YEAR 1998

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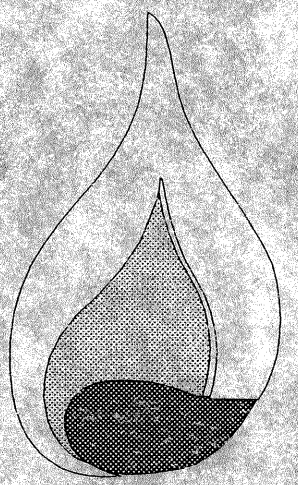
# ANNUAL REPORT
OF

# Montana Power Company

## GAS UTILITY



TO THE
PUBLIC SERVICE COMMISSION
STATE OF MONTANA
1701 PROSPECT AVENUE
P.O. BOX 202601
HELENA, MT 59620-2601

REVISED JULY 28, 1998

## GAS ANNUAL REPORT

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Sch. 1

# IDENTIFICATION

| | |
|---|---|
| Legal Name of Respondent: | The Montana Power Company |
| Name Under Which Respondent Does Business: | The Montana Power Company |
| Date Utility Service First Offered in Montana: | Electricity - Dec 12, 1912<br>Gas - Jan 01, 1933<br>Propane - Oct 13, 1995 |
| Person Responsible for Report: | Ernest J. Kindt |
| Telephone Number for Report Inquiries: | (406) 497-2233 |
| Address for Correspondence Concerning Report: | 40 East Broadway<br>Butte, Montana 59701 |

If direct control over respondent is held by another entity, provide below the name, address, means by which control is held and percent ownership of controlling entity.

NOT APPLICABLE

Sch. 2

## BOARD OF DIRECTORS

| | Director's Name & Address (City, State) | Remuneration |
|---|---|---|
| 1/ | Alan F. Cain<br>Blue Cross and Blue Shield of Montana<br>404 Fuller Ave<br>Helena, MT 59601 | $22,100 |
| 1/ | R. D. Corette<br>Corette, Pohlman & Kebe Law Firm<br>P. O. Box 509<br>Butte, MT 59703 | $22,600 |
| 1/ | Kay Foster<br>Planteriors Unlimited<br>1916 3rd Ave. N.<br>Billings, MT 59102 | $22,600 |
| 1/ | Beverly D. Harris<br>Empire Federal Savings & Loan Association<br>123 South Main Street<br>Livingston, MT 59047 | $22,600 |
| 1/ | Carl Lehrkind, III<br>Lehrkind's, Inc.<br>P. O. Box 399<br>Bozeman, MT 59715 | $24,100 |
| 1/ | N. E. Vosburg<br>Pacific Steel & Recycling<br>P. O. Box 1549<br>Great Falls, MT 59403 | $24,100 |
| 1/ | Chase T. Hibbard - Resigned 02/04/99<br>Sieben Livestock<br>P. O. Box 835<br>Helena, MT 59624 | $24,100 |
| 1/ | John R. Jester<br>Bargain Street, LLC<br>300 Queen Anne Avenue N, Suite 406<br>Seattle, WA 98109 | $25,100 |
| 1/ | Tucker Hart Adams<br>The Adams Group, Inc.<br>Colorado National Bank<br>950 17th Street, Suite 300<br>Denver, CO 80202 | $24,600 |
| 1/ | John G. Connors<br>Microsoft Corporation<br>One Microsoft Way<br>Redmond, WA 98052 | $22,600 |

Sch. 2 cont.

## BOARD OF DIRECTORS

| Director's Name & Address (City, State) | Remuneration |
|---|---|
| 2/ Robert P. Gannon<br>Montana Power Company<br>40 East Broadway<br>Butte, MT 59701 | $0 |
| 2/ Jerrold P. Pederson<br>Montana Power Company<br>40 East Broadway<br>Butte, MT 59701 | $0 |

1/ Remuneration:

Non-employee Directors are paid $19,600 per year, effective 12/1/96, plus $500 for each meeting of a Committee of the Board attended, except those held in conjunction with regular Board meetings.

They also receive $850 per special meeting of the Board, when such special meetings are held in addition to the regularly scheduled Board meeting in any one month.

The Company has Deferred Compensation Plans for non-employee Directors.
Directors may elect to defer their payments as Directors until retirement from the Board.
No compensation was deferred in 1998.
Deferred payments earn interest based on Moody's average Baa Corporate Bond Rates.

The Company has Stock Compensation Plans for non-employee Directors.
The Plan provides annual grants of 480 shares of the Company's common stock.
The Plan also allows a Director to elect to receive any portion of the annual retainer in the Company's common stock.
Directors may elect to defer receipt of the stock payment until they cease to be a Director of the Company or until such other date the Director elects.
At the end of the deferral period, the Director will be paid for the stock units in Company common stock or the equivalent value in cash based upon the market value of the Company's common stock at that time.

All Company Directors participated in a non-qualified retirement plan (the Benefit Restoration Plan for directors).
The Plan was implemented in 1986 for all eligible Directors.
This Plan provides for annual benefit payments to vested participants upon retirement.
It is intended to allow for supplemental income to the Director at the time of retirement or to beneficiaries in the event of the Director's death.
Trust owned life insurance is carried on Plan participants.
The Company and participants in the Plan contribute to the cost of the life insurance.
All death proceeds are specifically directed to the Plan Trust for the sole purpose of paying for Plan benefits and premium costs.
The board curtailed the Plan, effective 12/31/97, by closing it to additional participants and by capping the maximum annual benefits to eliminate further increases to benefits as the annual retainer increases.

2/ Employee Directors do not receive compensation for board and/or committee meetings.

Sch. 3

## OFFICERS

| | Title | Department Supervised | Name |
|---|---|---|---|
| 1 | | | |
| 2 | Chairman of the Board, | Executive - | Robert P. Gannon |
| 3 | President and Chief | Shared Administrative Services | |
| 4 | Executive Officer | (Corporate Communications) | |
| 5 | | (Governmental Affairs) | |
| 6 | | (Corporate Community Relations) | |
| 7 | | | |
| 8 | Vice President, Chief | Executive - | Jerrold P. Pederson |
| 9 | Financial and Information | Shared Administrative Services | |
| 10 | Officer | (Audit Services) | |
| 11 | | (Controller Services) | |
| 12 | | (Information Services) | |
| 13 | | (Strategic Planning) | |
| 14 | | (Treasury Services) | |
| 15 | | (Commodity Risk) | |
| 16 | | (EVA Planning) | |
| 17 | | | |
| 18 | Vice President, Human | Executive - | Pamela K. Merrell |
| 19 | Resources and Secretary | Shared Administrative Services | |
| 20 | | (Investor Services) | |
| 21 | | (Corp. Environmental Compliance) | |
| 22 | | (Flight Services) | |
| 23 | | (Human Resources) | |
| 24 | | | |
| 25 | Vice President and | Executive - | Michael E. Zimmerman |
| 26 | General Counsel | Shared Administrative Services | |
| 27 | | (Legal) | |
| 28 | | (Land & Enviromental Services) | |
| 29 | | | |
| 30 | Vice President | Marketing | W. Stephen Dee |
| 31 | | (Market Anlysis and Planning) | |
| 32 | | (Advertising) | |
| 33 | | | |
| 34 | Executive Vice President and | Energy Services Division | John D. Haffey |
| 35 | Chief Operating Officer | | |
| 36 | | | |
| 37 | Vice President | Distribution Services | David A. Johnson |
| 38 | | | |
| 39 | Vice President | Transmission Services | William A. Pascoe |
| 40 | | | |
| 41 | Vice President | Corporate Business Development | Perry J. Cole |
| 42 | | | |
| 43 | Executive Vice President and | Telecommunications Division | Michael J. Meldahl |
| 44 | Chief Operating Officer | | |
| 45 | | | |
| 46 | Executive Vice President and | Energy Supply Division | Richard F. Cromer |
| 47 | Chief Operating Officer | | |
| 48 | | | |
| 49 | Vice President | Oil and Gas Operations | Ralph P. Madison |
| 50 | | | (Retired 01/31/99) |
| 51 | | | |
| 52 | | | |
| 53 | | | |

Sch. 3 cont.

## OFFICERS

| Title | Department Supervised | Name |
|---|---|---|
| Vice President | Colstrip Project Division | Michael C. Enterline |
| Treasurer | Treasury Services | Ellen M. Senechal |
| Controller | Controller Services | David S. Smith |
| Assistant Controller | Controller Services | Ernest J. Kindt |
| Assistant Treasurer | Treasury Services | Harry J. Freebourn |
| Assistant Secretary | Executive - Shared Administrative Services | Susan D. Breining |
| Assistant Secretary | Investor Services | Rose Marie Ralph |

Sch. 4

## CORPORATE STRUCTURE

| | Subsidiary/Company Name | Line of Business | Earnings (000) | % of Total |
|---|---|---|---|---|
| 1 | | | | |
| 2 | **THE MONTANA POWER COMPANY** | | | |
| 3 | **Utility Operations** | | $51,485 | 31.79% |
| 4 | Electric Utility | Electric Utility | | |
| 5 | Natural Gas Utility | Natural Gas Utility | | |
| 6 | Canadian-Montana Pipeline Company | Gas Transmission | | |
| 7 | Glacier Gas Company | Production & Transport of Natural Gas | | |
| 8 | Colstrip Community Services Company | Water and Refuse Services | | |
| 9 | Montana Power Services Company | Service Provider for the Company | | |
| 10 | Montana Power Capital 1 | Financing | | |
| 11 | MPC Natural Gas Funding Trust | Bond Transition Financing | | |
| 12 | | | | |
| 13 | **Nonutility Operations** | | $110,445 | 68.21% |
| 14 | Colstrip Unit 4 Lease Mgmt Division | 1/ Wholesale Sales of Electric Power | | |
| 15 | Continental Energy Services, Inc. | Independent Power & Cogen. Dev. & Invest. | | |
| 16 | EMPECO, Inc. | Independent Power & Cogen. Dev. & Invest. | | |
| 17 | EMPECO II, Inc. | Independent Power & Cogen. Dev. & Invest. | | |
| 18 | EMPECO III, Inc. | Independent Power & Cogen. Dev. & Invest. | | |
| 19 | EMPECO V, Inc. | Independent Power & Cogen. Dev. & Invest. | | |
| 20 | EMPECO VI-TE, Inc. | Independent Power & Cogen. Dev. & Invest. | | |
| 21 | EMPECO VII-TX3, Inc. | Independent Power & Cogen. Dev. & Invest. | | |
| 22 | Montana Energy , Inc. | Independent Power & Cogen. Dev. & Invest. | | |
| 23 | ECI Energy, Ltd. | 2/ Investment in British Partnership in a | | |
| 24 | | Gas-Fired Cogeneration Project | | |
| 25 | Enserch Development Corp. One, Inc. | Generate Electricity | | |
| 26 | Montana Grimes County, Inc. | Ownership in Electric Power Generating Facility | | |
| 27 | Montana Grimes Frontier, Inc. | Ownership in Electric Power Generating Facility | | |
| 28 | CES International | Independent Power & Cogen. Dev. & Invest. | | |
| 29 | Barge Energy LLC | Holding Co. for Power Plant Investment | | |
| 30 | PAK Energy LLC | Holding Co. for Power Plant Investment | | |
| 31 | Entech, Inc. | Admin. & Mgmt. of Nonutility Services, excluding | | |
| 32 | | Colstrip 4 Lease & Continental Energy Services | | |
| 33 | Canadian-Montana Gas Company Ltd. | Gas Exploration & Development | | |
| 34 | Altana Exploration Company | Oil & Gas Exploration & Development | | |
| 35 | Montana Power Ventures, Inc. | Information & Gas Transportation Services | | |
| 36 | Entech Gas Ventures, Inc. | Information & Gas Transportation Services | | |
| 37 | Altana Exploration, Ltd. | Oil & Gas Exploration & Development | | |
| 38 | The Montana Power Gas Company | Gas Supplier for Montana Markets | | |
| 39 | North American Resources Company | Oil & Gas Exploration & Development | | |
| 40 | Western Energy Company | Coal & Minerals Mining | | |
| | Western Syncoal Company | Develop Coal Drying Technology | | |
| 41 | Syncoal, Inc. | Develop Coal Drying Technology | | |
| 42 | Montana Energy Development | Investment in Mining Resource Ventures | | |
| 43 | Participacoes, Ltda. | | | |
| 44 | Finaciera Ulken Sociedad Anonima | Financing | | |
| 45 | Northwestern Resources Company | Lignite & Minerals Mining | | |
| 46 | Basin Resources, Inc. | Underground Coal Mining | | |
| 47 | Horizon Coal Services, Inc. | Coal Sales & Development | | |
| 48 | North Central Energy Company | Exploration, Develop. & Production of Coal | | |
| 49 | | | | |

50 1/ Colstrip Unit 4 Lease Management Division is an operating division of The Montana Power Company.

51

52 2/ Continental Energy Services owns 47.5 % of the value and 50% of the voting power of this corporation.

Sch. 4

## CORPORATE STRUCTURE

| | Subsidiary/Company Name | Line of Business | Earnings (000) | % of Total |
|---|---|---|---|---|
| 1 | SynCoal, Incorporated | Clean Coal Technology Development | | |
| 2 | Tetragenics Company | Process Control Systems | | |
| 3 | Touch America, Inc. | Telecommunications Systems & Equipment | | |
| 4 | The Montana Power Trading and | Energy Brokerage and Marketing | | |
| 5 | Marketing Company | | | |
| 6 | | | | |
| 7 | **TOTAL** | | $161,930 | 100.00% |
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Sch. 5

## CORPORATE ALLOCATIONS

| | Departments Allocated | Description of Services | Allocation Method | $ to MT El & Gas Utilities | MT % | $ to Other |
|---|---|---|---|---|---|---|
| 1 | Shared Administrative | | | | | |
| 2 | Services - 1/ | | | | | |
| 3 | | | | | | |
| 4 | Executive Management & | Includes the following departments: CEO & | All overhead costs not charged directly | $10,376,558 | 73.48% | $3,745,423 |
| 5 | Office of the Corporation | Chairman; Vice Pres. & Secretary; | are allocated to the Utility & Nonutilities | | | |
| 6 | Secretary | Vice Pres., CFO & CIO; Vice Pres. & CLC; | based on number of employees or on %'s | | | |
| 7 | | Corporate Communication; Flight Services; | developed using formulas based on net | | | |
| 8 | | Governmental and Legislative Affairs; | plant, revenues and gross payroll. | | | |
| 9 | | Land & Environmental Compliance; | | | | |
| 10 | | Investor Services; Community Relations; | | | | |
| 11 | | MPC Foundation; Vice Pres.-Marketing; | | | | |
| 12 | | Market Research & Planning; Strategic | | | | |
| 13 | | Planning | | | | |
| 14 | | | | | | |
| 15 | Human Resources | Includes the following departments: Human | All overhead costs not charged directly | $23,477,033 | 76.50% | $7,211,835 |
| 16 | | Resources; Benefits; Compensation & Labor | are allocated to the Utility & Nonutilities | | | |
| 17 | | Relations; Employment; Organizational | based on number of employees or on %'s | | | |
| 18 | | Development; Technology Training; | developed using formulas based on net | | | |
| 19 | | HR Liaison to Energy Supply; HR Liaison | plant, revenues and gross payroll. | | | |
| 20 | | to Energy Services | | | | |
| 21 | | | | | | |
| 22 | Financial Accounting | Includes the following departments: Audit | All overhead costs not charged directly | $7,001,991 | 69.54% | $3,066,357 |
| 23 | | Services; Commodity Risk; Controller | are allocated to the Utility & Nonutilities | | | |
| 24 | | Services; Corporate Accounting; Property | based on number of employees or on %'s | | | |
| 25 | | Records; Corporate Tax; Disbursements; | developed using formulas based on net | | | |
| 26 | | Financial Reporting; CS Liaison to Energy | plant, revenues and gross payroll. | | | |
| 27 | | Supply; CS Liaison to Energy Services; | | | | |
| 28 | | G&T Admin. Services; Gas Oper. Admin. | | | | |
| 29 | | Services | | | | |
| 30 | | | | | | |
| 31 | Treasury Services & | Includes the following departments: | All overhead costs not charged directly | $7,868,310 | 72.41% | $2,998,411 |
| 32 | Facilities | Treasury Services; Facilities; Mailing | are allocated to the Utility & Nonutilities | | | |
| 33 | | Services; Financial Services; Financial | based on number of employees or on %'s | | | |
| 34 | | Systems; Investor Relations; Risk Mgmt.; | developed using formulas based on net | | | |
| 35 | | Credit and Cash | plant, revenues and gross payroll. | | | |
| 36 | | | | | | |
| 37 | | | | | | |

Sch. 5 cont.

## CORPORATE ALLOCATIONS

| | Departments Allocated | Description of Services | Allocation Method | $ to MT El & Gas Utilities | MT % | $ to Other |
|---|---|---|---|---|---|---|
| 1 | Information Services | Includes the following departments: Information Services; IS Customer Services; Admin. & User Support; Applications; Text Services; Information Tech Services; Data Administration; Data Center Operations; Network Services; Security & Disaster Recovery; IS Liaison to Energy Supply; IS Liaison to Energy Services; IS Liaison to SAS; Internet Communications | All overhead costs not charged directly are allocated to the Utility & Nonutilities based on %'s developed using formulas based on net plant, revenues and gross payroll. | $13,188,677 | 78.90% | $3,526,454 |
| 12 | Legal Services | Legal Services Department | All overhead costs not charged directly are allocated to the Utility & Nonutilities based on %'s developed using formulas based on net plant, revenues and gross payroll. | $1,185,160 | 71.12% | $481,337 |
| 18 | Common Items | Includes: accruals for injuries and damages; pension trust fund payments; deferred savings plan payments | All overhead costs not charged directly are allocated to the Utility & Nonutilities based on number of employees or on %'s developed using formulas based on net plant, revenues and gross payroll. | $95,275 | 100.00% | $0 |
| 28 | **TOTAL** | | | $63,193,003 | 75.03% | $21,029,816 |

1/ - Shared Administrative Services (SAS) became effective August 1, 1996. The purpose of SAS is to centralize overhead functions that are shared by all business units. Prior to August 1, 1996, only corporate costs were allocated. However, with the development of SAS, several departments that were separately maintained within MPC and Entech have been combined and are now being allocated to the business segments.

Sch. 6

## AFFILIATE TRANSACTIONS - PRODUCTS & SERVICES PROVIDED TO UTILITY

| | Affiliate Name | Products & Services | Method to Determine Price | Charges to Utility | % of Total Affil. Revs. | Charges to MT Utility |
|---|---|---|---|---|---|---|
| 1 | | | | | | |
| 2 | **Nonutility Subsidiaries** | | | | | |
| 3 | Western Energy Company | Coal sales & transportation | Contract Rates | $25,355,311 | 3.32% | $25,355,311 |
| 4 | | Misc. Services | Actual Costs Incurred | 33,987 | 0.00% | 33,987 |
| 5 | North American Resources | By-product sales | Market Rates | 99,097 | 0.01% | 99,097 |
| 6 | MP Gas Company | Gas Sales | Market Rates | 18,857,825 | 2.47% | 18,857,825 |
| 7 | Tetragenics | Engineering Services | Market Rates | 305,078 | 0.04% | 305,078 |
| 8 | Touch America | Communication Services | Market Rates | 1,192,368 | 0.16% | 1,192,368 |
| 9 | Entech, Inc. | Gas royalty payment processing | Contract Rates | 617,082 | 0.08% | 617,082 |
| 10 | North American Energy Services | Power plant O & M Services | Market Rates | 1,514,101 | 0.20% | 1,514,101 |
| 11 | Continental Energy Services, Inc. | Interest on loans | Interest rate used is average of MPC's | 3,875,866 | 0.51% | 3,875,866 |
| 12 | | | short term borrowing rate & Colstrip | | | |
| 13 | | | Unit 4's portfolio investment rate. | | | |
| 14 | | | 1998 Annual Average Rate=5.530% | | | |
| 15 | Colstrip Unit 4 - | Interest on loans | Interest rate used is average of MPC's | 1,006,806 | 0.13% | 1,006,806 |
| 16 | Lease Management Division | | short term borrowing rate & Colstrip | | | |
| 17 | | | Unit 4's portfolio investment rate. | | | |
| 18 | | | 1998 Annual Average Rate=5.530% | | | |
| 19 | | Electric Sales | Spot Market Prices | 837,638 | 0.11% | 837,638 |
| 20 | **Total Nonutility Subsidiaries** | | | $53,695,159 | 7.02% | $53,695,159 |
| 21 | **Total Nonutility Subsidiaries Revenues** | | | $764,572,000 | | |
| 22 | **Utility Subsidiaries** | | | | | |
| 23 | Glacier Gas Company | Gas sales | Based Upon Rate Base | $224,116 | 0.04% | $224,116 |
| 24 | Colstrip Community Services | Property mgmt/utility services | Actual Costs Incurred | 209,775 | 0.04% | 209,775 |
| 25 | **Total Utility Subsidiaries** | | | $433,891 | 0.08% | $433,891 |
| 26 | **Total Utility Subsidiaries Revenues** | | | $566,074,000 | | |
| 27 | **TOTAL AFFILIATE TRANSACTIONS** | | | $54,129,050 | | $54,129,050 |
| 28 | | | | | | |
| 29 | | | | | | |
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Sch. 7

