

BEFORE THE PUBLIC UTILITIES COMMISSION
OF THE STATE OF SOUTH DAKOTA

In the Matter of the Complaint by Oak Tree Energy LLC against NorthWestern Energy for refusing to enter into a Purchase Power Agreement	EL11 - 006 Affidavit of Bleau J. LaFave
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STATE OF SOUTH DAKOTA)
 ss.
COUNTY OF LINCOLN)

Bleau J. LaFave, being first duly sworn upon oath, states and alleges as follows:

1. I am NorthWestern Energy’s Director of Long-Term Growth. I am responsible for overseeing the long-term supply growth strategies for NorthWestern Energy’s Montana, South Dakota, and Nebraska territories, including large project development and acquisitions. I am an active participant in selecting and implementing NorthWestern’s resource portfolio options.

2. I have personal knowledge of the facts stated herein. Any opinions expressed herein are based upon my experience, as well my direct involvement in NorthWestern’s negotiations with Oak Tree Energy LLC (“*Oak Tree*”).

3. NorthWestern provides the energy its customers in South Dakota require from an ownership share of three coal plants – Big Stone, Coyote, and Neil #4; a power purchase agreement from an existing wind generation facility – Titan 1; and market purchases. Based on five years of historic hourly generation by the coal plants and three years of historic hourly generation by the 25 MW Titan 1 facility, NorthWestern generates an average of 191 MW per hour. NorthWestern forecasts that the output of its coal generation, Titan 1, and Oak Tree will exceed its load during 6,127 hours in 2014, or 70% of the time. In my

business judgment, NorthWestern's portfolio requirements do not support the acquisition of additional intermittent energy resources in South Dakota at this time.

4. NorthWestern purchases output from Titan 1 under a power purchase agreement. With the addition of the output from the 19.5 MW Oak Tree project, an estimated 9.82% of NorthWestern's energy will be supplied by intermittent resources. As required by the Public Utility Regulatory Policies Act of 1978, NorthWestern recently entered into a power purchase agreement to add an additional 41 MW qualified facility wind resource to the utility's generation portfolio. The terms and conditions of the purchase arrangement are confidential. However, with the addition of another 41 MW of wind generation, in my opinion the estimated amount of NorthWestern's energy production from wind will be in the range of 17 to 20%.

5. NorthWestern has the ability to reduce the output from its coal facilities by a maximum 136 MW to the contract minimum operating level of 74 MW. However, this reduction requires long-term scheduling. The generating plants are not capable of reacting to the fluctuation of the wind generation. Additionally, reducing the coal generation output increases the exposure from sale market price of excess wind to purchase market price to make up for the variations of wind generation. At minimum levels of 74 MW of coal, and with an obligation to take up to 86 MW of wind, NorthWestern expects to be long on energy during many light load hours when the market is soft. NorthWestern is already forced on occasion to sell power at a loss.

6. NorthWestern's generation and transmission facilities are not designed and configured to manage the utility's load requirements in South Dakota. NorthWestern is situated within the Western Area Power Administration ("WAPA") balancing authority, and

is reliant upon WAPA for the management of its transmission system. WAPA presently does not assess charges for ancillary services required for managing intermittent resources.

Further affiant sayeth naught.

Dated at Sioux Falls, South Dakota, this 16th day of July, 2013.



Bleau J. LaFave
Director of Long-Term Growth

SUBSCRIBED AND SWORN TO before me this 16th day of July, 2013.



Dori L. Quam
Notary Public, South Dakota
My Commission expires: 2/4/2016