the responsibility of, Lead Communities and other subscribers.
<b>Cost and Credits</b>	<p>In addition to paying their otherwise applicable tariff schedule rates, Community Subscribers and C&amp;I Subscribers will be responsible for the following costs and credits associated with the Green Power Program.</p> <ul style="list-style-type: none"><li>• <u>Costs</u>: The Green Power Program tariff shall recover capital costs and all related expenses associated with the Green Power Program.</li><li>• <u>Ancillary Costs</u>: Subscribers will be responsible for any incremental ancillary services costs for the Green Power Resource above the ancillary services cost for a non-variable resource.</li><li>• <u>Credits</u>: The credit component of the Green Power Program includes capacity and energy credits. The calculation of capacity and energy credits will be consistent with the treatment of other resources.</li></ul>
<b>Cost shift</b>	Subscribers of the Green Power Program shall bear the full costs of the program to avoid shifting costs to NorthWestern's non-subscribing customers or NorthWestern's shareholders. In addition to paying their otherwise applicable tariff schedule rates, all subscribers to the Green Power Program will be responsible for the costs and beneficiaries of the credits defined in the Green Power Program tariff. The commitment will be for the depreciable life of the Green Power Resource.
<b>Environmental Benefits</b>	Subscribers shall receive all renewable energy credits (RECs) from the Green Power Resource(s).
<b>Miscellaneous</b>	
<b>Effect of Term Sheet</b>	The purpose of this Term Sheet is to facilitate discussion and gain agreement between NorthWestern and the Lead Communities for the development of a Green Power Program and eventual presentation of a tariff filing for such program to the PSC for approval. Further development of a Green Power Program is contingent upon several outstanding agreements, including execution of Lead Community Support Agreements; issuance of an RFP resulting in costs that are reasonable to subscribers; receipt of sufficient Subscription Agreements; and approval by the PSC of the tariff concept and tariff pricing.
<b>Filing with PSC</b>	Notwithstanding any confidentiality or non-disclosure agreement between NorthWestern and the Lead Communities to the contrary, the Lead Communities

consent to the filing of this Term Sheet and any related documents with the PSC in connection with its review of the Green Power Program.

DRAFT

NorthWestern Corporation d/b/a  
NorthWestern Energy  
11 East Park Street  
Butte, MT 59701

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By:  
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Dated: \_\_\_\_\_, 2023

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Dated: \_\_\_\_\_, 2023

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