## AFFILIATE TRANSACTIONS - PRODUCTS & SERVICES PROVIDED BY UTILITY

| | Affiliate Name | Products & Services | Method to Determine Price | Charges to Affiliate | % of Total Affil. Exp. | Revenues to MT Utility |
|---|---|---|---|---|---|---|
| 1 | | | | | | |
| 2 | **Nonutility Subsidiaries** | | | | | |
| 3 | Western Energy Company | Sales of Electricity | Tariff Schedules | $3,397,187 | 0.57% | $3,397,187 |
| 4 | | Project Services | Actual Costs Incurred | 71,091 | 0.01% | 71,091 |
| 5 | North American Resources | Gas Transportation | Monthly Bid Rate(FERC Tariff) | 98,510 | 0.02% | 98,510 |
| 6 | | | & Fixed Rate (NEB) | | | |
| 7 | Touch America | Sales of Gas & Electricity | Tariff Schedules | 46,709 | 0.01% | 46,709 |
| 8 | Entech, Inc. | Sales of Gas & Electricity | Tariff Schedules | | 0.00% | 0 |
| 9 | Colstrip Unit 4 - | | | 719,006 | 0.12% | 719,006 |
| 10 | Lease Management Division | Sales of Electricity | Spot Market Prices | | 0.00% | 0 |
| 11 | | Sale of Coal | Actual Costs Incurred | 183,219 | 0.03% | 183,219 |
| 12 | **Total Nonutility Subsidiaries** | | | $4,515,722 | 0.75% | $4,515,722 |
| 13 | **Total Nonutility Subsidiaries Expenses** | | | $599,157,000 | | |
| 14 | **Utility Subsidiaries** | | | | | |
| 15 | Colstrip Community Services | Project Services | Actual Costs Incurred | $43,160 | 0.01% | $43,160 |
| 16 | **Total Utility Subsidiaries** | | | $43,160 | 0.01% | $43,160 |
| 17 | **Total Utility Subsidiaries Expenses** | | | $426,214,000 | | |
| 18 | **TOTAL AFFILIATE TRANSACTIONS** | | | $4,558,882 | | $4,558,882 |
| 19 | | | | | | |
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Sch. 8

## MONTANA UTILITY INCOME STATEMENT - GAS (INCLUDES CMP) - 1/

| | Account Number & Title | This Year Cons. Utility | Glacier Gas | This Year Montana | Last Year Montana | % Change |
|---|---|---|---|---|---|---|
| 1 | | | | | | |
| 2 | 400 Operating Revenues | $106,849,068 | $224,115 | $106,624,953 | $122,197,080 | -12.74% |
| 3 | | | | | | |
| 4 | **Total Operating Revenues** | $106,849,068 | $224,115 | $106,624,953 | $122,197,080 | -12.74% |
| 5 | | | | | | |
| 6 | **Operating Expenses** | | | | | |
| 7 | | | | | | |
| 8 | 401 Operation Expense | $64,228,330 | $130,448 | $64,097,882 | $51,257,928 | 25.05% |
| 9 | 402 Maintenance Expense | 5,085,759 | 7,836 | 5,077,923 | 5,052,708 | 0.50% |
| 10 | 403 Depreciation Expense | 8,486,524 | 21,985 | 8,464,539 | 11,588,268 | -26.96% |
| 11 | 404-405 Amort. & Depletion of Gas Plant | 158,761 | | 158,761 | 280,826 | -43.47% |
| 12 | 406 Amort. of Plant Acquisition Adj. | | | | | |
| 13 | 407.1 Amort. of Property Losses, | | | | | |
| 14 | Unrecovered Plant, and | | | | | |
| 15 | Regulatory Study Costs | | | | | |
| 16 | 408.1 Taxes Other Than Income Taxes | 14,033,180 | 22,030 | 14,011,150 | 15,993,999 | -12.40% |
| 17 | 409.1 Income Taxes-Federal | 309,230 | 30,735 | 278,495 | 8,244,182 | -96.62% |
| 18 | -Other | (114,577) | 3,575 | (118,152) | 2,703,983 | -104.37% |
| 19 | 410.1 Deferred Income Taxes-Dr. | 124,800 | (76) | 124,876 | (584,365) | 121.37% |
| 20 | 411.1 Deferred Income Taxes-Cr. | | | | | |
| 21 | 411.4 Investment Tax Credit Adj. | (115,753) | | (115,753) | (196,031) | 40.95% |
| 22 | 411.6 Gain from Disposition of Property | | | | | |
| 23 | 411.7 Loss from Disposition of Property | | | | | |
| 24 | | | | | | |
| 25 | **Total Operating Expenses** | $92,196,254 | $216,533 | $91,979,721 | $94,341,498 | -2.50% |
| 26 | **NET OPERATING INCOME** | $14,652,814 | $7,582 | $14,645,232 | $27,855,582 | -47.42% |

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30 1/ The Gas Utility transferred the majority of its natural gas production properties in the United States and all
31 of its Canadian natural gas production properties to nonregulated operations on November 1,1997. It
32 should be noted, any schedule pertaining to the income statement includes 10 months of charges relating
33 to the production properties.
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Sch. 9

## MONTANA REVENUES - GAS (INCLUDES CMP)

| | Account Number & Title | This Year Cons. Utility | Glacier Gas | This Year Montana | Last Year Montana | % Change |
|---|---|---|---|---|---|---|
| 1 | | | | | | |
| 2 | **Core Distribution Business Units** | | | | | |
| 3 | **(DBUs)** | | | | | |
| 4 | 440 Residential | $61,446,308 | | $61,446,308 | $66,292,220 | -7.31% |
| 5 | 442.1 Commercial | 30,120,125 | | 30,120,125 | 38,157,815 | -21.06% |
| 6 | 442.2 Industrial Firm | 1,371,859 | | 1,371,859 | 2,661,811 | -48.46% |
| 7 | 445 Public Authorities | 237,205 | | 237,205 | 797,024 | -70.24% |
| 8 | 448 Interdepartmental Sales | 201,366 | | 201,366 | 224,548 | -10.32% |
| 9 | 491.2 CNG Station | 16,569 | | 16,569 | 16,991 | -2.48% |
| 10 | | | | | | |
| 11 | **Total Sales to Core DBUs** | $93,393,432 | $0 | $93,393,432 | $108,150,409 | -13.64% |
| 12 | 447 Sales for Resale | $830,585 | $224,115 | $606,470 | $788,694 | -23.10% |
| 13 | 442.2 Interruptible Industrial | | | | | |
| 14 | | | | | | |
| 15 | **Total Sales of Natural Gas** | $94,224,017 | $224,115 | $93,999,902 | $108,939,103 | -13.71% |
| 16 | | | | | | |
| 17 | **Transportation** | | | | | |
| 18 | | | | | | |
| 19 | 489 Transportation | $12,981,466 | | $12,981,466 | $10,086,111 | 28.71% |
| 20 | 442.2 Sales Subscription | | | | | |
| 21 | 495 Storage | 2,368,767 | | 2,368,767 | 2,090,738 | 13.30% |
| 22 | | | | | | |
| 23 | **Total Revenues From Transportation** | $15,350,233 | $0 | $15,350,233 | $12,176,849 | 26.06% |
| 24 | | | | | | |
| 25 | **Other Operating Revenue** | | | | | |
| 26 | | | | | | |
| 27 | Montana Power Company | ($2,725,182) | | ($2,725,182) | $1,050,604 | -359.39% |
| 28 | Canadian Montana Gas Company | 0 | | 0 | 30,524 | -100.00% |
| 29 | | | | | | |
| 30 | **Total Other Operating Revenue** | ($2,725,182) | $0 | ($2,725,182) | $1,081,128 | -352.07% |
| 31 | **TOTAL OPERATING REVENUE** | $106,849,068 | $224,115 | $106,624,953 | $122,197,080 | -12.74% |
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Sch. 10

## MONTANA OPERATION & MAINTENANCE EXPENSES - GAS (INCLUDES CMP)

| | Account Number & Title | This Year Cons. Utility | Glacier Gas | This Year Montana | Last Year Montana | % Change |
|---|---|---|---|---|---|---|
| 1 | **Production Expenses** | | | | | |
| 2 | **Production & Gathering-Operation** | | | | | |
| 3 | 735 Misc. Production Expense | | | | | |
| 4 | 750 Supervision & Engineering | $47,998 | $1,408 | $46,590 | $517,334 | -90.99% |
| 5 | 751 Maps & Records | (247) | | (247) | 334,535 | -100.07% |
| 6 | 752 Gas Wells Expenses | 4,049 | 3,812 | 237 | 666,862 | -99.96% |
| 7 | 753 Field Lines Expenses | 1 | 1 | 0 | 56,905 | -100.00% |
| 8 | 754 Field Compressor Station Expense | 8,072 | 7,612 | 460 | 413,373 | -99.89% |
| 9 | 755 Field Comp. Station Fuel & Power | 2,124 | 1,357 | 767 | 31,902 | -97.60% |
| 10 | 756 Field Meas. & Reg. Station Expense | 4,921 | 4,080 | 840 | 294,180 | -99.71% |
| 11 | 757 Purification Expenses | 10,023 | 9,641 | 382 | 239,418 | -99.84% |
| 12 | 758 Gas Well Royalties | 67,848 | 33,621 | 34,227 | 1,391,264 | -97.54% |
| 13 | 759 Other Expenses | 3,870 | 1,372 | 2,499 | 395,552 | -99.37% |
| 14 | 760 Rents | 0 | | 0 | 176,406 | -100.00% |
| 15 | **Total Oper.-Production & Gathering** | $148,659 | $62,905 | $85,754 | $4,517,731 | -98.10% |
| 16 | **Production & Gathering-Maintenance** | | | | | |
| 17 | 761 Supervision & Engineering | | | $0 | $327,056 | -100.00% |
| 18 | 762 Structures & Improvements | $2 | $2 | 0 | 65,982 | -100.00% |
| 19 | 763 Producing Gas Wells | | | 0 | 80,710 | -100.00% |
| 20 | 764 Field Lines | 277 | 277 | 0 | 102,072 | -100.00% |
| 21 | 765 Field Compressor Station Equip. | 2,787 | 2,787 | 0 | 649,748 | -100.00% |
| 22 | 766 Field Meas. & Reg. Station Equip. | | | 0 | 85,153 | -100.00% |
| 23 | 767 Purification Equipment | 1,030 | 1,030 | 0 | 73,512 | -100.00% |
| 24 | 768 Drilling & Cleaning Equipment | | | | | |
| 25 | 769 Other Equipment | 3 | 3 | 0 | 34,408 | -100.00% |
| 26 | **Total Maint.-Production & Gathering** | $4,100 | $4,100 | $0 | $1,418,640 | -100.00% |
| 27 | **Total Production & Gathering** | $152,759 | $67,005 | $85,754 | $5,936,372 | -98.56% |
| 28 | **Products Extraction-Operation** | | | | | |
| 29 | 770 Supervision & Engineering | $0 | | $0 | $74,892 | -100.00% |
| 30 | 771 Labor | | | 0 | 73,519 | -100.00% |
| 31 | 772 Gas Shrinkage | | | | | |
| 32 | 773 Fuel | | | | | |
| 33 | 774 Power | | | 0 | 154,074 | -100.00% |
| 34 | 775 Materials | | | 0 | 9,259 | -100.00% |
| 35 | 776 Supplies & Expenses | | | 0 | 206,639 | -100.00% |
| 36 | 777 Gas Processed by Others | | | | | |
| 37 | 778 Royalties on Products Extracted | | | | | |
| 38 | 779 Marketing Expenses | | | 0 | 70,299 | -100.00% |
| 39 | 780 Products Purchased for Resale | | | | | |
| 40 | 781 Variation in Products Inventory | | | | | |
| 41 | 782 Extracted Products Used by Util.-Cr. | | | | | |
| 42 | 783 Rents | | | | | |
| 43 | **Total Operation-Products Extraction** | $0 | $0 | $0 | $588,681 | -100.00% |
| 44 | **Products Extraction-Maintenance** | | | | | |
| 45 | 784 Supervision & Engineering | | | $0 | $115 | -100.00% |
| 46 | 785 Structures & Improvements | | | 0 | 1,219 | -100.00% |
| 47 | 786 Extraction & Refining Equipment | | | 0 | 14,835 | -100.00% |
| 48 | 787 Pipe Lines | | | 0 | 91 | -100.00% |
| 49 | 788 Extracted Prod. Storage Equip. | | | 0 | 73 | -100.00% |
| 50 | 789 Compressor Equipment | | | 0 | 10,637 | -100.00% |
| 51 | 790 Gas Meas. & Reg. Equipment | | | 0 | 3,223 | -100.00% |
| 52 | 791 Other Equipment | | | 0 | 601 | -100.00% |
| 53 | **Total Maintenance-Products Extraction** | $0 | $0 | $0 | $30,794 | -100.00% |
| 54 | **Total Products Extraction** | $0 | $0 | $0 | $619,475 | -100.00% |

Sch. 10 cont.

## MONTANA OPERATION & MAINTENANCE EXPENSES - GAS (INCLUDES CMP)

| | Account Number & Title | This Year Cons. Utility | Glacier Gas | This Year Montana | Last Year Montana | % Change |
|---|---|---|---|---|---|---|
| 1 | **Production Expenses-cont.** | | | | | |
| 2 | | | | | | |
| 3 | **Exploration & Development-Operation** | | | | | |
| 4 | 795 Delay Rentals | ($2,899) | | ($2,899) | $206,782 | -101.40% |
| 5 | 796 Nonproductive Well Drilling | | | 0 | 65,647 | -100.00% |
| 6 | 797 Abandoned Leases | | | 0 | 0 | 0.00% |
| 7 | 798 Other Exploration | | | | | |
| 8 | 799 Loss on Disposition of Property | | | | | |
| 9 | **Total Exploration & Development** | ($2,899) | $0 | ($2,899) | $272,429 | -101.06% |
| 10 | | | | | | |
| 11 | **Other Gas Supply Expense-Operation** | | | | | |
| 12 | 800 NG Wellhead Purchases | $16,048,737 | $31,433 | $16,017,303 | $22,374,635 | -28.41% |
| 13 | 800.1 NG Wellhead Purchases, Intraco. | 18,857,825 | | $18,857,825 | | 100.00% |
| 14 | 801 NG Field Line Purchases | | | | | |
| 15 | 802 NG Gasoline Plant Outlet Purchases | | | | | |
| 16 | 803 NG Transmission Line Purchases | (520,705) | | (520,705) | 1,404,611 | -137.07% |
| 17 | 804 NG City Gate Purchases | | | | | |
| 18 | 805 Other Gas Purchases | | | | | |
| 19 | 805.1 Purchased Gas Cost Adjustments | 1,418,867 | | 1,418,867 | (7,573,318) | 118.74% |
| 20 | 805.2 Incremental Gas Cost Adjustments | | | | | |
| 21 | 805.3 Deferred Gas Gas Cost Adjustments | (164,818) | | (164,818) | 164,818 | -200.00% |
| 22 | 806 Exchange Gas | | | | | |
| 23 | 807.1 Well Expenses-Purchased Gas | 182,833 | 142 | 182,691 | 204,456 | -10.65% |
| 24 | 807.2 Purch. Gas Meas. Stations-Oper. | 53,190 | 205 | 52,985 | 95,100 | -44.29% |
| 25 | 807.3 Purch. Gas Meas. Stations-Maint. | 33,341 | | 33,341 | 23,306 | 43.06% |
| 26 | 807.4 Purch. Gas Calculations Expenses | 43,739 | | 43,739 | 26,002 | 68.21% |
| 27 | 807.5 Other Purchased Gas Expenses | 231,785 | | 231,785 | 166,815 | 38.95% |
| 28 | 808.1 Gas Withdrawn from Storage -Dr. | 15,484,606 | | 15,484,606 | 8,392,688 | 84.50% |
| 29 | 808.2 Gas Delivered to Storage -Cr. | | | | | |
| 30 | 809.2 Delivery of Gas for Processing-Cr. | (19,241,686) | | (19,241,686) | (8,952,418) | -114.93% |
| 31 | 810 Gas Used-Comp. Station Fuel-Cr. | | | | | |
| 32 | 811 Gas Used-Products Extraction-Cr. | | | | | |
| 33 | 812 Gas Used-Other Utility Oper.-Cr. | | | | | |
| 34 | 813 Other Gas Supply Expenses | 0 | | 0 | 809,094 | -100.00% |
| 35 | **Total Other Gas Supply Expenses** | $32,427,713 | $31,781 | $32,395,933 | $17,135,789 | 89.05% |
| 36 | **Total Production Expenses** | $32,577,573 | $98,785 | $32,478,788 | $23,964,065 | 35.53% |
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Sch. 10 cont.

## MONTANA OPERATION & MAINTENANCE EXPENSES - GAS (INCLUDES CMP)

| | Account Number & Title | This Year Cons. Utility | Glacier Gas | This Year Montana | Last Year Montana | % Change |
|---|---|---|---|---|---|---|
| 1 | **Storage, Terminaling & Processing Exp.** | | | | | |
| 2 | | | | | | |
| 3 | **Underground Storage-Operation** | | | | | |
| 4 | 814 Supervision & Engineering | $307,962 | | $307,962 | $181,253 | 69.91% |
| 5 | 815 Maps & Records | 85,247 | | 85,247 | 30,427 | 180.17% |
| 6 | 816 Wells | 105,949 | | 105,949 | 68,579 | 54.49% |
| 7 | 817 Lines | 15,412 | | 15,412 | 12,832 | 20.10% |
| 8 | 818 Compressor Station | 92,838 | | 92,838 | 38,663 | 140.12% |
| 9 | 819 Compressor Station Fuel & Power | 12,322 | | 12,322 | 9,431 | 30.66% |
| 10 | 820 Measuring & Regulating Station | 34,947 | | 34,947 | 25,200 | 38.68% |
| 11 | 821 Purification | 48,668 | | 48,668 | 25,327 | 92.16% |
| 12 | 822 Exploration & Development | | | | | |
| 13 | 823 Gas Losses | | | | | |
| 14 | 824 Other Expenses | 117,259 | | 117,259 | 44,256 | 164.95% |
| 15 | 825 Storage Well Royalties | 136,023 | | 136,023 | 40,003 | 240.03% |
| 16 | 826 Rents | 361 | | 361 | | 100.00% |
| 17 | **Total Operation-Underground Storage** | $956,988 | $0 | $956,988 | $475,971 | 101.06% |
| 18 | | | | | | |
| 19 | **Underground Storage-Maintenance** | | | | | |
| 20 | 830 Supervision & Engineering | $93,191 | | $93,191 | $36,326 | 156.54% |
| 21 | 831 Structures & Improvements | 940 | | 940 | 9,673 | -90.29% |
| 22 | 832 Reservoirs & Wells | 6,912 | | 6,912 | 79,641 | -91.32% |
| 23 | 833 Lines | 62,461 | | 62,461 | 41,462 | 50.65% |
| 24 | 834 Compressor Station Equipment | 136,765 | | 136,765 | 130,885 | 4.49% |
| 25 | 835 Meas. & Reg. Station Equipment | 37,090 | | 37,090 | 10,931 | 239.32% |
| 26 | 836 Purification Equipment | 11,734 | | 11,734 | 7,764 | 51.14% |
| 27 | 837 Other Equipment | 6,990 | | 6,990 | 6,077 | 15.03% |
| 28 | **Total Maintenance-Underground Storage** | $356,082 | $0 | $356,082 | $322,758 | 10.32% |
| 29 | **Total Underground Storage Expenses** | $1,313,070 | $0 | $1,313,070 | $798,730 | 64.39% |
| 30 | | | | | | |
| 31 | **Other Storage-Operation** | | | | | |
| 32 | 840 Supervision & Engineering | | | | | |
| 33 | 841 Labor and Expenses | | | | | |
| 34 | 842 Rents | | | | | |
| 35 | 842.1 Fuel | | | | | |
| 36 | 842.2 Power | | | | | |
| 37 | 842.3 Gas Losses | | | | | |
| 38 | **Total Operation-Other Storage** | $0 | $0 | $0 | $0 | 0.00% |
| 39 | | | | | | |
| 40 | **Other Storage-Maintenance** | | | | | |
| 41 | 843.1 Supervision & Engineering | | | | | |
| 42 | 843.2 Structures & Improvements | | | | | |
| 43 | 843.3 Gas Holders | | | | | |
| 44 | 843.4 Purification Equipment | | | | | |
| 45 | 843.6 Vaporizing Equipment | | | | | |
| 46 | 843.7 Compressor Equipment | | | | | |
| 47 | 843.8 Measuring & Regulating Equipment | | | | | |
| 48 | 843.9 Other Equipment | | | | | |
| 49 | **Total Maintenance-Other Storage** | $0 | $0 | $0 | $0 | 0.00% |
| 50 | **Total Other Storage Expenses** | $0 | $0 | $0 | $0 | 0.00% |
| 51 | **Total Storage, Terminaling & Processing** | $1,313,070 | $0 | $1,313,070 | $798,730 | 64.39% |
| 52 | | | | | | |
| 53 | | | | | | |

Sch. 10 cont.

