

# NorthWestern Energy

*Bleau LaFave*  
*Director, SD Planning and Development*  
*Office: 605-978-2897*  
*Fax: 605-978-2910*  
*bleau.lafave@northwestern.com*

3010 W 69<sup>th</sup> St  
Sioux Falls, SD 57108  
Telephone: (605) 978-2900  
Facsimile: (605) 978-2910  
www.northwesternenergy.com

July 30, 2010

Mike Uda  
Doney, Crowley, Bloomquist, Payne, Uda, P.C.  
PO Box 1185  
Helena, MT 59624-1185

RE: Oak Tree Energy LLC – QF Negotiation with NorthWestern Energy

Dear Mr. Uda:

NorthWestern Energy (NWE or NorthWestern) has reviewed your email dated July 22, 2010 (copy enclosed) regarding questions that would help Oak Tree Energy's determine the proper market in which to sell its generation and provides the following initial response:

1. NorthWestern has amended the 10 year plan with the South Dakota PUC including a detailed list of resources identified in the submittal to Midcontinent Area Power Pool (MAPP). A copy of the amendment is included. NorthWestern portfolio contains the forecasted capacity that would be required by the existing and future power pool administrator through the end of 2012.

2. NorthWestern remains committed to meeting the voluntary REO of 10% by 2015 (please see SDCL 49-34A-101), while balancing the "cost effectiveness" of any renewable resources to other electricity supply alternatives, and ultimately, the impact on our customers rates (please see SDCL 49-34A-104). NorthWestern has recently conducted, within the last 8 months, a RFI for renewable resources and has suspended the RFI based on NorthWestern's load/supply balance, market conditions, and cost effectiveness. NorthWestern will continue to evaluate renewable resources that will allow NorthWestern to meet the REO of 10% by 2015 and be cost effective to NorthWestern's customer.

3. Included are the copies of the 2009 RREO Report and the cover letter.

4. As stated in number 2, NorthWestern has conducted within the last year a RFI for renewable resources and has suspended the RFI based on NorthWestern's load/supply balance, market conditions, and cost effectiveness. NorthWestern will continue to evaluate renewable resources that will allow NorthWestern to meet the REO of 10% by 2015 and be cost effective to NorthWestern's customer. NorthWestern has conducted within the last year a RFI for renewable resources and has suspended the RFI based on NorthWestern's load/supply balance, market conditions, and cost effectiveness. NorthWestern will continue to evaluate renewable resources that will allow NorthWestern to meet the REO of 10% by 2015 and be cost effective to NorthWestern's customer. NorthWestern also continues to evaluate the capacity needs of its system. NorthWestern is currently under development of a natural gas peaking facility located near Aberdeen, South Dakota. The second peaking unit identified in the plan has been suspended pending a continued analysis of system need and cost effectiveness.

NorthWestern appreciates your interest in renewable energy in South Dakota.

Thank you.

Sincerely,



Bleau LaFave  
Director SD Supply and Development

Cc: Pam Bonrud – Director Government and Regulatory Affairs  
John Hines – Chief Supply Officer  
Sara Dannen – Corporate Counsel  
Dennis Wagner – General Manager SD Production and Generation

EXHIBIT  
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