## MONTANA OPERATION & MAINTENANCE EXPENSES - GAS (INCLUDES CMP)

| | Account Number & Title | This Year Cons. Utility | Glacier Gas | This Year Montana | Last Year Montana | % Change |
|---|---|---|---|---|---|---|
| 1 | **Transmission Expenses** | | | | | |
| 2 | **Transmission-Operation** | | | | | |
| 3 | 850 Supervision & Engineering | $761,221 | $2,605 | $758,616 | $446,812 | 69.78% |
| 4 | 851 System Control & Load Dispatching | 481,298 | | 481,298 | 349,888 | 37.56% |
| 5 | 852 Communications System | | | | | |
| 6 | 853 Compressor Station Labor & Expense | 243,762 | | 243,762 | 235,892 | 3.34% |
| 7 | 854 Gas for Compressor Station Fuel | | | 0 | 55 | -100.00% |
| 8 | 855 Other Fuel & Power for Comp. Stat. | 236,434 | | 236,434 | 177,033 | 33.55% |
| 9 | 856 Mains | 193,212 | 8,292 | 184,920 | 166,577 | 11.01% |
| 10 | 857 Measuring & Regulating Station | 337,043 | 696 | 336,346 | 257,268 | 30.74% |
| 11 | 858 Transmission & Comp.-By Others | 104,613 | | 104,613 | | 100.00% |
| 12 | 859 Other Expenses | 940,396 | 21 | 940,375 | 267,153 | 252.00% |
| 13 | 860 Rents | 111,566 | 447 | 111,119 | 86,031 | 29.16% |
| 14 | **Total Operation-Transmission** | $3,409,546 | $12,062 | $3,397,484 | $1,986,710 | 71.01% |
| 15 | **Transmission-Maintenance** | | | | | |
| 16 | 861 Supervision & Engineering | $435,471 | | $435,471 | $294,817 | 47.71% |
| 17 | 862 Structures & Improvements | 59,739 | | 59,739 | 34,436 | 73.48% |
| 18 | 863 Mains | 1,070,381 | 3,736 | 1,066,645 | 735,517 | 45.02% |
| 19 | 864 Compressor Station Equipment | 517,927 | | 517,927 | 403,449 | 28.38% |
| 20 | 865 Meas. & Reg. Station Equipment | 429,991 | 0 | 429,991 | 187,806 | 128.96% |
| 21 | 866 Communication Equipment | | | | | |
| 22 | 867 Other Equipment | 19,858 | | 19,858 | 8,407 | 136.21% |
| 23 | **Total Maintenance-Transmission** | $2,533,368 | $3,736 | $2,529,632 | $1,664,431 | 51.98% |
| 24 | **Total Transmission Expenses** | $5,942,913 | $15,798 | $5,927,115 | $3,651,141 | 62.34% |
| 25 | **Distribution Expenses** | | | | | |
| 26 | **Distribution-Operation** | | | | | |
| 27 | 870 Supervision & Engineering | $554,631 | | $554,631 | $568,130 | -2.38% |
| 28 | 871 Distribution Load Dispatching | | | | | |
| 29 | 872 Compressor Station Labor & Expense | 14,364 | | 14,364 | 214 | 6621.55% |
| 30 | 873 Compressor Station Fuel and Power | 84 | | 84 | 0 | 100.00% |
| 31 | 874 Mains and Services | 1,486,361 | | 1,486,361 | 1,288,703 | 15.34% |
| 32 | 875 Meas. & Reg. Station-General | 18,567 | | 18,567 | 17,001 | 9.21% |
| 33 | 876 Meas. & Reg. Station-Industrial | 22,021 | | 22,021 | 18,631 | 18.20% |
| 34 | 877 Meas. & Reg. Station-City Gate | 110,240 | | 110,240 | 92,908 | 18.65% |
| 35 | 878 Meter & House Regulator | 704,262 | | 704,262 | 590,547 | 19.26% |
| 36 | 879 Customer Installations | 3,778,928 | | 3,778,928 | 2,954,455 | 27.91% |
| 37 | 880 Other Expenses | 634,348 | | 634,348 | 444,109 | 42.84% |
| 38 | 881 Rents | 17,276 | | 17,276 | 16,313 | 5.90% |
| 39 | **Total Operation-Distribution** | $7,341,082 | $0 | $7,341,082 | $5,991,011 | 22.53% |
| 40 | **Distribution-Maintenance** | | | | | |
| 41 | 885 Supervision & Engineering | $470,273 | | $470,273 | $338,770 | 38.82% |
| 42 | 886 Structures & Improvements | 34,174 | | 34,174 | 19,658 | 73.84% |
| 43 | 887 Mains | 809,781 | | 809,781 | 616,369 | 31.38% |
| 44 | 888 Compressor Station Equipment | 0 | | 0 | 0 | 0.00% |
| 45 | 889 Meas. & Reg. Station Exp.-General | 75,876 | | 75,876 | 37,548 | 102.08% |
| 46 | 890 Meas. & Reg. Station Exp.-Industrial | 1,775 | | 1,775 | 2,670 | -33.50% |
| 47 | 891 Meas. & Reg. Station Exp.-City Gate | 23,815 | | 23,815 | 11,354 | 109.75% |
| 48 | 892 Services | 460,597 | | 460,597 | 367,649 | 25.28% |
| 49 | 893 Meters & House Regulators | 310,324 | | 310,324 | 214,531 | 44.65% |
| 50 | 894 Other Equipment | 5,594 | | 5,594 | 7,535 | -25.76% |
| 51 | **Total Maintenance-Distribution** | $2,192,209 | $0 | $2,192,209 | $1,616,084 | 35.65% |
| 52 | **Total Distribution Expenses** | $9,533,291 | $0 | $9,533,291 | $7,607,095 | 25.32% |
| 53 | | | | | | |

Sch. 10 cont. **MONTANA OPERATION & MAINTENANCE EXPENSES - GAS (INCLUDES CMP)**

| | Account Number & Title | This Year Cons. Utility | Glacier Gas | This Year Montana | Last Year Montana | % Change |
|---|---|---|---|---|---|---|
| 1 | **Customer Accounts Expenses** | | | | | |
| 2 | **Customer Accounts-Operation** | | | | | |
| 3 | 901 Supervision | | | $0 | $1,091 | -100.00% |
| 4 | 902 Meter Reading | 884,949 | | 884,949 | 761,668 | 16.19% |
| 5 | 903 Customer Records & Collection | 1,203,911 | | 1,203,911 | 1,114,761 | 8.00% |
| 6 | 904 Uncollectible Accounts | 368,390 | | 368,390 | 585,687 | -37.10% |
| 7 | 905 Miscellaneous Customer Accounts | 222 | | 222 | 403 | -44.99% |
| 8 | **Total Customer Accounts Expenses** | $2,457,471 | $0 | $2,457,471 | $2,463,609 | -0.25% |
| 9 | | | | | | |
| 10 | **Customer Service & Information Expenses** | | | | | |
| 11 | **Customer Service-Operation** | | | | | |
| 12 | 907 Supervision | $26,118 | | $26,118 | $33,611 | -22.29% |
| 13 | 908 Customer Assistance | 1,145,831 | $0 | 1,145,831 | 533,009 | 114.97% |
| 14 | 909 Inform. & Instructional Advertising | 409,887 | | 409,887 | 608,328 | -32.62% |
| 15 | 910 Misc. Customer Service & Inform. | 3,661 | | 3,661 | 3,477 | 5.29% |
| 16 | **Total Customer Service & Information Exp.** | $1,585,497 | $0 | $1,585,497 | $1,178,425 | 34.54% |
| 17 | | | | | | |
| 18 | **Sales Expenses** | | | | | |
| 19 | **Sales-Operation** | | | | | |
| 20 | 911 Supervision | $174,737 | | $174,737 | $106,313 | 64.36% |
| 21 | 912 Demonstrating & Selling | 806,365 | | 806,365 | 1,335,245 | -39.61% |
| 22 | 913 Advertising | 100,378 | $0 | 100,378 | 158,847 | -36.81% |
| 23 | 916 Miscellaneous Sales | 3,263 | | 3,263 | 2,726 | 19.69% |
| 24 | **Total Sales Expenses** | $1,084,743 | $0 | $1,084,743 | $1,603,131 | -32.34% |
| 25 | | | | | | |
| 26 | **Administrative & General Expenses** | | | | | |
| 27 | **Admin. & General - Operation** | | | | | |
| 28 | 407 Amortization of Regulatory Asset | $2,376,199 | | $2,376,199 | $775,672 | 206.34% |
| 29 | 920 Administrative & General Salaries | 6,205,258 | $6,320 | $6,198,938 | $4,334,363 | 43.02% |
| 30 | 921 Office Supplies & Expenses | 1,528,281 | 884 | 1,527,397 | 1,053,204 | 45.02% |
| 31 | 922 Administrative Exp. Transferred-Cr. | (363,307) | | (363,307) | (431,046) | 15.71% |
| 32 | 923 Outside Services Employed | 1,060,098 | 7,638 | 1,052,460 | 1,325,994 | -20.63% |
| 33 | 924 Property Insurance | 57,934 | | 57,934 | 44,706 | 29.59% |
| 34 | 925 Legal & Claim Department | 758,714 | 1,815 | 756,899 | 987,732 | -23.37% |
| 35 | 926 Employee Pensions & Benefits | (580,521) | 6,803 | (587,324) | 3,882,488 | -115.13% |
| 36 | 927 Franchise Requirements | | | | | |
| 37 | 928 Regulatory Commission Expenses | 52,881 | 228 | 52,653 | 156,165 | -66.28% |
| 38 | 929 Duplicate Charges-Cr. | | | | | |
| 39 | 930 Miscellaneous General Expenses | 1,780,194 | 10 | 1,780,183 | 1,575,317 | 13.00% |
| 40 | 931 Rents | 854,054 | 2 | 854,053 | 266,247 | 220.77% |
| 41 | **Total Operation-Admin. & General** | $13,729,785 | $23,700 | $13,706,085 | $13,970,844 | -1.90% |
| 42 | **Admin. & General - Maintenance** | | | | | |
| 43 | 935 General Plant | $1,089,746 | $0 | $1,089,746 | $1,073,596 | 1.50% |
| 44 | **Total Admin. & General Expenses** | $14,819,531 | $23,700 | $14,795,831 | $15,044,439 | -1.65% |
| 45 | **TOTAL OPER. & MAINT. EXPENSES** | $69,314,089 | $138,284 | $69,175,805 | $56,310,636 | 22.85% |
| 46 | | | | | | |
| 47 | | | | | | |
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| 53 | | | | | | |

Sch. 11

## MONTANA TAXES OTHER THAN INCOME - GAS (INCLUDES CMP)

| | Description | Last Year | This Year | % Change |
|---|---|---|---|---|
| 1 | | | | |
| 2 | **Federal Taxes** | | | |
| 3 | Social Security Old Age | $1,367,896 | $1,252,467 | -8.44% |
| 4 | Social Security Unemployment | 31,247 | 40,098 | 28.33% |
| 5 | Excise Tax on Insurance Premiums | | | |
| 6 | Environmental Tax | (20,000) | 0 | 100.00% |
| 7 | Medicare | 338,911 | 347,108 | 2.42% |
| 8 | | | | |
| 9 | **Montana Taxes** | | | |
| 10 | Real Estate & Personal Property | 12,819,961 | 12,905,266 | 0.67% |
| 11 | Social Security Unemployment | 61,705 | 55,004 | -10.86% |
| 12 | Old Fund Liability | 100,284 | 121,823 | 21.48% |
| 13 | Conservation | 3 | 0 | -100.00% |
| 14 | Severance | (40,369) | 0 | 100.00% |
| 15 | Blackfoot Privilege | 0 | 0 | 0.00% |
| 16 | Blackfoot Severance | 0 | 0 | 0.00% |
| 17 | Net Proceeds | 0 | 0 | 0.00% |
| 18 | Gross Proceeds | (19) | 0 | 100.00% |
| 19 | Local Government Severance | (1,028) | 0 | 100.00% |
| 20 | Consumer Counsel | 93,087 | 84,618 | -9.10% |
| 21 | Public Service Commission | 221,165 | 253,563 | 14.65% |
| 22 | Resource Indemnity | 6 | 311 | 5083.33% |
| 23 | Blackfoot Resource Indemnity | 0 | 0 | 0.00% |
| 24 | City Licenses | 2,450 | 2,907 | 18.65% |
| 25 | Production | 550,676 | 60,071 | -89.09% |
| 26 | | | | |
| 27 | **District of Columbia Taxes** | | | |
| 28 | Social Security Unemployment | 85 | 173 | 103.53% |
| 29 | Personal Property | 69 | 55 | -20.29% |
| 30 | | | | |
| 31 | **Canadian Taxes** | | | |
| 32 | Ad Valorem | 423,657 | 53,889 | -87.28% |
| 33 | Unemployment | 24,898 | 0 | -100.00% |
| 34 | Employee's Pension | 12,550 | 0 | -100.00% |
| 35 | Alberta Freehold Mineral | 6,765 | 0 | -100.00% |
| 36 | | | | |
| 37 | **Other** | | | |
| 38 | Payroll Tax Credit | 0 | (1,166,203) | -100.00% |
| 39 | | | | |
| 40 | **TOTAL TAXES OTHER THAN INCOME** | $15,993,999 | $14,011,150 | -12.40% |
| 41 | | | | |
| 42 | | | | |
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| 51 | | | | |

Sch. 12

## PAYMENTS FOR SERVICES TO PERSONS OTHER THAN EMPLOYEES

| | Name of Recipient | Nature of Service | Total | MT | % MT |
|---|---|---|---|---|---|
| 1 | ACE ELECTRIC, INC. | LINE MAINTENANCE | $246,529 | 1/ | 1/ |
| 2 | ADP INVESTORS COMMUNICATION | MISC. INFORMATION | 101,706 | | |
| 3 | ADVANTAGE ELECTRIC INC | ELECTRIC MAINTENANCE | 165,449 | | |
| 4 | ADVERTISING EDGE | ADVERTISING | 322,805 | | |
| 5 | ALME CONSTRUCTION, INC. | GAS PIPELINE CONSTRUCTION | 266,140 | | |
| 6 | AMERICAN PUBLIC LAND EXCHANGE | REAL ESTATE NEGOTIATION | 137,256 | | |
| 7 | AMERICAN SOFTWARE USA | SOFTWARE MAINTENANCE | 121,800 | | |
| 8 | ARK ASSET MANAGEMENT CO INC | CONSULTING / FUND MGMT | 344,112 | | |
| 9 | ASPLUNDH | TREE TRIMMING | 1,466,688 | | |
| 10 | ATS, ANDERSON TREE SERVICE | TREE TRIMMING | 355,590 | | |
| 11 | BERNARD NICHOLLS TRUCKING LLC | HAULING | 264,373 | | |
| 12 | BLAZER STRUCTURES | CONSTRUCTION / CONCRETE WORK | 243,535 | | |
| 13 | BLUE CROSS/BLUE SHIELD OF MT | ADMINISTRATION - WELFARE PLAN | 1,096,402 | | |
| 14 | BUCK CONSULTANTS, INC. | ADMINISTRATION - 401(K) PLAN | 148,223 | | |
| 15 | BURNS INT'L. SECURITY SERVICES | SECURITY SERVICE | 203,230 | | |
| 16 | BUTTE TIN SHOP, INC. | HVAC SYSTEM ADDITIONS | 192,522 | | |
| 17 | CANNON SLINE | SCRUBBER LINING | 180,849 | | |
| 18 | CEGELEC ESCA | COMPUTER MAINTENANCE | 276,844 | | |
| 19 | COLSTRIP ELECTRIC, INC. | MISC. ELECTRICAL WORK | 119,545 | | |
| 20 | COMMUNITY HEALTH OPTIONS | HEALTH SERVICES | 242,310 | | |
| 21 | COVINGTON & BURLING | LEGAL | 106,180 | | |
| 22 | CREDIT BUREAU OF BUTTE, INC. | COLLECTION | 109,132 | | |
| 23 | CROWLEY,HAUGHEY,HANSON & TOOLE | LEGAL | 148,827 | | |
| 24 | DAVIS WRIGHT TREMAINE | LEGAL | 642,112 | | |
| 25 | DAVIS, GRAHAM & STUBBS L.L.C. | LEGAL | 247,190 | | |
| 26 | DELOITTE & TOUCHE | ERP CONSULTING | 355,784 | | |
| 27 | DOUMA CONSTRUCTION | EXCAVATION / FOUNDATION WORK | 125,639 | | |
| 28 | DYNAMIC INTERIORS | PAINTING SERVICES | 151,079 | | |
| 29 | ECSI CORP | SOFTWARE DEVELOPMENT | 367,737 | | |
| 30 | E. H. OFTEDAL & SONS, INC. | BOTTOM ASH REMOVAL / MISC. WORK | 1,147,188 | | |
| 31 | EPRI | RESEARCH | 1,071,329 | | |
| 32 | EXPRESS SERVICES INC | TEMPORARY EMPLOYMENT | 990,492 | | |
| 33 | FIRE SUPPRESSION SYSTEMS, INC. | FIRE SECURITY SERVICES | 201,658 | | |
| 34 | FIRSTAR INVESTMENT RESEARCH & | INVESTMENT MANAGEMENT SERVICES | 139,529 | | |
| 35 | FIRST DATA PAYMENT SERVICES | MISC. INFORMATION | 193,828 | | |
| 36 | GOLDMAN SACHS & COMPANY | FINANCIAL CONSULTANT | 505,876 | | |
| 37 | HARDY CONSTRUCTION COMPANY | CORETTE REMODELING | 108,960 | | |
| 38 | HARP ENGINEERING INC | ENGINEERING SERVICES | 114,887 | | |
| 39 | HARP LINE CONSTRUCTORS CO. | LINE CONSTRUCTION AND MAINTENANCE | 5,347,837 | | |
| 40 | HEATH CONSULTANTS, INC. | GAS LEAK DETECTION | 126,390 | | |
| 41 | HOLLAND SYSTEMS CORPORATION | INFORMATION SYSTEM PLANNING | 101,301 | | |
| 42 | HYDROCHEM INDUSTRIAL SERV INC | INDUSTIAL CLEANING SERVICES | 106,307 | | |
| 43 | IBM CORPORATION | COMPUTER MAINTENANCE | 5,188,255 | | |
| 44 | ICF RESOURCES INC | CONSULTING | 132,500 | | |
| 45 | INDEPENDENT INSPECTION COMPANY | ELECTRIC LINE INSPECTION | 535,844 | | |
| 46 | INDUSTRIAL LIGHTING SERVICE | LIGHTING SERVICES | 108,912 | | |
| 47 | INTERLINK GROUP, INC. | COMPUTER SYSTEMS SUPPORT | 121,031 | | |
| 48 | INTERIM PERSONNEL BUTTE MT | TEMPORARY EMPLOYMENT | 272,035 | | |
| 49 | INTERNATIONAL COOLING TOWER, INC. | COOLING TOWER WORK | 581,092 | | |
| 50 | ITRON INC | HARDWARE / SOFTWARE MAINTENANCE | 123,401 | | |
| 51 | JAMES J MURPHY | CONSULTING | 163,000 | | |
| 52 | JOHN E CHANCE & ASSOC INC | SURVEYING | 186,600 | | |
| 53 | JOHNSON CONTROLS, INC. | HVAC SYSTEM ADDITIONS | 207,125 | | |
| 54 | KIP KEIM | CONSTRUCTION | 150,861 | | |

Sch.12 cont.

## PAYMENTS FOR SERVICES TO PERSONS OTHER THAN EMPLOYEES

| | Name of Recipient | Nature of Service | Total | MT | % MT |
|---|---|---|---|---|---|
| 1 | KPMG PEAT MARWICK | MANAGEMENT CONSULTING | 183,130 | | |
| 2 | LEWIS CONSTRUCTION COMPANY | MAINTENANCE / CONSTRUCTION | 1,297,429 | | |
| 3 | LEWIS MFG & CONSTRUCTION, INC. | FOUNDATION CONSTRUCTION | 616,749 | | |
| 4 | MEYLAN ENTERPRISES, INC. | HIGH PRESSURE WASHING | 326,587 | | |
| 5 | MIKE BOYLAN EXCAVATING, INC. | CONSTRUCTION / MAINTENANCE | 674,039 | | |
| 6 | MILBANK TWEED HADLEY & MCCLOY | LEGAL | 1,201,875 | | |
| 7 | MILLER MECHANICAL INC | PLUMBING SERVICES | 210,299 | | |
| 8 | MISSOULA DESIGN GROUP | HVAC SYSTEM DESIGN | 137,960 | | |
| 9 | MORRIS MARKETING CO., INC | GAS CREDIT CARD SERVICES | 125,373 | | |
| 10 | MOUNTAIN POWER INC | LINE CONSTRUCTION AND MAINTENANCE | 4,745,123 | | |
| 11 | NICHOLSON CONSTRUCTION CO | CONSTRUCTION | 196,674 | | |
| 12 | NORTHERN TRUST COMPANY | CONSULTING 401(K) / PENSION | 220,619 | | |
| 13 | NORTHWEST ENERGY EFFICIENCY | ENERGY SERVICES | 365,729 | | |
| 14 | OSMOSE WOOD PRESERVING, INC. | POLE TESTING AND TREATMENT | 150,084 | | |
| 15 | PAR ELECTRICAL CONTRACTORS INC | LINE MAINTENANCE | 604,466 | | |
| 16 | PILKO & ASSOCIATES INC | CONSULTING | 432,191 | | |
| 17 | PRECISION BLASTING | BLASTING SERVICES | 339,600 | | |
| 18 | PRICEWATERHOUSECOOPER LLP | AUDITING | 826,998 | | |
| 19 | ROBERT T O'LEARY | LEGAL | 100,596 | | |
| 20 | SAFETY-KLEEN/LAIDLAW | PCB DISPOSAL | 220,150 | | |
| 21 | SIEMANS WESTINGHOUSE POWER | TURBINE MODIFICATION | 1,070,796 | | |
| 22 | SLETTEN CONSTRUCTION COMPANY | CONSTRUCTION | 191,633 | | |
| 23 | SON-HAUL INC | ENGINEERING / REDESIGN | 124,711 | | |
| 24 | SPIKER COMMUNICATIONS INC | ADVERTISING / TYPESETTING | 3,153,214 | | |
| 25 | STRATEGIC MANAGEMENT GROUP INC | MAMAGEMENT CONSULTING | 133,703 | | |
| 26 | STSTCS INC | LINE LOCATING | 1,361,173 | | |
| 27 | TABBERT CONSTRUCTION | TRENCHING | 275,073 | | |
| 28 | THE BRATTLE GROUP | LEGAL | 109,277 | | |
| 29 | THELEN REID & PRIEST LLP | LEGAL | 627,789 | | |
| 30 | THOMAS BUILT-UP ROOFING, INC. | ROOFING | 136,681 | | |
| 31 | TOWERS, PERRIN | CONSULTING / ACTUARY | 660,704 | | |
| 32 | TRADE MARK ELECTRIC INC | ELECTRICAL WORK | 184,263 | | |
| 33 | TRI-COUNTY MECHANICAL AND | MISC. PLUMBING | 257,314 | | |
| 34 | U S PIPELINE INC | CN PROJECT SERVICES | 279,500 | | |
| 35 | UTILITY TRENCHING | TRENCHING | 591,475 | | |
| 36 | VALMET AUTOMATION (USA) INC | INFORMATION SYSTEM PLANNING | 355,231 | | |
| 37 | WALSH PLUMBING & HEATING | MISC. PLUMBING | 481,984 | | |
| 38 | WESTINGHOUSE ELECTRIC CORP. | DESIGN & MANUF. TURBINE ROTOR | 2,250,030 | | |
| 39 | WESTINGHOUSE POWER GENERATION | OIL FLUSH TURBINE AND TECH. SUPPOR | 286,005 | | |
| 40 | WESTERN SYS COORDINATING COUNCIL | ENERGY SERVICES | 123,220 | | |
| 41 | WHITESIDE & ASSOCS | TRAFFIC CONSULTANTS | 218,661 | | |
| 42 | WOLFER PRINTING COMPANY | PRINTING SERVICES | 193,460 | | |
| 43 | XEROX CORPORATION | MAINTENANCE | 178,802 | | |
| 44 | ZACHA CONSTRUCTION, INC. | CONSTRUCTION / MAINTENANCE | 628,497 | | |
| 45 | | | | | |
| 46 | | | | | |
| 47 | | | | | |
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| 49 | | | | | |
| 50 | | | | | |
| 51 | | | | | |
| 52 | | | | | |
| 53 | **TOTAL PAYMENTS FOR SERVICE** | | $53,524,693 | | |
| 54 | 1/ Due to the multiple % allocations, it is not practical to separately identify amounts charged to the electric or gas utility. | | | | |

Sch. 13

## POLITICAL ACTION COMMITTEES / POLITICAL CONTRIBUTIONS

| Description | Total Company | Montana | % Montana |
|---|---|---|---|

The Montana Power Company does not make any contributions to Political Action Committees (PACs) or candidates.

There is an employee PAC - Citizens for Responsible Government / Employees of the Montana Power Company (CRG). CRG is an organization of employees and shareholders of Montana Power and its subsidiaries. All of the money contributed by members goes to support political candidates. No company funds may be spent in support of a political candidate or issues affecting the Company. Officers and local representatives of CRG donate their time. Nominal administrative costs for such things as duplicating and postage are paid by the Company. These costs are charged to shareholder expense.

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Sch. 14

## PENSION COSTS

| | Description | Last Year | This Year | % Change |
|---|---|---|---|---|
| 1 | **Plan Name: Retirement Plan for Employees** | | | |
| 2 | **of the Montana Power Company** | | | |
| 3 | Defined Benefit Plan | Yes | Yes | |
| 4 | Defined Contribution Plan (See Schedule 14A) | | | |
| 5 | Is the Plan overfunded? | Yes - 2/ | Yes - 3/ | |
| 6 | | | | |
| 7 | | | | |
| 8 | Actuarial Cost Method | Projected Unit Credit Method | | |
| 9 | IRS Code | | | |
| 10 | Annual Contribution by Employer | $4,000,000 | $0 | |
| 11 | | | | |
| 12 | Accumulated Benefit Obligation | $153,944,567 | $220,164,382 | 43.02% |
| 13 | Projected Benefit Obligation | $187,207,266 | $181,421,763 | -3.09% |
| 14 | Fair Value of Plan Assets | $227,496,249 | $222,484,326 | -2.20% |
| 15 | | | | |
| 16 | Discount Rate for Benefit Obligations | 7.00% | 6.75% | |
| 17 | Expected Long-Term Return on Assets | 9.00% | 9.00% | |
| 18 | | | | |
| 19 | Net Periodic Pension Cost: | | | |
| 20 | Service Cost | $4,632,979 | $4,320,941 | -6.74% |
| 21 | Interest Cost | 12,430,891 | 11,975,208 | -3.67% |
| 22 | Return on Plan Assets (Expected) | (35,745,008) | (17,592,262) | 50.78% |
| 23 | Net Amortization | 17,239,828 | (513,324) | -102.98% |
| 24 | Total Net Periodic Pension Cost | ($1,441,310) | ($1,809,437) | -25.54% |
| 25 | | | | |
| 26 | Minimum Required Contribution | | | |
| 27 | Actual Contribution | $0 | $0 | 0.00% |
| 28 | Maximum Amount Deductible | $6,809,365 | $6,106,050 | -10.33% |
| 29 | Benefit Payments | $7,758,302 | $8,799,269 | 13.42% |
| 30 | | | | |
| 31 | Montana Intrastate Costs: | | | |
| 32 | Pension Costs | | NOT AVAILABLE | |
| 33 | Pension Costs Capitalized | | | |
| 34 | Accumulated Pension Asset (Liability) at Year End | | | |
| 35 | | | | |
| 36 | Number of Company Employees : 1/ | | | |
| 37 | Covered by the Plan | | | |
| 38 | Active | 2,124 | 1,595 | -24.91% |
| 39 | Retired | 721 | 803 | 11.37% |
| 40 | Vested Former Employees (Deferred Inactive) | 384 | 424 | 10.42% |
| 41 | Total Covered by the Plan | 3,229 | 2,822 | -12.60% |
| 42 | Total Not Covered by the Plan | | | |
| 43 | | | | |

44 1/ Obtained from The Actuarial Valuation Report of the Retirement Plan for Employees of The
45 Montana Power Company, prepared as of January 1, 1998 and 1997 respectively. Active employees
46 covered under the Plan decreased during 1998 due to transfers between existing and new plans.
47
48 2/ As of December 31, 1997, the fair value of assets was $227.5 million and the projected benefit obligation
49 was $187.2 million. However, there was an unrecognized net gain of $42.7 million that has not been
50 fully amortized pursuant to SFAS Statement No. 87. There is an prepaid pension cost of $2.3 million
51 as of December 31,1997.
52
52 3/ As of December 31, 1998, the fair value of assets was $222.5 million and the projected benefit obligation
53 was $181.4 million. However, there was an unrecognized net gain of $44.3 million that has not been
54 fully amortized pursuant to SFAS Statement No. 87. There is an prepaid pension cost of $4.0 million
55 as of December 31,1998.
56

Sch. 14A

## PENSION COSTS

| | Description | Last Year - 2/ | This Year | % Change |
|---|---|---|---|---|
| 1 | **Plan Name: Retirement Savings Plan** | | | |
| 2 | | | | |
| 3 | Defined Benefit Plan (See Schedule 14) | | | |
| 4 | Defined Contribution Plan | Yes | Yes | |
| 5 | Is the Plan overfunded? | | | |
| 6 | | | | |
| 7 | | | | |
| 8 | Actuarial Cost Method | | | |
| 9 | IRS Code | | | |
| 10 | Annual Contribution by Employer | | | |
| 11 | | | | |
| 12 | Accumulated Benefit Obligation | | | |
| 13 | Projected Benefit Obligation | | | |
| 14 | Fair Value of Plan Assets | $242,551,624 | $330,350,727 | 36.20% |
| 15 | | | | |
| 16 | Discount Rate for Benefit Obligations | | | |
| 17 | Expected Long-Term Return on Assets | | | |
| 18 | | | | |
| 19 | Net Periodic Pension Cost: | | | |
| 20 | Service Cost | | | |
| 21 | Interest Cost | | NOT APPLICABLE | |
| 22 | Return on Plan Assets (Actual) | | | |
| 23 | Net Amortization | | | |
| 24 | Total Net Periodic Pension Cost | | | |
| 25 | | | | |
| 26 | Minimum Required Contribution | | | |
| 27 | Actual Contribution | | NOT APPLICABLE | |
| 28 | Maximum Amount Deductible | | | |
| 29 | Benefit Payments | | | |
| 30 | | | | |
| 31 | Montana Intrastate Costs: | | | |
| 32 | Pension Costs | | NOT APPLICABLE | |
| 33 | Pension Costs Capitalized | | | |
| 34 | Accumulated Pension Asset (Liability) at Year End | | | |
| 35 | | | | |
| 36 | Number of Company Employees : | | | |
| 37 | Covered by the Plan -- Eligible | 2,425 | 2,442 | 0.70% |
| 38 | Not Covered by the Plan | 0 | 0 | 0.00% |
| 39 | Active -- Participating | 1,786 | 1,767 | -1.06% |
| 40 | Retired | | | 0.00% |
| 41 | Vested Former Employees, Retirees and | 639 | 675 | 5.63% |
| 42 | Active-Noncontributing | | | |
| 43 | Total Covered by the Plan | 2,425 | 2,442 | 0.70% |
| 44 | Total Not Covered by the Plan | 0 | 0 | |
| 45 | | | | |
| 46 | | | | |
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| 55 | | | | |

Sch 15

## OTHER POST EMPLOYMENT BENEFITS (OPEBS)

| | Description | Last Year - 5/ | This Year | % Change |
|---|---|---|---|---|
| 1 | **General Information** | 1/ | 2/ | |
| 2 | Discount Rate for Benefit Obligations | 7.50% | 7.00% | -6.67% |
| 3 | Expected Long-Term Return on Assets | 9.00% | 9.00% | 0.00% |
| 4 | Medical Cost Inflation Rate 3/ | 8.50%, 5.00%: 7 | 8.00%,5.00%: 6 | |
| 5 | Actuarial Cost Method | Projected Unit Credit Actuarial | | |
| 6 | | Cost Method allocated from date of | | |
| 7 | | hire to full eligibility date. | | |
| 8 | List each method used to fund OPEBs (ie: VEBA, 401(h)): | | | |
| 9 | Method - Tax Advantaged (Yes or No) YES | | | |
| 10 | Union Employees - VEBA | | | |
| 11 | Non-Union Employees - 401(h) | | | |
| 12 | Describe Changes to the Benefit Plan: None. | | | |
| 13 | | | | |
| 14 | **Total Company** | | | |
| 15 | | | | |
| 16 | Accumulated Post Retirement Benefit Obligation (APBO) | $20,142,625 | $24,412,733 | 21.20% |
| 17 | Fair Value of Plan Assets | $8,168,281 | $8,781,999 | 7.51% |
| 18 | | | | |
| 19 | List the amount funded through each funding method: | | | |
| 20 | VEBA | $883,512 | $860,014 | -2.66% |
| 21 | 401(h) | 919,573 | 688,343 | -25.15% |
| 22 | Other: Cash | 916,979 | 1,016,441 | 10.85% |
| 23 | Total Amount Funded | $2,720,064 | $2,564,798 | -5.71% |
| 24 | | | | |
| 25 | List amount that was tax deductible for each type of funding: | | | |
| 26 | VEBA | $883,512 | $860,014 | -2.66% |
| 27 | 401(h) | 919,573 | 688,343 | -25.15% |
| 28 | Other: Cash | 916,979 | 1,016,441 | 10.85% |
| 29 | Total Amount Tax Deductible | $2,720,064 | $2,564,798 | -5.71% |
| 30 | | | | |
| 31 | Net Periodic Post Retirement Benefit Cost: | | | |
| 32 | Service Cost | $466,540 | $775,597 | 66.24% |
| 33 | Interest Cost | 1,346,369 | 1,658,296 | 23.17% |
| 34 | Return on Plan Assets | (458,697) | (670,497) | -46.17% |
| 35 | Net Gain/(Loss) During Period Def. for Later Rec | 1,035,528 | 1,095,162 | 5.76% |
| 36 | Amort. of Transition Oblig. & Regulatory Asset | 0 | 68,832 | 100.00% |
| 37 | Amortization of Gains or Losses | (346,896) | (273,925) | 21.04% |
| 38 | Total Net Periodic Post Retirement Benefit Cost | $2,042,844 | $2,653,465 | 29.89% |
| 39 | Benefit Cost Expensed | $1,243,275 | $1,614,899 | 29.89% |
| 40 | Benefit Cost Capitalized | 343,402 | 446,047 | 29.89% |
| 41 | Benefit Cost Charged to MPC Subs & Colstrip Owners | 456,167 | 592,519 | 29.89% |
| 42 | Total Benefit Costs | $2,042,844 | $2,653,465 | 29.89% |
| 43 | Benefit Payments | $916,979 | $1,016,441 | 10.85% |
| 44 | | | | |
| 45 | Number of Company Employees : | | | |
| 46 | Covered by the Plans | | | |
| 47 | Active | 2,120 | 1,579 | -25.52% |
| 48 | Retired | 611 | 645 | 5.56% |
| 49 | Retired Spouse/Dependents | 184 | 72 | -60.87% |
| 50 | Total Covered by the Plans | 2,915 | 2,296 | -21.23% |
| 51 | Total Not Covered by the Plans | 295 | 230 | -22.03% |

52 1/ Obtained from MPC's 1997 FASB 106 Valuation. Assumptions and data are as of December 31,1997.
53 2/ Obtained from MPC's 1998 FASB 106 Valuation. Assumptions and data are as of December 31, 1998.
54 3/ First Year, Ultimate, Years to Reach Ultimate.

Sch 15A

## OTHER POST EMPLOYMENT BENEFITS (OPEBS)

| | Description | Last Year | This Year | % Change |
|---|---|---|---|---|
| 1 | **General Information** | 4/ | 4/ | |
| 2 | Discount Rate for Benefit Obligations | | | |
| 3 | Expected Long-Term Return on Assets | | | |
| 4 | Medical Cost Inflation Rate 3/ | | | |
| 5 | Actuarial Cost Method | | | |
| 6 | | | | |
| 7 | | | | |
| 8 | List each method used to fund OPEBs (ie: VEBA, 401(h)): | | | |
| 9 | Method - Tax Advantaged (Yes or No) YES | | | |
| 10 | Union Employees - VEBA | | | |
| 11 | Non-Union Employees - 401(h) | | | |
| 12 | Describe Changes to the Benefit Plan: None. | | | |
| 13 | | | | |
| 14 | **Montana** | 4/ | 4/ | |
| 15 | | | | |
| 16 | Accumulated Post Retirement Benefit Obligation (APBO) | | | |
| 17 | Fair Value of Plan Assets | | | |
| 18 | | | | |
| 19 | List the amount funded through each funding method: | | | |
| 20 | VEBA | | | |
| 21 | 401(h) | | | |
| 22 | Other: Cash | | | |
| 23 | Total Amount Funded | | | |
| 24 | | | | |
| 25 | List amount that was tax deductible for each type of funding: | | | |
| 26 | VEBA | | | |
| 27 | 401(h) | | | |
| 28 | Other: Cash | | | |
| 29 | Total Amount Tax Deductible | | | |
| 30 | | | | |
| 31 | Net Periodic Post Retirement Benefit Cost: | | | |
| 32 | Service Cost | | | |
| 33 | Interest Cost | | | |
| 34 | Return on Plan Assets - Estimated | | | |
| 35 | Amort. of Transition Oblig. & Regulatory Asset | | | |
| 36 | Amortization of Gains or Losses | | | |
| 37 | Total Net Periodic Post Retirement Benefit Cost | | | |
| 38 | Benefit Cost Expensed | | | |
| 39 | Benefit Cost Capitalized | | | |
| 40 | Benefit Cost Charged to MPC Subs & Colstrip Owners | | | |
| 41 | Total Benefit Costs | | | |
| 42 | Benefit Payments | | | |
| 43 | | | | |
| 44 | Number of Company Employees : | | | |
| 45 | Covered by the Plans | | | |
| 46 | Active | | | |
| 47 | Retired | | | |
| 48 | Retired Spouse/Dependents | | | |
| 49 | Total Covered by the Plans | | | |
| 50 | Total Not Covered by the Plans | | | |
| 51 | 4/ Substantially all of the amounts are subject to the MPSC jurisdiction. Actual amounts that will be | | | |
| 52 | expensed, will reflect reductions for amounts billed to others or allocated to Yellowstone National Park. | | | |
| 53 | | | | |

Sch. 16

## TOP TEN MONTANA COMPENSATED EMPLOYEES (ASSIGNED OR ALLOCATED)

| | Name/Title | Base Salary 1/ | Other Comp. 2/ | Total Comp. | Total Comp. Last Year | % Change |
|---|---|---|---|---|---|---|
| 1 | R. P. Gannon | $362,523 | $6,400 <B | | | |
| 2 | Chairman of the Board | | 115,920 <C | | | |
| 3 | President and Chief Executive | | 51,757 <D | | | |
| 4 | Officer | | 544,655 <E | | | |
| 5 | | | 1,817 <G | | | |
| 6 | | | 274 <H | | | |
| 7 | | | 588 <I | | | |
| 8 | | | 603 <J | | | |
| 9 | | | | $1,084,537 | $339,641 | 219% |
| 10 | R.F. Cromer | $193,920 | $9,792 <A | | | |
| 11 | Executive Vice President & | | 6,400 <B | | | |
| 12 | Chief Operating Officer, Energy | | 48,960 <C | | | |
| 13 | Supply Division | | 48,976 <D | | | |
| 14 | | | 555 <E | | | |
| 15 | | | 885 <G | | | |
| 16 | | | 379 <H | | | |
| 17 | | | 152 <I | | | |
| 18 | | | | $310,019 | $248,741 | 25% |
| 19 | J. D. Haffey | $190,890 | $22,244 <A | | | |
| 20 | Executive Vice President & | | 6,400 <B | | | |
| 21 | Chief Operating Officer, Energy | | 48,195 <C | | | |
| 22 | Services Division | | 16,771 <D | | | |
| 23 | | | 144,346 <E | | | |
| 24 | | | 1,064 <G | | | |
| 25 | | | 575 <H | | | |
| 26 | | | 654 <I | | | |
| 27 | | | | $431,139 | $224,025 | 92% |
| 28 | J. P. Pederson | $186,850 | $15,241 <A | | | |
| 29 | Vice President & Chief Financial | | 6,400 <B | | | |
| 30 | & Information Officer | | 48,563 <C | | | |
| 31 | | | 25,505 <D | | | |
| 32 | | | 1,884 <G | | | |
| 33 | | | 564 <I | | | |
| 34 | | | | $285,007 | $209,758 | 36% |
| 35 | W. S. Dee | $181,800 | $6,400 <B | | | |
| 36 | Vice President, Marketing | | 25,988 <C | | | |
| 37 | | | 1,949 <G | | | |
| 38 | | | 479 <I | | | |
| 39 | | | | $216,616 | $125,929 | 72% |
| 35 | R. P. Madison | CONFIDENTIAL INFORMATION | | | | |
| 36 | Vice President, Oil & Gas | | | | | |
| 37 | Operations (Retired 01/31/99) | | | | | |
| 38 | | NOT REQUIRED FOR GENERAL DISTRIBUTION | | | | |
| 40 | P. Gatzemeier | | | | | |
| 41 | Vice President, Coal Operations | | | | | |
| 42 | | | | | | |
| 43 | | | | | | |
| 44 | M. E. Zimmerman | | | | | |
| 45 | Vice President & General | | | | | |
| 46 | Counsel | | | | | |
| 47 | | | | | | |
| 48 | | | | | | |
| 49 | | | | | | |
| 50 | | | | | | |
| 51 | | | | | | |

Sch. 16 **cont. TOP TEN MONTANA COMPENSATED EMPLOYEES (ASSIGNED OR ALLOCATED)**

| Name/Title | Base Salary 1/ | Other Comp. 2/ | Total Comp. | Total Comp. Last Year | % Change |
|---|---|---|---|---|---|
| M. Meldahl<br>Executive Vice President &<br>Chief Operating Officer,<br>Telecommunications Division | CONFIDENTIAL INFORMATION<br><br>NOT REQUIRED FOR GENERAL DISTRIBUTION | | | | |
| D. Johnson<br>Vice President, Distribution<br>Services | | | | | |

1/ Salary includes the employees' annual base federally taxable earnings, pretax contributions to the Company's Deferred Savings and Employee Stock Ownership (401(K)) Plan, pretax Section 125 flexible spending account contributions, pretax medical premium contributions, and, in some cases, tax deferred Executive Benefit Restoration Plan contributions.

2/ All Other Compensation for named employees consists of the following:

A> Vacation time sold back to the Company. The vacation sellback program is available to all employees.

B> The value of the Company's matching contribution of stock made to the employee's accounts under the Deferred Savings and Employee Stock Ownership (401(K)) Plan sponsored by the Company.

C> Incentive Compensation Plan which were earned under the 1997 and 1998 EVA® Bonus Plan.

D> Dividend equivalents on stock options awarded under the Long-Term Incentive Plan in 1995. These awards, approved by the Personnel Committee, were based on certain performance criteria.

E> Gains on exercised stock options.

F> Payout of stock under the Restricted Stock Plan. The Plan was based on certain 1995 performance criteria.

G> Imputed taxable income on Company paid life insurance premiums.

H> Company-paid physical examinations.

I> Employee discounts on electric and gas utilities. Discounts are available to all Utility employees.

J> Personal use of company vehicles.

K> Spot cash bonus awards.
approved by the Personnel Committee, were based on certain performance criteria.

Sch. 17

## COMPENSATION OF TOP FIVE CORPORATE EMPLOYEES - SEC INFORMATION

| | Name/Title | Base Salary 1/ | Other Comp. 2/ | Total Comp. | Total Comp. Last Year | % Change |
|---|---|---|---|---|---|---|
| 1 | R. P. Gannon | $362,523 | $6,400 <B | | | |
| 2 | Chairman of the Board | | 115,920 <C | | | |
| 3 | President and Chief Executive | | 51,757 <D | | | |
| 4 | Officer | | 544,655 <E | | | |
| 5 | | | 1,817 <G | | | |
| 6 | | | 274 <H | | | |
| 7 | | | 588 <I | | | |
| 8 | | | 603 <J | | | |
| 9 | | | | $1,084,537 | $339,641 | 219% |
| 10 | R.F. Cromer | $193,920 | $9,792 <A | | | |
| 11 | Executive Vice President & | | 6,400 <B | | | |
| 12 | Chief Operating Officer, Energy | | 48,960 <C | | | |
| 13 | Supply Division | | 48,976 <D | | | |
| 14 | | | 555 <E | | | |
| 15 | | | 885 <G | | | |
| 16 | | | 379 <H | | | |
| 17 | | | 152 <I | | | |
| 18 | | | | $310,019 | $248,741 | 25% |
| 19 | J. D. Haffey | $190,890 | $22,244 <A | | | |
| 20 | Executive Vice President & | | 6,400 <B | | | |
| 21 | Chief Operating Officer, Energy | | 48,195 <C | | | |
| 22 | Services Division | | 16,771 <D | | | |
| 23 | | | 144,346 <E | | | |
| 24 | | | 1,064 <G | | | |
| 25 | | | 575 <H | | | |
| 26 | | | 654 <I | | | |
| 27 | | | | $431,139 | $224,025 | 92% |
| 28 | J. P. Pederson | $186,850 | $15,241 <A | | | |
| 29 | Vice President & Chief Financial | | 6,400 <B | | | |
| 30 | & Information Officer | | 48,563 <C | | | |
| 31 | | | 25,505 <D | | | |
| 32 | | | 1,884 <G | | | |
| 33 | | | 564 <I | | | |
| 34 | | | | $285,007 | $209,758 | 36% |
| 35 | W. S. Dee | $181,800 | $6,400 <B | | | |
| 36 | Vice President, Marketing | | 25,988 <C | | | |
| 37 | | | 1,949 <G | | | |
| 38 | | | 479 <I | | | |
| 39 | | | | $216,616 | $125,929 | 72% |

40

41 1/ Salary includes the employees' annual base federally taxable earnings, pretax contributions to the
42 Company's Deferred Savings and Employee Stock Ownership (401(K)) Plan, pretax Section 125
43 flexible spending account contributions, pretax medical premium contributions, and, in some cases, tax
44 deferred Executive Benefit Restoration Plan contributions.

45

46 2/ All Other Compensation for named employees consists of the following:
47 A> Vacation time sold back to the Company. The vacation sellback program is available to all employees.
48 B> The value of the Company's matching contribution of stock made to the employee's accounts under
49 the Deferred Savings and Employee Stock Ownership (401(K)) Plan sponsored by the Company.
50 C> Incentive Compensation Plan which were earned under the 1997 and 1998 EVA® Bonus Plan.
51 D> Dividend equivalents on stock options awarded under the Long-Term Incentive Plan in 1994. These awards,
52 approved by the Personnel Committee, were based on certain performance criteria.
53 E> Gains on exercised stock options.
54 F> Payout of stock under the Restricted Stock Plan. The Plan was based on certain 1994 performance criteria.
55 G> Imputed taxable income on Company paid life insurance premiums.
56 H> Company-paid physical examinations.
57 I> Employee discounts on electric and gas utilities. Discounts are available to all Utility employees.
58 J> Personal use of company vehicles.

**SUMMARY COMPENSATION TABLE**

The following table shows compensation paid by the Company for services rendered during the fiscal years 1998, 1997, and 1996 for named executive officers.

| | | Annual Compensation | | Long-Term Compensation | | |
|---|---|---|---|---|---|---|
| | | | | Awards | Payouts | |
| Name and Principal Position | Year | Salary[1] ($) | Bonus[2] ($) | Securities Underlying Options (#) | LTIP Payouts[3] ($) | All Other Compensation[4] ($) |
| R. P. Gannon | 1998 | 362,523 | 115,920 | 42,000 | 51,757 | 6,400 |
| CEO, Chairman of | 1997 | 297,500 | 0 | 0 | 32,242 | 6,653 |
| the Board & | 1996 | 265,935 | 0 | 21,000 | 0 | 17,035 |
| President | | | | | | |
| W. S. Dee | 1998 | 212,706 | 25,988 | 12,000 | 0 | 6,400 |
| Vice President, | 1997 | 124,444 | 0 | 0 | 0 | 1,485 |
| Marketing | 1996 | | 0 | 0 | 0 | 0 |
| R. F. Cromer | 1998 | 193,920 | 48,960 | 21,000 | 48,976 | 16,192 |
| Executive VP & | 1997 | 187,800 | 0 | 0 | 38,796 | 21,145 |
| COO, Energy | 1996 | 180,500 | 0 | 14,000 | | 13,712 |
| Supply Division | | | | | | |
| J. D. Haffey | 1998 | 190,890 | 48,195 | 21,000 | 16,771 | 28,644 |
| Executive VP & | 1997 | 183,500 | 0 | 0 | 10,210 | 28,460 |
| COO, Energy | 1996 | 172,440 | 0 | 14,000 | 0 | 27,180 |
| Services | | | | | | |
| Division | | | | | | |
| J. P. Pederson | 1998 | 186,850 | 48,563 | 21,000 | 25,505 | 21,641 |
| VP, Chief | 1997 | 179,500 | 0 | 0 | 0 | 27,998 |
| Financial & | 1996 | 172,000 | 0 | 13,900 | 0 | 26,704 |
| Information | | | | | | |
| Officer | | | | | | |

[1]Includes $33,623 for 1998 and $20,968 for 1997 for Mr. Dee, who has a non-funded deferred compensation arrangement with the Company that became effective May 27, 1997.

[2]Awards earned in 1997 and paid in 1998 under the 1997 Interim Bonus Plan. Awards earned under the 1998 EVA® Bonus Plan have not been determined and approved by the Personnel Committee in time to include their amounts herein.

[3]This column represents dividend equivalent awards on options awarded in 1995. These awards, approved by the Personnel Committee, were based on certain objective performance criteria including a comparison of the Company's total shareholder return for the years 1995-1997 to Peer Companys' as described in the performance graph in the Personnel Committee Report supra.

[4]This column represents the value of the Company's matching contribution of stock made under the Company's Retirement Savings Plan (401(k)). And, also represents compensation received for selling unused vacation time back to the Company, which is available to all employees, in the following amounts: $9,792 for Mr. Cromer, $22,244 for Mr. Haffey, and $15,241 for Mr. Pederson. The amounts may include vacation accrued in prior years.

Sch. 18

## BALANCE SHEET 1/ , 2/

| | Account Title | Last Year | This Year | % Change |
|---|---|---|---|---|
| 1 | **Assets and Other Debits** | | | |
| 2 | **Utility Plant** | | | |
| 3 | 101 Plant in Service | $2,112,275,371 | $2,143,205,818 | 1.46% |
| 4 | 105 Plant Held for Future Use | 4,302,538 | 1,774,042 | -58.77% |
| 5 | 107 Construction Work in Progress | 39,424,981 | 37,966,278 | -3.70% |
| 6 | 108 Accumulated Depreciation Reserve | (663,983,436) | (711,771,021) | -7.20% |
| 7 | 111 Accumulated Amortization & Depletion Reserves | (12,807,470) | (9,440,753) | 26.29% |
| 8 | 114 Electric Plant Acquisition Adjustments | 3,106,285 | 3,106,285 | 0.00% |
| 9 | 115 Accumulated Amortization-Electric Plant Acq. Adj. | (1,967,313) | (2,062,228) | -4.82% |
| 10 | 117 Gas Stored Underground-Noncurrent | 43,419,215 | 47,175,719 | 8.65% |
| 11 | **Total Utility Plant** | $1,523,770,171 | $1,509,954,140 | -0.91% |
| 12 | **Other Property and Investments** | | | |
| 13 | 121 Nonutility Property | $2,318,288 | $2,506,480 | 8.12% |
| 14 | 122 Accumulated Depr. & Amort.-Nonutililty Property | (1,672) | (17,617) | -953.82% |
| 15 | 123.1 Investments in Subsidiary Companies | 306,599,409 | 358,756,086 | 17.01% |
| 16 | 123.* Investments in Colstrip Unit 4 & YNP | 150,218,544 | 195,078,954 | 29.86% |
| 17 | 124 Other Investments | 17,315,533 | 19,082,522 | 10.20% |
| 18 | 128 Miscellaneous Special Funds | 1,420,034 | 1,170,816 | -17.55% |
| 19 | **Total Other Property & Investments** | $477,870,136 | $576,577,241 | 20.66% |
| 20 | **Current and Accrued Assets** | | | |
| 21 | 131 Cash | ($5,756,681) | $2,519,043 | 143.76% |
| 22 | 132-134 Special Deposits | 0 | 0 | 0.00% |
| 23 | 135 Working Funds | 146,442 | 150,378 | 2.69% |
| 24 | 136 Temporary Cash Investments | 0 | 98,007 | 100.00% |
| 25 | 141 Notes Receivable | 737,781 | 288,038 | -60.96% |
| 26 | 142 Customer Accounts Receivable | 49,757,685 | 46,384,351 | -6.78% |
| 27 | 143 Other Accounts Receivable | 5,609,838 | 7,028,508 | 25.29% |
| 28 | 144 Accumulated Provision for Uncollectible Accounts | (983,926) | (1,043,926) | -6.10% |
| 29 | 145 Notes Receivable-Associated Companies | 9,092,369 | 79,981,743 | 779.66% |
| 30 | 146 Accounts Receivable-Associated Companies | 34,479,911 | 88,018,784 | 155.28% |
| 31 | 151 Fuel Stock | 1,153,786 | 942,237 | -18.34% |
| 32 | 153 Residuals and Extracted Products | | | |
| 33 | 154 Plant Materials and Operating Supplies | 18,115,636 | 16,848,767 | -6.99% |
| 34 | 163 Stores Expense Undistributed | 526,583 | 1,191,255 | 126.22% |
| 35 | 165 Prepayments | 4,440,169 | 7,997,177 | 80.11% |
| 36 | 166 Advances for Gas Expl., Development & Production | (104) | 0 | 100.00% |
| 37 | 171 Interest and Dividends Receivable | 691,198 | 1,196,938 | 73.17% |
| 38 | 172 Rents Receivable | 76,509 | 185,879 | 142.95% |
| 39 | 173 Accrued Utility Revenues | 25,338,748 | 27,103,026 | 6.96% |
| 40 | 174 Miscellaneous Current and Accrued Assets | | | |
| 41 | **Total Current & Accrued Assets** | $143,425,943 | $278,890,205 | 94.45% |
| 42 | **Deferred Debits** | | | |
| 43 | 181 Unamortized Debt Expense | $4,825,621 | $4,684,108 | -2.93% |
| 44 | 182 Regulatory Assets | 285,262,745 | 227,539,178 | -20.24% |
| 45 | 183 Preliminary Survey and Investigation Charges | 625,340 | 625,340 | 0.00% |
| 46 | 184 Clearing Accounts | (340,057) | (132,271) | 61.10% |
| 47 | 185 Temporary Facilities | (24,592) | (25,821) | -5.00% |
| 48 | 186 Miscellaneous Deferred Debits | 22,714,421 | 22,529,275 | -0.82% |
| 49 | 188 Research, Devel. & Demonstration | 2,705 | 0 | 100.00% |
| 50 | 189 Unamortized Loss on Reacquired Debt | 9,345,517 | 8,393,398 | -10.19% |
| 51 | 190 Accumulated Deferred Income Taxes | 53,275,540 | 52,486,150 | -1.48% |
| 52 | 191 Unrecovered Purchased Gas Costs | 5,900,988 | 4,646,939 | -21.25% |
| 53 | **Total Deferred Debits** | $381,588,228 | $320,746,295 | -15.94% |
| 54 | **TOTAL ASSETS and OTHER DEBITS** | $2,526,654,478 | $2,686,167,880 | 6.31% |

Sch. 18 cont.

**BALANCE SHEET 1/, 2/**

| | Account Title | Last Year | This Year | % Change |
|---|---|---|---|---|
| 1 | **Liabilities and Other Credits** | | | |
| 2 | **Proprietary Capital** | | | |
| 3 | 201 Common Stock Issued | $695,203,357 | $702,503,756 | 1.05% |
| 4 | 204 Preferred Stock Issued | 58,063,500 | 58,063,500 | 0.00% |
| 5 | 211 Miscellaneous Paid-In Capital | 2,106,407 | 2,167,132 | 2.88% |
| 6 | 213 Discount on Capital Stock | (815,700) | (815,700) | 0.00% |
| 7 | 214 Capital Stock Expense | (93,888) | (93,888) | 0.00% |
| 8 | 215 Appropriated Retained Earnings | 6,238,312 | 6,238,312 | 0.00% |
| 9 | 216 Unappropriated Retained Earnings | 309,753,515 | 377,888,556 | 22.00% |
| 10 | **Total Proprietary Capital** | $1,070,455,503 | $1,145,951,667 | 7.05% |
| 11 | **Long Term Debt** | | | |
| 12 | 221 Bonds | $420,705,000 | $405,205,000 | -3.68% |
| 13 | 224 Other Long Term Debt | 329,335,143 | 364,960,700 | 10.82% |
| 14 | 225 Unamortized Premium on Long Term Debt | | | |
| 15 | 226 Unamortized Discount on Long Term Debt-Debit | (3,967,074) | (3,708,422) | 6.52% |
| 16 | **Total Long Term Debt** | $746,073,069 | $766,457,279 | 2.73% |
| 17 | **Other Noncurrent Liabilities** | | | |
| 18 | 227 Obligations Under Capital Leases-Noncurrent | $911,946 | $525,824 | -42.34% |
| 19 | 228.1 Accumulated Provision for Property Insurance | 164,942 | (231,010) | -240.06% |
| 20 | 228.2 Accumulated Provision for Injuries and Damages | 2,454,997 | 2,228,780 | -9.21% |
| 21 | 228.3 Accumulated Provision for Pensions and Benefits | 7,530,256 | 15,037,859 | 99.70% |
| 22 | 228.4 Accumulated Miscellaneous Operating Provisions | 120,441 | 265,960 | 120.82% |
| 23 | **Total Other Noncurrent Liabilities** | $11,182,582 | $17,827,412 | 59.42% |
| 24 | **Current and Accrued Liabilities** | | | |
| 25 | 231 Notes Payable | $69,100,000 | $0 | -100.00% |
| 26 | 232 Accounts Payable | 32,026,638 | 21,087,865 | -34.16% |
| 27 | 233 Notes Payable to Associated Companies | 67,882,998 | 173,047,150 | 154.92% |
| 28 | 234 Accounts Payable to Associated Companies | 10,558,572 | 36,252,928 | 243.35% |
| 29 | 235 Customer Deposits | 74,293 | 132,933 | 78.93% |
| 30 | 236 Taxes Accrued | 30,377,235 | 36,372,395 | 19.74% |
| 31 | 237 Interest Accrued | 13,932,676 | 13,732,068 | -1.44% |
| 32 | 238 Dividends Declared | 21,313,667 | 21,388,056 | 0.35% |
| 33 | 241 Tax Collections Payable | 275,108 | 252,517 | -8.21% |
| 34 | 242 Miscellaneous Current and Accrued Liabilities | 21,758,206 | 27,058,265 | 24.36% |
| 35 | 243 Obligations Under Capital Leases-Current | 789,603 | 381,891 | -51.64% |
| 36 | **Total Current and Accrued Liabilities** | $268,088,996 | $329,706,068 | 22.98% |
| 37 | **Deferred Credits** | | | |
| 38 | 252 Customer Advances for Construction | $14,750,506 | $16,498,385 | 11.85% |
| 39 | 253 Other Deferred Credits | 20,952,536 | 19,682,097 | -6.06% |
| 40 | 254 Regulatory Liabilities | 8,743,087 | 9,313,392 | 6.52% |
| 41 | 255 Accumulated Deferred Investment Tax Credits | 35,181,659 | 33,819,066 | -3.87% |
| 42 | 257 Unamortized Gain on Reacquired Debt | 50,118 | 40,865 | -18.46% |
| 43 | 281-283 Accumulated Deferred Income Taxes | 351,176,423 | 346,871,649 | -1.23% |
| 44 | **Total Deferred Credits** | $430,854,329 | $426,225,454 | -1.07% |
| 45 | **TOTAL LIABILITIES and OTHER CREDITS** | $2,526,654,478 | $2,686,167,880 | 6.31% |

46

47 1/ Includes CMP and Montana Power Capital I; excludes Colstrip Unit 4, Yellowstone National Park and
48 nonregulated propane.

49

50 2/ The Gas Utility transferred the majority of its natural gas production properties in the United States and all
51 of its Canadian natural gas production properties to nonregulated operations on November 1,1997. It should
52 be noted, any schedule pertaining to the balance sheet excludes the production properties at December 31, 1997.

53

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

### NOTE 1 - Summary of significant accounting policies:

Basis of accounting:

The Company's accounting policies conform to generally accepted accounting principles. With respect to utility operations, such policies are in accordance with the accounting requirements and ratemaking practices of the regulatory authorities having jurisdiction.

Use of estimates:

Preparing financial statements requires the use of estimates. Management makes appropriate estimates and judgments based upon available information. Actual results may differ from accounting estimates as new events occur or additional information is obtained.

Financial statement presentation:

The financial statements are presented on the basis of the accounting requirements of the Federal Energy Regulatory Commission (FERC) as set forth in its applicable Uniform System of Accounts. This report differs from generally accepted accounting principles due to FERC requiring the reflection of subsidiaries on the equity method of accounting which differs from Statement of Financial Accounting Standards No. 94 "Consolidation of All Majority-Owned Subsidiaries" (SFAS No. 94). SFAS No. 94 requires that all majority-owned subsidiaries be consolidated. The other differences are comparative statements of retained earnings and cash flows and net income per share are not presented.

Plant, property, depreciation and amortization:

The year-end balances of the major classifications of property, plant, and equipment are detailed in the following table:

| | December 31 | |
|---|---|---|
| | 1998 | 1997 |
| | Thousands of Dollars | |
| Utility plant: | | |
| Electric: | | |
| Production | $ 721,995 | $ 716,021 |
| Transmission | 371,638 | 362,658 |
| Distribution | 544,653 | 514,057 |
| Other | 192,494 | 216,513 |
| Natural Gas: | | |
| Production and storage | 73,115 | 67,699 |
| Transmission | 152,804 | 148,295 |
| Distribution | 146,896 | 138,676 |
| Other | 29,633 | 38,609 |
| Total Utility | $2,233,228 | $2,202,528 |

The cost of additions to and replacement of plant, including an allowance for funds used during construction (AFUDC) of utility plant, is capitalized. The rate used to compute AFUDC is determined in accordance with a formula established by the FERC and was an average of 8.3 percent for 1998 and 8.0 percent for 1997. Costs of utility depreciable units of property retired plus costs of removal less salvage are charged to accumulated depreciation and no gain or loss is recognized. Maintenance and repairs of plant and property, as well as replacements and renewals of items determined to be less than established units of plant, are charged to operating expenses.

With respect to the sale of the regulated generation assets, the Company first expects to recover the book value of those assets and the costs of the sale transaction. Proceeds in excess of the book value and transaction costs are expected to reduce the amounts to be collected from ratepayers in the form of competitive transition charges (CTC).

Included in the plant classifications are Utility plant under construction in the amounts of $37,966,000 and $39,425,000 for 1998 and 1997, respectively. Also included in the table above are electric generating and transmission assets held for sale with an approximate cost and accumulated depreciation of $822,000,000 and $299,000,000, respectively. However, the sale is subject to the satisfaction of various conditions and the receipt of required regulatory approvals. Final determination of proceeds and the related transmission facilities to be included in the sale are subject to the sales of two other owners' interests in the Colstrip plants, which must be approved by those owners' state regulatory commissions. The sale of the Company's unregulated leasehold interest in Colstrip Unit 4 is subject to approval by the purchasers of power under two long-term sales agreements related to that unit. Although the Agreement is not contingent upon inclusion of Colstrip Unit 4, such inclusion, or the potential exclusion, will impact the amount of proceeds received as well as the amount of transmission facilities included in the sale. The Company anticipates this transaction will be completed by the end of 1999.

Provisions for depreciation and depletion are recorded at amounts substantially equivalent to calculations made on straight-line and unit-of-production methods by application of various rates based on useful lives of properties determined from engineering studies. The provisions for Utility depreciation and depletion approximated 3.0 percent for 1998 and 1997 of the depreciable and depletable Utility plant at the beginning of the year.

Utility revenue and expense recognition:

Operating revenues are recorded on the basis of service rendered. In order to match revenues with associated expenses, the Company accrues unbilled revenues for electric and natural gas services delivered to customers but not yet billed at month-end.

Regulatory assets:

For its regulated operations, the Company follows SFAS No. 71, "Accounting for the Effects of Certain Types of Regulation." Pursuant to this pronouncement, certain expenses and credits, normally reflected in income as incurred, are recognized when included in rates and recovered from or refunded to the customers. The significant regulatory assets the Company has recorded are discussed below.

In the ratemaking process, tax costs and benefits related to certain temporary differences are recovered in rates on an as paid or "flow-through" basis. SFAS No. 109 "Accounting for Income Taxes", requires that tax assets and liabilities be reflected on the Balance Sheet on an accrual basis. This timing difference requires the Company to recognize a regulatory asset for taxes accrued but not yet recovered in rates. That regulatory asset was $119,080,000 and $119,643,000 as of December 31, 1998 and 1997, respectively.

The Montana Public Service Commission (PSC) provided in its August 1985 order a carrying charge and recovery of depreciation that was deferred and is being charged to income over the remaining life of Colstrip Unit 3 to compensate the Company for unrecovered costs of its investment for the period the plant was in service from January 10, 1984 to August 29, 1985. At December 31, 1998 and 1997, the unamortized amounts were $40,325,000 and $42,156,000, respectively.

Also included in other regulatory assets are costs related to the Company's Demand Side Management (DSM) programs in the amounts of $33,353,000 and $33,965,000 for 1998 and 1997, respectively. The amounts are included in the Company's rate base and are being charged to income over a ten-year period.

Competitive transition charges, which relate to natural gas properties that were removed from regulation on November 1, 1997, are being recovered through rates over 15 years. The unamortized balances at December 31, 1998 and 1997 were $56,059,000 and $58,983,000, respectively.

Certain other costs are being amortized currently or are subject to regulatory confirmation in future ratemaking proceedings.

Changes in regulation or changes in the competitive environment could cause recovery of these costs through rates to become uncertain, resulting in the Company not meeting the criteria of SFAS No. 71. If the Company were to discontinue application of SFAS No. 71 for some or all of its operations, the regulatory assets related to those portions would have to be eliminated from the balance sheet and included in income in the period when the discontinuation occurred unless recovery of those costs was provided through rates charged to those customers in a portion of the business that remains regulated. In conjunction with the ongoing changes in the electric and natural gas industries, the Company will continue to evaluate the applicability of this accounting principal to those businesses.

As a consequence of the issuance by the PSC of the natural gas restructuring order, the Company's natural gas production assets were removed from SFAS No. 71 accounting in the fourth quarter of 1997. The timing of the removal of the electric generating assets from SFAS No. 71 is expected to coincide with the sale of the Company's interests in the generating facilities. Recovery of the Company's existing regulatory assets related to the natural gas production assets was provided in the order and recovery of existing regulatory assets related to electric generation is provided in the electric restructuring legislation.

Cash and cash equivalents:

The Company considers all liquid investments with original maturities of three months or less to be cash equivalents.

Storm damage and environmental remediation costs:

The estimated costs of storm damage and environmental remediation obligations for Utility operations are charged against established, regulator approved operating reserves when such losses are probable and reasonably estimatable. The reserves are adequate to provide for all known obligations and may be increased, if appropriate, by adjusting the annual accrual rate. The reserves' balances at December 31, 1998 and 1997 were approximately $9,350,000 and $2,600,000, respectively, and are included in other noncurrent liabilities on the Consolidated Balance Sheet.

Income taxes:

Deferred income taxes are provided for the temporary differences between the financial reporting basis and the tax basis of the Company's assets and liabilities. For further information on income taxes see "Regulatory assets and liabilities" in this note and also Note 5 – "Income tax expense".

Asset impairment:

In accordance with SFAS No. 121, "Accounting for the Impairment of Long-Lived Assets and for Long-Lived Assets to be Disposed Of", the Company periodically reviews long-lived assets for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. In 1998, the Company recorded an expense of $4,100,000 in accordance with SFAS No. 121.

Comprehensive income:

SFAS No. 130, "Reporting Comprehensive Income", defines comprehensive income as the change in equity of a business enterprise during a period from transactions and other events and circumstances from non-owner sources. SFAS No. 130 requires that an enterprise report all components of comprehensive income in the period in which they are recognized. These components are net income and other comprehensive income. Net income includes such items as income from continuing operations, discontinued operations, extraordinary items, and cumulative effects of changes in accounting principle. Other comprehensive income includes foreign currency translations, adjustments of minimum pension liability, and unrealized gains and losses on certain investments in debt and equity securities.

For the years ended December 31, 1998 and 1997, the Company's sole items of other comprehensive income were foreign currency translation adjustments of $7,363,000 and $2,181,000, respectively, to retained earnings. There are no current income tax effects resulting from the adjustments. The 1998 adjustment included both the change in the valuation of the assets of the Company's Canadian operations and a change in the rate used to adjust certain Canadian assets. Until November 1, 1997, the plant of the Company's natural gas utility operations, owned by a wholly owned subsidiary, was included in the natural gas utility rate base. As such, the Company earned a rate of return on these assets stated at their historical costs, converted to U.S. dollars using historical foreign currency exchange rates. When the assets were transferred from the Company's regulated operations to the Nonutility operations, and removed from utility rate base, they were converted to U.S. dollars using current foreign currency exchange rates which resulted in a decrease of approximately $5,100,000 in retained earnings in 1998.

Fair value of significant financial instruments:

| | 1998 | | 1997 | |
|---|---|---|---|---|
| | Carrying Amount | Fair Value | Carrying Amount | Fair Value |
| | Thousands of Dollars | | | |
| Assets: | | | | |
| Other significant investments | $ 19,044 | $ 19,044 | $ 17,316 | $ 17,316 |
| Liabilities: | | | | |
| Long-term debt (including due within one year) | $766,457 | $807,509 | $746,073 | $760,810 |

The following methods and assumptions were used to estimate fair value:

Other investments - The carrying value of the investments approximates fair value as the investments have short maturities or the carrying value equals their cash surrender value.

Long-term debt - The fair value was estimated using quoted market rates for the same or similar instruments. Where quotes were not available, fair value was estimated by discounting expected future cash flows using year-end incremental borrowing rates.

**NOTE 2 - Contingencies:**

The Company is required by an order of the Federal Energy Regulatory Commission (FERC) to implement a plan to mitigate the impact of Kerr Project operations on fish, wildlife and habitat. Implementation will require payments of approximately $135,000,000 between 1985 and 2020, the license term. The net present value of the total payments, assuming a 9.5 percent discount rate, is approximately $57,000,000, an amount the Company recognized as license costs in plant and long-term debt in the Consolidated Balance Sheet in 1997. Included in the $135,000,000 is a payment of approximately $15,600,000 to fund the Fish and Wildlife Implementation Strategy for the 1985 to 1997 period.

FERC's order is subject to judicial review by the United States Court of Appeals for the District of Columbia Circuit. Pursuant to a related FERC order, the Company is not obligated to pay approximately $15,600,000 to fund the Fish and Wildlife Implementation Strategy for the 1985 to 1997 while the order is subject to judicial review.

In November 1992, the Company applied to FERC to relicense nine Madison and Missouri River hydroelectric projects, a generating capacity of 292 megawatts (Project 2188). The Company estimates that the cost of environmental mitigation proposed by FERC's staff in the license proceeding is approximately $162,000,000, net present value. A license order is expected in late 1999 or early 2000.

The Kerr Project and Project 2188 are assets to be sold under the terms of the Agreement for the Company's sale of its generation assets. For further information on the sale of the Company's interest in the generating facilities see Note 4 – "Deregulation and Asset Divestiture". At closing of the sale, PP&L Global will assume the obligation to make payments required to comply with the license conditions. The Company, however retained the obligation to make (i) the $15,600,000 payment for the Fish and Wildlife Implementation Strategy referred to above and (ii) to the extent not reimbursed by PP&L Global through the capital and maintenance budget to be agreed upon by the Company and PP&L Global, other payments regarding "pre-closing" license compliance expenditures.

The Company and its subsidiaries are party to various other legal claims, actions and complaints arising in the ordinary course of business. Management does not expect disposition of these matters to have a material adverse effect on the Company's consolidated financial position or its consolidated results of operations.

**NOTE 3 - Commitments:**

Purchase commitments:

In 1994, the Company entered a contract to purchase 98 megawatts of seasonal capacity from Basin Electric Power Cooperative (Basin). The rate for the contract year beginning in November 1997 was approximately 3.2 cents per kWh and will increase each subsequent year to approximately 7.4 cents per kWh in the final contract year, which begins in November 2009. This contract is included in the asset sale agreement with PP&L Global for the sale of the Company's interest in the generating facilities. Although not specifically named in the restructuring legislation, costs associated with disposal and reassignment of this contract are also expected to be collectable through the Competitive Transition Charges (CTC).

The Company also has long-term purchase contracts with certain qualifying facilities (QF's) and natural gas producers. The purchased power contracts provide for capacity payments subject to a facility meeting certain operating standards, and payments based on energy received. The Company currently has 15 QF contracts, with expiration terms ranging from 2003 through 2031. Three contracts account for 96 percent of the 101 MWs of capacity provided by these facilities. These QF contracts were intended to be sold or reassigned in conjunction with the Company's sale of electric generating facilities, however, they were excluded from the asset sale agreement with PP&L Global. Management is evaluating options for dealing with these contracts. In accordance with the restructuring legislation, costs associated with disposal and reassignment of these contracts are also expected to be collected through the CTC.

The Company's gas purchase contracts also provide for take-or-pay payments.

Total payments under all of these contracts for the prior three years were as follows:

| | Thousands of Dollars | | |
|---|---|---|---|
| | Utility | | Total |
| | Electric | Natural Gas | |
| 1997 | 44,153 | 7,554 | 51,707 |
| 1998 | 50,611 | 2,998 | 53,609 |

The present value of future minimum payments, at an assumed discount rate of 8 percent, under the above agreements is estimated as follows:

| | Thousands of Dollars | | |
|---|---|---|---|
| | Utility | | Total |
| | Electric | Natural Gas | |
| 1999 | $ 15,979 | $ 3,554 | $ 19,533 |
| 2000 | 15,113 | 3,225 | 18,338 |
| 2001 | 14,787 | 2,767 | 17,554 |
| 2002 | 14,587 | 2,433 | 17,020 |
| 2003 | 14,346 | 746 | 15,092 |
| Remainder | 151,801 | 1,291 | 153,092 |
| | $ 226,613 | $ 14,016 | $ 240,629 |

Lease commitments:

There are no material minimum operating lease payments. Capitalized leases are also not material and are included in other long-term debt.

Rental expense for the prior two years was $31,589,650 and $24,096,000 for 1998 and 1997, respectively.

**Note 4 – Deregulation and asset divestiture:**

**Natural Gas**

Since 1991, the Company's natural gas utility business has been in transition to a competitive environment to provide commodity and related services to wholesale and retail customers. In Montana, the "Natural Gas Restructuring and Customer Choice Act" was signed into law in May 1997 allowing natural gas utilities to open their systems to full customer choice for gas supply.

In response to the Company's restructuring filing, in October 1997, the PSC approved an order (Order) giving additional natural gas customers of the Company the right to choose their own suppliers. The decision allowed approximately 230 smaller industrial and larger commercial customers using 5,000 dekatherms or more of natural gas annually, to have choice beginning in November 1997. The 24 former natural gas supply customers using 60,000 or more dekatherms of natural gas annually, who represented approximately 49 percent of the pre-choice load, have had choice since 1991. The Company's remaining 140,000 customers will have choice no later than July 1, 2002. Pilot programs for natural gas customers began on November 2, 1998. Through December 1998, approximately 232 customers, representing approximately 54 percent of the Utility's pre-choice natural gas supply load have chosen alternate suppliers.

Natural gas transmission, distribution, and storage will remain regulated by the PSC and the Company retains the right to seek rate adjustments related to these services after a two year rate freeze. The Company will also continue to offer regulated supply service at rates set by the PSC for the transition period or such shorter period as determined by the PSC. Following this period, the Company will offer natural gas supply to retail and wholesale customers through its unregulated business segments.

In accordance with the Order, in November 1997, significantly all of the Utility natural gas production assets were transferred to an unregulated affiliate at an agreed-to amount, which was $33,600,000 below the existing book value. This difference between transfer value and the book value and the existing $25,400,000 of regulatory assets related to the natural gas production assets were approved as a Competitive Transition Charge (CTC) to be recovered from transmission and distribution customers in rates over a 15-year period. The transition plan also includes a fixed-price supply contract through 2002 between the unregulated gas supply division and the regulated distribution division to serve the remaining customers who have not chosen other suppliers.

The Order also froze base rates for two years and accepted the continuation of the gas cost tracker and the Gas Transportation Clause (GTAC) procedures.

**Electric**

Montana's "Electric Industry Restructuring and Customer Choice Act" was also signed into law in May 1997. The legislation provided for choice of electricity supplier for the Company's large customers by July 1, 1998, for pilot programs for residential and small commercial customers by July 1, 1998 and choice for all customers no later than July 1, 2002. Through December 1998, approximately 50 customers, representing approximately 10 percent of the Utility's pre-choice load have chosen alternate suppliers. As with the Utility natural gas business, transmission and distribution services will remain fully regulated by FERC and the PSC and the Company retained the right to seek rate adjustments related to these services.

The legislation provides the collection of CTC's by the Company in order to recover its non-mitigatable transition costs, specifically recovery of above-market qualifying facility power-purchase contract costs and regulatory assets associated with the generation business, and recovery for utility-owned above-market generation costs over the transition period of up to four years. The legislation also established a rate moratorium on electric rates for all customers for two years beginning July 1, 1998, and an electric-energy supply component rate moratorium for an additional two years for smaller customers. The legislation provides that rates cannot be increased under the rate moratorium except under limited circumstances.

As required by the electric legislation, the Company filed a comprehensive transition plan with the PSC in July 1997. The filing contained the Company's transition plan, including the proposed handling and resolution of transition costs, and addressed other issues required by the legislation. Initial hearings on the filing began in April 1998 and the issues involved in the restructuring filing were separated into groups. The PSC rendered a decision in June 1998 on the issues relating to customer choice for the large industrial group and the pilot programs. Pilot programs for electric customers began concurrently with the natural gas pilot program on November 2, 1998. The Company expects a decision on the remaining issues, including the amount of transition costs, the effect of the sale of the generation assets discussed below, and the Uniform Systems Benefits Charge once the details of the sale are final.

On November 2, 1998, the Company announced that it had entered into a definitive Asset Purchase Agreement (the Agreement) with PP&L Global, Inc (PP&L Global), a subsidiary of PP&L Resources, Inc. Under the Agreement, PP&L Global agreed to purchase the Company's interest in 12 of its 13 hydroelectric facilities, all four coal-fired thermal generating plants, and a leasehold interest in Colstrip Unit 4 for a total gross capacity of 1,557 MWs. PP&L Global will also acquire the power purchase contract with Basin and two power exchange agreements. The sale does not include the power purchase contracts with QF's or the 3-MW Milltown Dam near Missoula, Montana.

The sale is subject to the satisfaction of various conditions and the receipt of required regulatory approvals. The transfer of the Company's licenses to operate the hydroelectric facilities is subject to approval by the FERC. Final determination of proceeds and the related transmission facilities to be included in the sale are subject to the sales of two other owners' interests in the Colstrip plants, which must be approved by those owners' state regulatory commissions. The sale of the Company's unregulated leasehold interest in Colstrip Unit 4 is subject to approval by the purchasers of power under two long-term sales agreements related to that unit. Although the Agreement is not contingent upon inclusion of Colstrip Unit 4, such inclusion, or the potential exclusion, will impact the amount of proceeds received as well as the amount of transmission facilities included in the sale. The Company anticipates this transaction will be completed by the end of 1999.

Although the Company has remained in the electric trading business to take full advantage of the opportunities to sell excess and buy needed electricity, and fulfill contractual commitments, the Company will exit the electric commodity trading and marketing business following the sale.

The costs of completion of these potential transactions include legal, accounting, and consulting fees, employee-related costs, asset relocation costs, and other expenses. Total transaction costs may reach $50,000,000 and will reduce the proceeds realized from the sale. There may also be income taxes associated with the transactions.

The Company's Mortgage and Deed of Trust imposes a lien on all physical properties including the generation assets and pollution control equipment on some of the thermal generating facilities, therefore, restrictions may exist on the use of proceeds.

This divestiture is expected to be a complex process involving many factors. The Company may have little or no direct control over some of these factors; therefore, it can give no assurance as to the successful implementation. If the Company is unsuccessful in implementing the sale of the generation assets or any other elements of the deregulation process, the potential exists for writeoff of regulatory assets and the recording of effects of adverse purchase power contracts. The restructuring legislation does, however, provide for, and management is expecting, full recovery of all regulatory assets and other transition costs.

On March 30, 1998, the Company submitted a filing with the FERC requesting increased rates for bundled wholesale electric service to two rural electric cooperatives. Resolution of this filing is expected before the end of 1999.

As in the natural gas legislation, the issuance of transition bonds was approved to lower transition costs. During the electric transition period, savings related to these financings are available to the Company to offset cost increases that would not be reflected in rates due to the rate moratorium. In addition, under the legislation, if, during the transition period, the earnings of the electric utility fall below a predetermined return on equity, the utility's obligation to flow investment tax credit (ITC) benefits to ratepayers in future years is reduced. Any such ITC reduction in the utility's regulatory obligation provides an economic benefit to the Company and increases income in that year. No such benefit was recognized in the results of operations for 1998.

**NOTE 5 - Income tax expense:**

**NOTE 5 - Income tax expense (a):**

Income before income taxes was as follows:

| | 1998 | 1997 |
|---|---|---|
| | Thousands of Dollars | |
| United States | $ 81,708 | $ 98,744 |
| Canada | 99 | 2,348 |
| | $ 81,807 | $ 101,092 |

The provision for income taxes differs from the amount of income tax that would be expected by applying the applicable U.S. statutory federal income tax rate to pretax income as a result of the following differences:

| | 1998 | 1997 |
|---|---|---|
| | Thousands of Dollars | |
| Computed "expected" income tax expense | $ 28,633 | $ 35,382 |
| Adjustments for tax effects of: | | |
| Tax credits | (1,363) | (7,816) |
| State income tax, net | 3,975 | 4,411 |
| Reversal of utility book/tax depreciation | 2,784 | 5,636 |
| Other | (7,504) | (1,290) |
| Actual income tax expense | $ 26,525 | $ 36,323 |

Income tax expense as shown in the Consolidated Statement of Income consists of the following components:

| | 1998 | 1997 |
|---|---|---|
| | Thousands of Dollars | |
| Current: | | |
| United States | $ 22,816 | $ 29,058 |
| Canada | 63 | 670 |
| State | 7,068 | 6,569 |
| | 29,947 | 36,297 |
| Deferred: | | |
| United States | (2,764) | (230) |
| Canada | 0 | 0 |
| State | (658) | 256 |
| | (3,422) | 26 |
| | $ 26,525 | $ 36,323 |

Deferred tax liabilities (assets) are comprised of the following:

| | December 31 | |
|---|---|---|
| | 1998 | 1997 |
| | Thousands of Dollars | |
| Plant related | $ 312,976 | $ 312,475 |
| Other | 33,745 | 37,842 |
| Gross deferred tax liabilities | 346,721 | 350,317 |
| Amortization of gain on sale/leaseback | (5,441) | (5,532) |
| Investment tax credit amortization | (21,833) | (22,862) |
| Other | (25,061) | (24,022) |
| Gross deferred tax assets | (52,061) | (52,416) |
| Net deferred tax liabilities | $ 294,386 | $ 297,901 |

The change in net deferred tax liabilities differs from current year deferred tax expense as a result of the following:

| | Thousands of Dollars |
|---|---|
| Change in noncurrent deferred tax | $ (3,515) |
| Regulatory assets related to income taxes | 552 |
| Amortization of investment tax credits | (1,363) |
| Other | 902 |
| Deferred tax expense | $ (3,424) |

**NOTE 6 - Common stock:**

The Company has a Shareholder Protection Rights Plan that provides one preferred share purchase right (Right) on each outstanding common share of the Company. Each Right entitles the registered holder, upon the occurrence of certain events, to purchase from the Company one one-hundredth of a share of Participating Preferred Shares, A Series, without par value. If it should become exercisable, each Right would have economic terms similar to one share of common stock of the Company. The Rights trade with the underlying shares and will, except under certain circumstances described in the Plan, expire on June 6, 2009, unless redeemed earlier or exchanged by the Company.

The Company's Board of Directors has authorized a share repurchase program over the next five years to repurchase up to 10,000,000 shares, or 18 percent, of the Company's outstanding common stock.

As of yearend 1998, the Company had 55,060,520 common shares outstanding. The repurchase of common stock may be made, from time to time, on the open market or in privately negotiated transactions. The number of shares to be purchased and the timing of the purchases will be based on the level of cash balances, general business conditions, and other factors, including alternative investment opportunities.

The Company's Dividend Reinvestment and Stock Purchase Plan permits participants to: (a) acquire additional shares of common stock through the reinvestment of dividends on all or any

specified number of common and/or preferred shares registered in their own names, or through optional cash payments of up to $60,000 per year; (b) deposit common and preferred stock certificates into their Plan accounts for safekeeping; and allows for other interested investors (residents of certain states) to make initial purchases of common shares with a minimum of $100 and a maximum of $60,000 per year.

The Company has a Retirement Savings Plan (Plan) that covers all regular eligible employees. The Company, on behalf of the employee, contributes a matching percentage of the amount contributed to the Plan by the employee. In 1990, the Company borrowed $40,000,000 at an interest rate of 9.2 percent to be repaid in equal annual installments over 15 years. The proceeds of the loan were lent on similar terms to the Plan Trustee, which purchased 1,922,297 shares of Company common stock. The loan, which is reflected as long-term debt, is offset by a similar amount in common shareholders' equity as unallocated stock. Company contributions plus the dividends on the shares held under the Plan are used to meet principal and interest payments on the loan. Shares acquired with loan proceeds are allocated to Plan participants. As principal payments on the loan are made, long-term debt and the offset in common shareholders' equity are both reduced. At December 31, 1998, 1,122,347 shares had been allocated to the participants' accounts. Expense for the Plan is recognized using the Shares Allocated Method, and the pre-tax expense was $3,801,000, $3,999,000 for 1998 and 1997, respectively.

Under the Long-Term Incentive Plan, options have been issued to Company employees. Options issued to employees are not reflected in balance sheet accounts until exercised, at which time (i) authorized, but unissued shares are issued to the employee, (ii) the capital stock account is credited with the proceeds and (iii) no charges or credits to income are made. Options were granted at the average of the high and low prices as reported on the New York Stock Exchange composite tape on the date granted, and expire ten years from that date.

Option activity is summarized below:

| | 1998 | | 1997 | |
|---|---|---|---|---|
| | Shares | Wtd Avg Exercise Price | Shares | Wtd Avg Exercise Price |
| Outstanding, beginning of year | 540,665 | $22.01 | 694,804 | $21.91 |
| Granted | 1,117,329 | 49.00 | -- | -- |
| Exercised | 351,281 | 22.51 | 125,753 | 21.45 |
| Cancelled | 32,266 | 26.94 | 28,386 | 22.02 |
| Outstanding, end of year | 1,274,047 | $45.42 | 540,665 | $22.01 |

Shares under option at December 31, 1998 are summarized below:

| | Options Outstanding | | | Options Exercised | |
|---|---|---|---|---|---|
| Exercise Price Range | Shares | Wtd Avg Exercise Price | Wtd Avg Exercise Life (yrs) | Shares | Wtd Avg Exercise Price |
| $20.06 to $22.63 | 180,718 | $22.01 | 6 | 143,750 | $22.10 |
| $36.00 to $38.34 | 258,000 | 37.06 | 9 | -- | -- |
| $53.06 | 835,329 | 53.06 | 10 | -- | -- |
| | 1,274,047 | | | 143,750 | |

As permitted by SFAS No. 123, "Accounting for Stock-Based Compensation", the Company has elected to follow Accounting Principles Board Opinion No. 25, "Accounting for Stock Issued to Employees" (APB 25) and related interpretations in accounting for its employee stock options. Under APB 25, because the exercise price of the Company's employee stock options equals the market price of the underlying stock on the date of grant, no compensation expense is recognized. Disclosure of pro-forma information regarding net income and earnings per share is required by SFAS No. 123. This information has been determined as if the Company had accounted for its employee stock options under the fair value method of that statement. The weighted-average fair value of options granted in 1998 was $7.12 per share. The fair value of each option grant was estimated on the date of grant using the binomial option-pricing model with the following weighted-average assumptions used for grants in 1998: risk-free interest rate of 5.08 percent; expected life of 10 years; expected volatility of 19.34 percent and a dividend yield of 6.51 percent. Had the Company used SFAS No. 123, compensation expense would have increased $795,000 and $195,000 for 1998 and 1997, respectively.

**NOTE 7 - Preferred stock:**

The number of authorized shares of preferred stock is 5,000,000. No dividends may be declared or paid on common stock while cumulative dividends have not either been declared and set apart or paid on any of the preferred stock.

Preferred stock is in three series as detailed in the following table:

| Series | Stated and Liquidation Price* | Shares Issued and Outstanding | | Thousands of Dollars | |
|---|---|---|---|---|---|
| | | 1998 | 1997 | 1998 | 1997 |
| $6.875 | $100 | 360,800 | 360,800 | $36,080 | $36,080 |
| 6.00 | 100 | 159,589 | 159,589 | 15,959 | 15,959 |
| 4.20 | 100 | 60,000 | 60,000 | 6,025 | 6,025 |
| Discount | | | | (410) | (410) |
| | | 580,389 | 580,389 | $57,654 | $57,654 |

*Plus accumulated dividends.

The preferred stock is redeemable at the option of the Company upon the written consent or affirmative vote of the holders of a majority of the common shares on thirty days notice at $110 per share for the $6.00 series and $103 per share for the $4.20 series, plus accumulated dividends. The $6.875 series is redeemable in whole or in part, at anytime on or after November 1, 2003 for a price beginning at $103.438 per share with annual decrements through October 2013, after which the redemption price is $100 per share.

**NOTE 8 - Company obligated mandatorily redeemable preferred securities of subsidiary trust:**

Montana Power Capital I (Trust) was established as a wholly owned business trust of the Company for the purpose of issuing common and preferred securities (Trust Securities) and holding Junior Subordinated Deferrable Interest Debentures (Subordinated Debentures) issued by the Company. At December 31, 1998 and 1997, the Trust held 2,600,000 units of 8.45 percent Cumulative Quarterly Income Preferred Securities, Series A (QUIPS). Holders of the QUIPS are entitled to receive quarterly distributions at an annual rate of 8.45 percent of the liquidation preference value of $25 per security. The sole asset of the Trust is $67,000,000 of

Subordinated Debentures, 8.45 percent Series due 2036, issued by the Company. The Trust will use interest payments received on the Subordinated Debentures it holds to make the quarterly cash distributions on the QUIPS.

The Trust Securities are subject to mandatory redemption upon repayment of the Subordinated Debentures at maturity or redemption. The Company has the option at any time on or after November 6, 2001, to redeem the Subordinated Debentures, in whole or in part. The Company also has the option, upon the occurrence of certain events, to redeem the Subordinated Debentures, in whole but not in part, which would result in the redemption of all the Trust Securities. The Company has the right to terminate the Trust at any time and cause the pro rata distribution of the Subordinated Debentures to the holders of the Trust Securities.

In addition to the Company's obligations under the Subordinated Debentures, the Company has guaranteed, on a subordinated basis, payment of distributions on the Trust Securities, to the extent the Trust has funds available to pay such distributions and has agreed to pay all of the expenses of the Trust (such additional obligations collectively, the Back-up Undertakings). Considered together with the Subordinated Debentures, the Back-up Undertakings constitute a full and unconditional guarantee by the Company of the Trust's obligations under the QUIPS. The Company is the owner of all the common securities of the Trust, which constitute 3 percent of the aggregate liquidation amount of all the Trust Securities.

**NOTE 9 - Long-term debt:**

The Company's Mortgage and Deed of Trust (the Mortgage) imposes a first mortgage lien on all physical properties owned, exclusive of subsidiary company assets, and certain property and assets specifically excepted. The obligations collateralized are First Mortgage Bonds, including those First Mortgage Bonds designated as Secured Medium-Term Notes and those securing Pollution Control Revenue Bonds. The Mortgage may impose some restrictions on the use of proceeds realized from the sale of the electric generating assets and power purchase contracts.

Long-term debt consists of the following:

| | December 31 | |
|---|---|---|
| | 1998 | 1997 |
| | Thousands of Dollars | |
| First Mortgage Bonds: | | |
| 7.7% series, due 1999 | $ 55,000 | $ 55,000 |
| 7 1/2% series, due 2001 | 25,000 | 25,000 |
| 7% series, due 2005 | 50,000 | 50,000 |
| 8 1/4% series, due 2007 | 55,000 | 55,000 |
| 8.95% series, due 2022 | 50,000 | 50,000 |
| Secured Medium-Term Notes - maturing 1999-2025 7.20%-8.11% | 88,000 | 108,000 |
| Pollution Control Revenue Bonds: | | |
| City of Forsyth, Montana | | |
| 6 1/8% series, due 2023 | 90,205 | 90,205 |
| 5.9% series, due 2023 | 80,000 | 80,000 |
| Sinking Fund Debentures -7 1/2%, due 1998 | | 15,500 |
| Natural Gas Transition Bonds –6.20%, due 2012 | | 62,700 |
| ESOP Notes Payable - 9.2%, due 2004 | 22,392 | 25,104 |
| Unsecured Medium-Term Notes: | | |
| Series A - maturing 1998-2022 8.68%-8.9% | 19,500 | 22,000 |
| Series B - maturing 2006-2026 7.07%-7.96% | 115,000 | 55,000 |
| Other | 55,069 | 54,230 |
| Unamortized Discount and Premium | (3,709) | (3,966) |
| | $ 766,457 | $ 746,073 |

The Company has a Revolving Credit Agreement that allows it to borrow up to $60,000,000, all of which was unused at December 31, 1998. Under terms of the agreement borrowings outstanding at December 2, 1999 must be repaid on this date. Fixed or variable interest rate options are available under the facility with commitment fees on the unused portions.

In June 1997, in response to FERC's decision regarding the Kerr mitigation plan discussed at Page 18-F, "Notes to the Financial Statements", the Company recognized long-term debt of approximately $57,000,000. At December 31, 1998, approximately $55,000,000 is included in "Other" in the table above.

Debt repayments for the five years ending December 31, 2003, on the long-term debt outstanding at December 31, 1998, amount to: $92,000,000 in 1999; $35,000,000 in 2000; $30,000,000 in 2001; $5,000,000 in 2002; and $21,000,000 in 2003.

**NOTE 10 - Short-term borrowing:**

The Company has short-term borrowing facilities with commercial banks that provide both committed, as well as uncommitted lines of credit, and the ability to sell commercial paper. Bank borrowings either bear interest at the lender's floating base rate and may be repaid at any time, or have fixed rates of interest and maturities. Commercial paper has fixed rates of interest and maturities.

At December 31, 1998, the Company had lines of credit consisting of $55,000,000 committed and $80,000,000 uncommitted. There are facility fees or commitment fees on the committed lines of credit which are not significant. The Company has the ability to issue up to $115,000,000 of commercial paper based on the total of unused committed lines of credit and revolving credit agreements.

Short-term borrowings and average interest rates were as follows:

| | December 31 | | | |
|---|---|---|---|---|
| | 1998 | | 1997 | |
| | Amount | Rate | Amount | Rate |
| | Thousands of Dollars | | | |
| Notes payable to banks..... | $69,100 | 6.64% | $39,717 | 7.37% |

**NOTE 11 - Retirement plans:**

The Company maintains trusteed, noncontributory retirement plans covering substantially all employees. Retirement benefits are based on salary, years of service and social security integration levels.

The assets of the plans consist primarily of domestic and foreign corporate stocks, domestic corporate bonds and U.S. Government securities.

The Company also has an unfunded, nonqualified benefit plan for senior management executives and directors. In December 1998, the Company curtailed the plan and in accordance with SFAS No. 88, "Employers' Accounting for Settlements and Curtailments of Defined Benefit Pension Plans" accrued approximately $4,000,000 of expense.

In addition to providing pension benefits, the Company and its subsidiaries provide certain health care and life insurance benefits for eligible retired employees. In 1994, the Company established a pre-funding plan for postretirement benefits for Utility employees retiring after January 1, 1993. The assets of the plan consist primarily of domestic and foreign corporate stocks, domestic corporate bonds and U.S. Government securities. The PSC allows the Company to include in rates all Utility OPEB cost on the accrual basis provided by SFAS No. 106.

The following tables provide a reconciliation of the changes in the plans' benefit obligations and fair value of assets over the two-year period ending December 31, 1998, and a statement of the funded status as of December 31 of both years:

| | Pension Benefits | | Other Benefits | |
|---|---|---|---|---|
| | 1998 | 1997 | 1998 | 1997 |
| | Thousands of Dollars | | | |
| Benefit obligation at January 1 | $211,407 | $193,168 | $ 20,142 | $ 20,417 |
| Service cost on benefits earned | 4,701 | 5,063 | 512 | 467 |
| Interest cost on projected benefit obligation | 13,635 | 13,982 | 1,376 | 1,346 |
| Plan amendments | 3,872 | 324 | | |
| Actuarial (gain)/loss | (17,200) | 7,807 | 5,055 | (1,405) |
| Curtailments | (3,923) | 137 | | |
| Gross benefits paid | (9,826) | (9,074) | (2,672) | (683) |
| Assets allocated to related Companies | | | (4,332) | |
| Benefit obligation at December 31 | $202,666 | $211,407 | $20,081 | $20,142 |
| Fair value of plan assets at January 1 | $227,496 | $195,509 | $ 8,168 | $ 5,740 |
| Actual return on plan assets | 3,141 | 35,745 | 1,036 | 993 |
| Employer contributions | | 4,000 | 1,842 | 1,803 |
| Gross benefits paid | (8,153) | (7,758) | (2,264) | (368) |
| Assets allocated to related Companies | | | (884) | |
| Fair value of plan assets at December 31 | $222,484 | $227,496 | $ 7,898 | $ 8,168 |

| | Pension Benefits | | Other Benefits | |
|---|---|---|---|---|
| | 1998 | 1997 | 1998 | 1997 |
| | Thousands of Dollars | | | |
| Funded status at January 1 | $ 19,818 | $ 16,089 | $(12,183) | $(11,974) |
| Unrecognized net: | | | | |
| Actuarial gain | (40,423) | (35,154) | (1,631) | (6,669) |
| Prior service cost | 7,414 | 8,031 | 448 | |
| Transition obligation | (337) | 631 | 13,366 | 15,533 |
| Net amount recognized at December 31 | $ (13,433) | $(10,403) | $ 0 | $ (3,110) |

The following table provides the amounts recognized in the statement of financial position as of December 31 of both years:

| | Pension Benefits | | Other Benefits | |
|---|---|---|---|---|
| | 1998 | 1997 | 1998 | 1997 |
| | Thousands of Dollars | | | |
| Prepaid benefit cost | $ 3,963 | $ 2,344 | | |
| Accrued benefit cost | (17,396) | (21,124) | $ 0 | $ (3,110) |
| Additional minimum liability (net) | (3,848) | (3,881) | | |
| Intangible asset | 3,848 | 3,881 | | |
| Net amount recognized at December 31 | $(13,433) | $(10,403) | $ 0 | $ (3,110) |

The following tables provide the components of net periodic benefit cost for the pension and other postretirement benefit plans, portions of which have been deferred or capitalized, for fiscal years 1998 and 1997:

| | Pension Benefits | | Other Benefits | |
|---|---|---|---|---|
| | 1998 | 1997 | 1998 | 1997 |
| | Thousands of Dollars | | | |
| Service cost on benefits earned | $ 4,701 | $ 5,063 | $ 512 | $ 467 |
| Interest cost on projected benefit Obligation | 13,634 | 13,982 | 1,376 | 1,346 |
| Expected return on plan assets | (17,592) | (17,428) | (618) | (459) |
| Amortization of | | | | |
| Transition obligation (asset) | 196 | 201 | 955 | 1,036 |
| Prior service cost (credit) | 1,009 | 860 | 37 | |
| Actuarial (gain) loss | (743) | (1,205) | (230) | (347) |
| Net periodic benefit cost | 1,205 | 1,473 | 2,032 | 2,043 |
| Curtailment (gain) loss | 3,307 | 660 | | |
| Net periodic benefit cost after curtailments | $ 4,512 | $ 2,133 | $ 2,032 | $ 2,043 |

In 1998, funding for pension costs exceeded SFAS No. 87 pension expense by $1,780,000. In 1997, pension costs exceeded SFAS No. 87 pension expense by $5,441,000. The differences were deferred for recognition in future periods as funding is reflected in rates. At December 31, 1998, the regulatory liability was $4,125,000.

The following assumptions were used in the determination of actuarial present values of the projected benefit obligations:

| | Pension Benefits | | Other Benefits | |
|---|---|---|---|---|
| | 1998 | 1997 | 1998 | 1997 |
| Weighted average assumptions as of December 31 | | | | |
| Discount rate | 6.75% | 7.00% | 6.75% | 7.00% |
| Expected return on plan assets | 9.00% | 9.00% | 9.00% | 9.00% |
| Rate of compensation increase | 3.75% | 4.50% | 3.75% | 4.50% |

Assumed health care costs trend rates have a significant effect on the amounts reported for the health care plans. An one percent change in assumed health care cost trend rates would have the following effects:

| | 1% Increase | 1% Decrease |
|---|---|---|
| | Thousands of Dollars | |
| Effect on total of service and interest cost component of net periodic post-retirement health care benefit cost | $ 160 | $ (150) |
| Effect on the health care component of the accumulated postretirement benefit obligation | 1,220 | (1,225) |

The assumed 1999 health care cost trend rates used to measure the expected cost of benefits covered by the plans is 7.50 percent. The trend rate decreases through 2004 to 5 percent.

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## MONTANA PLANT IN SERVICE - GAS (INCLUDES CMP)

| | Account Number & Title | This Year Cons. Utility | Glacier Gas | This Year Montana | Last Year Montana | % Change |
|---|---|---|---|---|---|---|
| 1 | **Intangible Plant** | | | | | |
| 2 | 2301 Organization | $39,052 | $17,420 | $21,631 | $21,631 | 0.00% |
| 3 | 2302 Franchises and Consents | 258,020 | | 258,020 | 258,020 | 0.00% |
| 4 | 2303 Miscellaneous Intangible Plant | 329,940 | 6,736 | 323,204 | 310,499 | 4.09% |
| 5 | **Total Intangible Plant** | 627,012 | 24,157 | 602,855 | 590,150 | 2.15% |
| 6 | | | | | | |
| 7 | **Production Plant** | | | | | |
| 8 | | | | | | |
| 9 | **Production and Gathering Plant** | | | | | |
| 10 | 2325 Land and Land Rights | 566,007 | 566,007 | 0 | 300 | -100.00% |
| 11 | 2326 Gas Well Structures | | | 0 | 0 | 0.00% |
| 12 | 2327 Field Compressor Station Struct. | | | 0 | 0 | 0.00% |
| 13 | 2328 Field Meas. & Reg. Station Struct. | 60,700 | 60,700 | 0 | 0 | 0.00% |
| 14 | 2329 Other Structures | 5,296 | 5,296 | 0 | 0 | 0.00% |
| 15 | 2330 Producing Gas Wells-Well Constr. | 903,080 | 903,080 | 0 | 0 | 0.00% |
| 16 | 2331 Producing Gas Wells-Well Equip. | 64,046 | 64,046 | 0 | 0 | 0.00% |
| 17 | 2332 Field Lines and Equipment | 121,531 | 121,531 | 0 | 0 | 0.00% |
| 18 | 2333 Field Compressor Station Equip. | 200,739 | 200,739 | 0 | 11,664 | -100.00% |
| 19 | 2334 Field Meas. & Reg. Station Equip. | 90,931 | 90,931 | 0 | (11,482) | 100.00% |
| 20 | 2335 Drilling and Cleaning Equipment | | | 0 | 0 | 0.00% |
| 21 | 2336 Purification Equipment | 12,107 | 12,107 | 0 | 2,754 | -100.00% |
| 22 | 2337 Other Equipment | 1,402 | 1,402 | 0 | 1,679 | -100.00% |
| 23 | 2338 Unsuccessful Explor. & Devel. Cost | | | | | |
| 24 | **Total Production and Gathering Plant** | 2,025,838 | 2,025,838 | 0 | 4,915 | -100.00% |
| 25 | | | | | | |
| 26 | **Products Extraction Plant** | | | | | |
| 27 | 2340 Land and Land Rights | | | 0 | 0 | 0.00% |
| 28 | 2341 Structures and Improvements | | | 0 | 0 | 0.00% |
| 29 | 2342 Extraction and Refining Equipment | | | 0 | 0 | 0.00% |
| 30 | 2343 Pipe Lines | | | 0 | 0 | 0.00% |
| 31 | 2344 Extracted Products Storage Equip. | | | 0 | 0 | 0.00% |
| 32 | 2345 Compressor Equipment | | | 0 | 0 | 0.00% |
| 33 | 2346 Gas Measuring & Regulating Equip. | | | 0 | 0 | 0.00% |
| 34 | 2347 Other Equipment | | | 0 | 0 | 0.00% |
| 35 | **Total Products Extraction Plant** | 0 | 0 | 0 | 0 | 0.00% |
| 36 | **Total Production Plant** | 2,025,838 | 2,025,838 | 0 | 4,915 | -100.00% |
| 37 | | | | | | |
| 38 | **Storage and Processing Plant** | | | | | |
| 39 | | | | | | |
| 40 | **Underground Storage Plant** | | | | | |
| 41 | 2350 Land and Land Rights | 3,925,669 | | 3,925,669 | 3,203,546 | 22.54% |
| 42 | 2351 Structures and Improvements | 1,866,856 | | 1,866,856 | 1,713,122 | 8.97% |
| 43 | 2352 Wells | 6,707,117 | | 6,707,117 | 6,666,195 | 0.61% |
| 44 | 2353 Lines | 6,022,666 | | 6,022,666 | 6,014,571 | 0.13% |
| 45 | 2354 Compressor Station Equipment | 4,883,939 | | 4,883,939 | 4,227,348 | 15.53% |
| 46 | 2355 Measuring & Regulating Equip. | 1,452,739 | | 1,452,739 | 1,401,666 | 3.64% |
| 47 | 2356 Purification Equipment | 223,950 | | 223,950 | 192,266 | 16.48% |
| 48 | 2357 Other Equipment | 809,178 | | 809,178 | 809,178 | 0.00% |
| 49 | **Total Underground Storage Plant** | 25,892,114 | 0 | 25,892,114 | 24,227,891 | 6.87% |
| 50 | **Other Storage Plant** | | | | | |
| 51 | 2360 - 2363 Not Applicable | | | | | |
| 52 | **Total Other Storage Plant** | 0 | 0 | 0 | 0 | 0.00% |
| 53 | **Total Storage and Processing Plant** | 25,892,114 | 0 | 25,892,114 | 24,227,891 | 6.87% |

Sch. 19 cont.

## MONTANA PLANT IN SERVICE - GAS (INCLUDES CMP)

| | Account Number & Title | This Year Cons. Utility | Glacier Gas | This Year Montana | Last Year Montana | % Change |
|---|---|---|---|---|---|---|
| 1 | | | | | | |
| 2 | **Transmission Plant** | | | | | |
| 3 | 2365 Rights of Way | 5,049,327 | 12,857 | 5,036,470 | 4,982,598 | 1.08% |
| 4 | 2366 Structures and Improvements | 6,746,657 | | 6,746,657 | 5,735,580 | 17.63% |
| 5 | 2367 Mains | 122,743,134 | 431,939 | 122,311,195 | 121,661,133 | 0.53% |
| 6 | 2368 Compressor Station Equipment | 14,715,157 | | 14,715,157 | 12,008,342 | 22.54% |
| 7 | 2369 Meas. & Reg. Station Equipment | 3,868,267 | | 3,868,267 | 3,788,484 | 2.11% |
| 8 | 2370 Communication Equipment | 66,875 | | 66,875 | 66,875 | 0.00% |
| 8 | 2371 Other Equipment | 59,741 | | 59,741 | 51,633 | 15.70% |
| 9 | **Total Transmission Plant** | 153,249,158 | 444,796 | 152,804,362 | 148,294,645 | 3.04% |
| 10 | | | | | | |
| 11 | **Distribution Plant** | | | | | |
| 12 | 2374 Land and Land Rights | 973,709 | | 973,709 | 959,123 | 1.52% |
| 13 | 2375 Structures and Improvements | 1,225,468 | | 1,225,468 | 1,190,479 | 2.94% |
| 14 | 2376 Mains | 64,476,647 | | 64,476,647 | 61,631,628 | 4.62% |
| 15 | 2377 Compressor Station Equipment | | | | | |
| 16 | 2378 M&R Station Equip.-General | 2,188,254 | | 2,188,254 | 2,177,891 | 0.48% |
| 17 | 2379 M&R Station Equip.-City Gate | 5,135,269 | | 5,135,269 | 4,937,543 | 4.00% |
| 18 | 2380 Services | 48,893,742 | | 48,893,742 | 45,510,067 | 7.44% |
| 19 | 2381 Customers Meters and Regulators | 14,185,989 | 60 | 14,185,930 | 13,117,413 | 8.15% |
| 20 | 2382 Meter Installations | 8,443,473 | | 8,443,473 | 7,791,705 | 8.36% |
| 21 | 2383 House Regulators | | | | | |
| 22 | 2384 House Regulator Installations | | | | | |
| 23 | 2385 M&R Station Equip.-Industrial | 45,085 | | 45,085 | 45,085 | 0.00% |
| 24 | 2386 Other Prop. on Customers' Premise | | | | | |
| 25 | 2387 Other Equipment | 6,413 | | 6,413 | 6,413 | 0.00% |
| 26 | **Total Distribution Plant** | 145,574,049 | 60 | 145,573,989 | 137,367,347 | 5.97% |
| 27 | | | | | | |
| 28 | **General Plant** | | | | | |
| 29 | 2389 Land and Land Rights | 104,550 | | 104,550 | 104,550 | 0.00% |
| 30 | 2390 Structures and Improvements | 666,217 | | 666,217 | 666,217 | 0.00% |
| 31 | 2391 Office Furniture and Equipment | 1,857,584 | | 1,857,584 | 1,112,848 | 66.92% |
| 32 | 2392 Transportation Equipment | 6,281,528 | | 6,281,528 | 6,039,110 | 4.01% |
| 33 | 2393 Stores Equipment | 13,522 | | 13,522 | 14,428 | -6.28% |
| 34 | 2394 Tools, Shop & Garage Equipment | 3,727,927 | | 3,727,927 | 3,628,298 | 2.75% |
| 35 | 2395 Laboratory Equipment | 802,373 | | 802,373 | 721,758 | 11.17% |
| 36 | 2396 Power Operated Equipment | 1,737,921 | | 1,737,921 | 1,759,659 | -1.24% |
| 37 | 2397 Communication Equipment | 1,106,776 | 23,237 | 1,083,539 | 1,282,872 | -15.54% |
| 38 | 2398 Miscellaneous Equipment | 50,291 | | 50,291 | 53,635 | -6.23% |
| 39 | 2399 Other Tangible Property | | | 0 | 0 | 0.00% |
| 40 | **Total General Plant** | 16,348,688 | 23,237 | 16,325,451 | 15,383,375 | 6.12% |
| 41 | **Total Gas Plant in Service** | 343,716,859 | 2,518,087 | 341,198,772 | 325,868,323 | 4.70% |
| 42 | | | | | | |
| 43 | 4101 Gas Plant Allocated from Common | 14,134,647 | | 14,134,647 | 22,618,949 | -37.51% |
| 44 | 2105 Gas Plant Held for Future Use | 46,817 | | 46,817 | 46,817 | 0.00% |
| 45 | 2107 Gas Construction Work in Progress | 252,400 | | 252,400 | 856,889 | -70.54% |
| 46 | 2117 Gas in Underground Storage | 47,145,562 | | 47,145,562 | 43,388,482 | 8.66% |
| 47 | | | | | | |
| 48 | **Total Gas Plant** | $405,296,286 | $2,518,087 | $402,778,198 | $392,779,460 | 2.55% |
| 49 | | | | | | |
| 50 | | | | | | |
| 51 | | | | | | |
| 52 | | | | | | |
| 53 | | | | | | |

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## MONTANA DEPRECIATION SUMMARY - GAS (INCLUDES CMP)

| | Functional Plant Class | Montana Plant Cost | This Year Cons. Utility | Glacier Gas | This Year Montana | Last Year Montana | Current Avg. Rate |
|---|---|---|---|---|---|---|---|
| 1 | **Accumulated Depreciation** | | | | | | |
| 2 | | | | | | | |
| 3 | Production and Gathering | $0 | $1,852,598 | $1,852,598 | $0 | $68,256 | 0.00% |
| 4 | | | | | | | |
| 5 | Products Extraction | 0 | | | 0 | | 0.00% |
| 6 | | | | | | | |
| 7 | Underground Storage | 25,892,114 | 11,569,814 | | 11,569,814 | 10,422,089 | 2.68% |
| 8 | | | | | | | |
| 9 | Other Storage | | | | | | |
| 10 | | | | | | | |
| 11 | Transmission | 152,804,362 | 48,672,900 | 435,809 | 48,237,091 | 45,483,275 | 1.74% |
| 12 | | | | | | | |
| 13 | Distribution | 145,573,989 | 45,481,001 | 59 | 45,480,942 | 41,201,573 | 3.08% |
| 14 | | | | | | | |
| 15 | General and Intangible | 16,928,306 | 8,486,636 | 10,109 | 8,476,527 | 8,044,802 | 6.04% |
| 16 | | | | | | | |
| 17 | Common | 14,134,647 | 2,955,977 | | 2,955,977 | 6,325,476 | 4.29% |
| 18 | | | | | | | |
| 19 | **TOTAL DEPRECIATION** | $355,333,418 | $119,018,926 | $2,298,575 | $116,720,351 | $111,545,471 | 2.50% |

20 21 22 23 24 25 26 27 28 29 30 31 32 33 34 35 36 37 38 39 40 41 42 43 44 45 46 47 48 49 50 51 52 53

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## MONTANA MATERIALS & SUPPLIES (ASSIGNED & ALLOCATED) - GAS (INCLUDES CMP)

| | Account Number & Title | This Year Cons. Utility | Glacier Gas | This Year | Last Year Montana | %Change |
|---|---|---|---|---|---|---|
| 1 | | | | | | |
| 2 | 151 Fuel Stock | | | | | |
| 3 | | | | | | |
| 4 | 152 Fuel Stock Expenses Undistributed | | | | | |
| 5 | | | | | | |
| 6 | 153 Residuals | | | | | |
| 7 | | | | | | |
| 8 | 154 Plant Materials & Operating Supplies | | | | | |
| 9 | Assigned and Allocated to; | | | | | |
| 10 | Operation & Maintenance | | | | | |
| 11 | Construction | | | | | |
| 12 | Production Plant | $1,623,503 | | $1,623,503 | $1,969,738 | -17.58% |
| 13 | Transmission Plant | 830,680 | | 830,680 | 995,025 | -16.52% |
| 14 | Distribution Plant | 1,227,661 | | 1,227,661 | 1,422,600 | -13.70% |
| 15 | | | | | | |
| 16 | 155 Merchandise | | | | | |
| 17 | | | | | | |
| 18 | 156 Other Materials & Supplies | | | | | |
| 19 | | | | | | |
| 20 | 157 Nuclear Materials Held for Sale | | | | | |
| 21 | | | | | | |
| 22 | 163 Stores Expense Undistributed | | | | | |
| 23 | | | | | | |
| 24 | **TOTAL MATERIALS & SUPPLIES** | $3,681,844 | $0 | $3,681,844 | $4,387,363 | -16.08% |
| 25 | | | | | | |
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## MONTANA REGULATORY CAPITAL STRUCTURE & COSTS - GAS

| | % Capital Structure | % Cost Rate | Weighted Cost |
|---|---|---|---|
| **Commission Accepted - Most Recent** | | | |
| Docket Number: D96.2.22 | | | |
| Order Number : 5898d | | | |
| Common Equity | 44.34% | 11.25% | 4.99% |
| Preferred Stock | 4.29% | 6.40% | 0.27% |
| QUIPS Preferred 2/ | 4.66% | 8.77% | 0.41% |
| Long Term Debt | 46.71% | 8.04% | 3.76% |
| Other | | | |
| **TOTAL** | 100.00% | | 9.43% |
| **Actual at Year End** | | | |
| Common Equity | 43.10% | 11.25% | 4.85% |
| Preferred Stock | 4.60% | 6.40% | 0.29% |
| QUIPS Preferred 2/ | 5.18% | 8.54% | 0.44% |
| Long Term Debt 3/ | 47.12% | 7.62% | 3.59% |
| Other | | | |
| **TOTAL** | 100.00% | | 9.17% |

1/ Docket 96.2.22, Order 5898d only specified the return on equity component of the rate of return. The capital structure and the rates for long-term debt and preferred as filed in Rebuttal Testimony of P. J. Cole were not contested by the intervenors in the settlement stipulation. As such, the Company assumes the capital structure to be accepted by the Commission with the ordered change to return on equity.

2/ The cost of the QUIPS securities is treated as tax deductible for income tax purposes. See footnote on Schedule 25.

3/ The cost rate can not be tied directly to Schedule 24, which is presented on a consolidated basis.

Sch. 23

## STATEMENT OF CASH FLOWS (INCLUDES UNIT 4) - 1/

| | Description | This year | Last Year | % Change |
|---|---|---|---|---|
| 1 | Increase/(decrease) in Cash & Cash Equivalents: | | | |
| 2 | **Cash Flows from Operating Activities:** | | | |
| 3 | Net Income | $165,620,479 | $129,706,779 | 27.69% |
| 4 | Depreciation | 63,647,638 | 65,424,372 | -2.72% |
| 5 | Amortization | 94,914 | 99,417 | -4.53% |
| 6 | Deferred Income Taxes - Net | (968,073) | 4,054,901 | -123.87% |
| 7 | Investment Tax Credit Adjustments - Net | (1,362,593) | (7,816,233) | 82.57% |
| 8 | Change in Operating Receivables - Net | (119,523,739) | (13,919,734) | -758.66% |
| 9 | Change in Materials, Supplies & Inventories - Net | (1,018,940) | 1,594,718 | -163.89% |
| 10 | Change in Operating Payables & Accrued Liabilities - Net | 150,306,893 | 7,796,828 | 1827.80% |
| 11 | Allowance for Funds Used During Construction (AFUDC) | (1,687,683) | (1,758,009) | 4.00% |
| 12 | Change in Other Assets & Liabilities - Net | 28,215,585 | 51,427,217 | -45.13% |
| 13 | Other Operating Activities: | | | |
| 14 | Undistributed Earnings from Subsidiary Companies | (108,043,440) | (59,760,248) | -80.79% |
| 15 | Amortization of Loss on Long-Term Sale of Power | 0 | (1,406,000) | 100.00% |
| 16 | Other (net) | 1,072,800 | 13,455,371 | -92.03% |
| 17 | Change in Regulatory Assets | 57,723,568 | (33,659,237) | 271.49% |
| 18 | Change in Regulatory Liabilities | (1,774,132) | (1,119,078) | -58.54% |
| 19 | **Net Cash Provided by/(Used in) Operating Activities** | $232,303,277 | $154,121,064 | 50.73% |
| 20 | **Cash Inflows/Outflows From Investment Activities:** | | | |
| 21 | Construction/Acquisition of Property, Plant and Equipment | ($77,705,271) | ($131,427,871) | 40.88% |
| 22 | (net of AFUDC & Capital Lease Related Acquisitions) | | | |
| 23 | Investments In and Advances to Affiliates | 0 | 1,000 | -100.00% |
| 24 | Contributions In and Advances to Affiliates | (20,001,000) | 0 | -100.00% |
| 25 | Other Investing Activities: | | | |
| 26 | Miscellaneous Special Funds | 249,218 | (80,949) | 407.87% |
| 27 | **Net Cash Provided by/(Used in) Investing Activities** | ($97,457,053) | ($131,507,820) | 25.89% |
| 28 | **Cash Flows from Financing Activities:** | | | |
| 29 | Proceeds from Issuance of: | | | |
| 30 | Long-Term Debt | $65,356,067 | $56,475,569 | 15.72% |
| 31 | Common Stock | 7,360,080 | 2,201,475 | 234.32% |
| 32 | Other: Manditorily Redeem. Pref. Securities of Sub. Trust | | | |
| 33 | Dividends from Subsidiaries | 6,500,000 | 0 | 100.00% |
| 34 | Net Increase in Short-Term Debt | (69,100,000) | 29,382,635 | -100.00% |
| 35 | Other: Return of Subsidiary Capital | | | |
| 36 | Payment for Retirement of: | | | |
| 37 | Long-Term Debt | (44,971,857) | (34,218,994) | -31.42% |
| 38 | Preferred Stock | 0 | (66,758) | 100.00% |
| 39 | Net Decrease in Short-Term Debt | | | |
| 40 | Dividends on Preferred Stock | (3,690,034) | (3,690,034) | 0.00% |
| 41 | Dividends on Common Stock | (88,008,355) | (87,422,274) | -0.67% |
| 42 | Other Financing Activities (explained on attached page) | | | |
| 43 | **Net Cash Provided by (Used in) Financing Activities** | ($126,554,099) | ($37,338,381) | -238.94% |
| 44 | | | | |
| 45 | **Net Increase/(Decrease) in Cash and Cash Equivalents** | $8,292,125 | ($14,725,137) | 156.31% |
| 46 | **Cash and Cash Equivalents at Beginning of Year** | ($5,651,562) | $9,073,575 | -162.29% |
| 47 | **Cash and Cash Equivalents at End of Year** | $2,640,563 | ($5,651,562) | 146.72% |

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49 1/ The cash balances on the 1998 and 1997 balance sheets includes CMP, whereas the cash flows
50 statement does not.

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Sch. 24

## LONG TERM DEBT 1/

| | Description | Issue Date | Maturity Date | Principal Amount | Net Proceeds | Outstanding Per Balance Sheet | Yield to Maturity | Annual Net Cost Inc. Prem./Disc. | Total Cost % |
|---|---|---|---|---|---|---|---|---|---|
| 1 | | | | | | | | | |
| 2 | **First Mortgage Bonds** | | | | | | | | |
| 3 | 7.50% Series, Due 2001 | 04/21/71 | 04/01/01 | $25,000,000 | $24,695,993 | $24,983,594 | 7.500% | $1,885,134 | 7.55% |
| 4 | 8.25% Series, Due 2007 | 12/05/91 | 02/01/07 | 55,000,000 | 54,550,100 | 54,760,218 | 8.260% | 4,612,964 | 8.42% |
| 5 | 8.95% Series, Due 2022 | 12/05/91 | 02/01/22 | 50,000,000 | 49,536,500 | 49,645,333 | 8.957% | 4,511,145 | 9.09% |
| 6 | 7.00% Series, Due 2005 | 03/01/93 | 03/01/05 | 50,000,000 | 49,375,000 | 49,678,820 | 7.075% | 3,588,897 | 7.22% |
| 7 | 7.70% Series, Due 1999 | 12/05/91 | 02/01/99 | 55,000,000 | 54,656,250 | 54,996,003 | 7.700% | 4,662,552 | 8.48% |
| 8 | **Total First Mortgage Bonds** | | | $235,000,000 | $232,813,843 | $234,063,968 | | $19,260,692 | 8.23% |
| 9 | | | | | | | | | |
| 10 | **Pollution Control Bonds** | | | | | | | | |
| 11 | 6-1/8% Series, Due 2023 | 06/30/93 | 05/01/23 | $90,205,000 | $88,199,743 | $88,569,427 | 5.841% | $5,648,352 | 6.38% |
| 12 | 5.90% Series, Due 2023 | 12/30/93 | 12/01/23 | 80,000,000 | 79,040,800 | 79,197,570 | 6.428% | 4,894,714 | 6.18% |
| 13 | **Total Pollution Control Bonds** | | | $170,205,000 | $167,240,543 | $167,766,997 | | $10,543,066 | 6.28% |
| 14 | | | | | | | | | |
| 15 | **Other Long Term Debt** | | | | | | | | |
| 16 | Land Purchase | 06/84 | 06/99 | $60,000 | $60,000 | $3,792 | | $398 | 10.50% |
| 17 | Quarterly Income Preferred Securities, | | | | | | | | |
| 18 | 8.45%, Series A (QUIPS) 2/ | 11/96 | 11/01 | 65,000,000 | 65,000,000 | 65,000,000 | | 5,492,500 | 8.45% |
| 19 | Kerr Mitigation | | | 56,701,106 | 56,701,106 | 23,711,774 | | 2,242,660 | 9.46% |
| 20 | Medium Term Notes-Unsecured Series A | Various | Various | 17,000,000 | 17,000,000 | 17,000,000 | | 1,535,538 | 9.03% |
| 21 | Medium Term Notes-Secured Series | Various | Various | 88,000,000 | 88,000,000 | 88,000,000 | | 6,585,591 | 7.48% |
| 22 | Medium Term Notes-Unsecured Series B | Various | Various | 115,000,000 | 114,665,614 | 114,665,614 | | 7,652,425 | 6.67% |
| 23 | **Total Other Long Term Debt** | | | $341,761,106 | $341,426,720 | $308,381,180 | | $23,509,112 | 7.62% |
| 24 | **TOTAL LONG TERM DEBT** | | | $746,966,106 | $741,481,106 | $710,212,145 | | $53,312,870 | 7.51% |

25
26 1/ Total Long-Term Debt does not include ESOP debt of $19,431,000, as ESOP debt is not used for rate making purposes.
27 Total Long-Term Debt does not include amounts due within 1 year of $36,814,134.
28
29 2/ The Company believes and intends to take the position that the securities associated with the QUIPS issue will constitute indebtedness
30 for United States federal income tax purposes. As such, the cost of QUIPS are deemed to be tax deductible. The Company will have
31 the right to redeem securities (i) on of after November 6, 2001 or (ii) upon occurance and continuation of a Tax Event or an
32 Investment Company Event, as defined in the Prospectus dated November 1, 1996.
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34
35

Sch. 25

## PREFERRED STOCK

| Series | Issue Date | Shares Issued | Par Value | Call Price | Net Proceeds | Cost of Money | Principal Outstanding | Annual Cost | Embedded Cost % |
|---|---|---|---|---|---|---|---|---|---|
| $6.00 Series Cumulative | 1929-1932 | 159,589 | $100 | $110.000 | $15,958,900 | 6.00% | $15,958,900 | $957,534 | 6.00% |
| $4.20 Series Cumulative | May 1954 | 60,000 | $100 | $103.000 | 6,024,600 | 4.18% | 6,024,600 | 252,000 | 4.18% |
| $6.875 Series Cumulative 1/ | Nov 1993 | 360,800 | $100 | $103.438 | 35,670,412 | 6.88% | 35,670,412 | 2,480,500 | 6.95% |
| **TOTAL PREFERRED STOCK** | | 580,389 | | | $57,653,912 | 6.40% | $57,653,912 | $3,690,034 | 6.40% |

1/ Not redeemable prior to November 1, 2003, at which point call price will decrease by .344 per year to equal 100.00 at November 1, 2013.

Sch. 26

## COMMON STOCK

| | Avg. Number of Shares Outstanding 1/ | Book Value Per Share 2/ | Earnings Per Share | Dividends Per Share (Declared) | Retention Ratio | Market Price High | Market Price Low | Price/ Earnings Ratio |
|---|---|---|---|---|---|---|---|---|
| January | 54,814,747 | $18.71 | | | | $31.75 | $29.06 | |
| February | 54,888,934 | 18.88 | | | | 32.19 | 29.88 | |
| March | 54,921,409 | 18.67 | $0.64 | $0.40 | | 36.81 | 31.94 | |
| April | 54,953,429 | 18.76 | | | | 38.50 | 35.33 | |
| May | 54,996,279 | 18.90 | | | | 37.31 | 34.56 | |
| June | 54,999,879 | 18.65 | $0.40 | $0.40 | | 37.31 | 33.80 | |
| July | 55,002,479 | 18.77 | | | | 35.75 | 33.25 | |
| August | 55,013,014 | 19.07 | | | | 40.69 | 34.88 | |
| September | 55,024,778 | 18.89 | $0.65 | $0.40 | | 45.25 | 39.00 | |
| October | 55,035,600 | 19.16 | | | | 46.38 | 41.13 | |
| November | 55,058,078 | 19.92 | | | | 54.25 | 42.94 | |
| December | 55,060,520 | 19.77 | $1.26 | $0.40 | | 57.13 | 50.31 | |
| **TOTAL COMMON** | 54,980,762 | $19.77 | $2.95 | $1.60 | 45.76% | $56.56 | | 19.2 |

1/ Monthly shares are actual shares outstanding at month-end. Total year-end shares are average shares for 1998.

2/ All Book Value Per Share amounts are based on actual shares and include unallocated stock held by Trustee for the Deferred Savings and Employee Ownership Plans.

Sch. 27

## MONTANA EARNED RATE OF RETURN - GAS

| | Description | Last Year | This Year | % Change |
|---|---|---|---|---|
| 1 | **Rate Base** | | | |
| 2 | 101 Plant in Service | $450,143,387 | $344,303,197 | -23.51% |
| 3 | 108 Accumulated Depreciation | (164,953,402) | (112,784,957) | 31.63% |
| 4 | | | | |
| 5 | **Net Plant in Service** | $285,189,985 | $231,518,240 | -18.82% |
| 6 | Additions: | | | |
| 7 | 154, 156 Materials & Supplies | $4,452,942 | $4,201,224 | -5.65% |
| 8 | 165 Prepayments | 32,103 | (64) | -100.20% |
| 9 | Other Additions 1/ | 88,301,692 | 92,498,550 | 4.75% |
| 10 | | | | |
| 11 | **Total Additions** | $92,786,737 | $96,699,710 | 4.22% |
| 12 | Deductions: | | | |
| 13 | 190 Accumulated Deferred Income Taxes 1/ | $65,028,174 | $35,817,218 | -44.92% |
| 14 | 252 Customer Advances for Construction | 1,616,728 | 2,271,542 | 40.50% |
| 15 | 255 Accumulated Def. Investment Tax Credits | 111 | 0 | -100.00% |
| 16 | Other Deductions 1/ | 6,100,388 | 6,427,900 | 5.37% |
| 17 | | | | |
| 18 | **Total Deductions** | $72,745,401 | $44,516,660 | -38.80% |
| 19 | **Total Rate Base** | $305,231,321 | $283,701,290 | -7.05% |
| 20 | **Net Earnings** | $27,855,582 | $14,645,232 | -47.42% |
| 21 | **Rate of Return on Average Rate Base** | 9.126% | 5.162% | -43.43% |
| 22 | **Rate of Return on Average Equity 2/** | 10.630% | 0.639% | -93.99% |
| 23 | | | | |
| 24 | **Major Normalizing and** | | | |
| 25 | **Commission Ratemaking Adjustments** | | | |
| 26 | | | | |
| 27 | Rate Schedule Revenues | $109,139 | $2,360,715 | 2063.04% |
| 28 | | | | |
| 29 | Non-Allowables: | | | |
| 30 | Advertising | 158,846 | 415,537 | 161.60% |
| 31 | Benefit Restoration Plan | 262,222 | 630,559 | 140.47% |
| 32 | Dues, Contributions, Other | 12,443 | 17,621 | 41.61% |
| 33 | Corporate Overhead | 0 | 20,180 | 100.00% |
| 34 | Workforce Reduction | 742,971 | 0 | -100.00% |
| 35 | Associated Income Taxes | (506,374) | (1,356,747) | -167.93% |
| 36 | **Total Adjustments** | $779,247 | $2,087,865 | 167.93% |
| 37 | **Revised Net Earnings** | $28,634,829 | $16,733,097 | -41.56% |
| 38 | **Adjusted Rate of Return on Average Rate Base** | 9.381% | 5.898% | -37.13% |
| 39 | **Adjusted Rate of Return on Average Equity 2/** | 11.197% | 2.347% | -79.04% |

40
41 1/ Includes adjustments related to FAS 109.
42
43 2/ ROE calculation utilizes the common equity component on Sch. 22 of this Report, applied to
44 rate base for the denominator of the equations. The 1997 common equity component applied
45 to rate base was 45.03%.
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Sch. 27 cont.

## MONTANA EARNED RATE OF RETURN - GAS

| | Description | Last Year | This Year | % Change |
|---|---|---|---|---|
| 1 | | | | |
| 2 | **Detail - Other Additions** | | | |
| 3 | FAS 109 Regulatory Asset | $28,179,548 | $9,456,818 | -66.44% |
| 4 | Gas Stored Underground | 42,590,096 | 44,668,830 | 4.88% |
| 5 | Plant Held For Future Use | 719,806 | (80) | -100.01% |
| 6 | Conservation Expenditures | 5,502,486 | 336 | -99.99% |
| 7 | Cost of Refinancing Debt | 1,697,995 | 1,252,160 | -26.26% |
| 8 | 1994 Severance Plan | 59,099 | 59,099 | 100.00% |
| 9 | 1995 and 1996 Severance Plans | 148,465 | 144,736 | 100.00% |
| 10 | Division Centralization | 16,721 | 16,721 | 100.00% |
| 11 | CTC - GP | 7,770,881 | 30,583,732 | 100.00% |
| 12 | CTC - RA | 1,616,595 | 6,316,198 | 100.00% |
| 13 | | | | |
| 14 | **Total Other Additions** | $88,301,692 | $92,498,550 | 4.75% |
| 15 | | | | |
| 16 | **Detail - Other Deductions** | | | |
| 17 | Personal Injury and Property Damage | $742,613 | $639,515 | -13.88% |
| 18 | Deferred Taxes - CIAC | 141,795 | 0 | -100.00% |
| 19 | Unamortized Gain on Reacquired Debt | 9,145 | 0 | -100.00% |
| 20 | Gross Cash Requirements | 5,164,218 | 4,381,881 | -15.15% |
| 21 | Assets Sales | 42,617 | 0 | -100.00% |
| 22 | Bond Refinancing CTC - GP | 0 | 336,084 | 100.00% |
| 23 | Bond Refinancing CTC - RA | 0 | 1,070,420 | 100.00% |
| 24 | | | | |
| 25 | **Total Other Deductions** | $6,100,388 | $6,427,900 | 5.37% |
| 26 | | | | |
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Sch. 28

## MONTANA COMPOSITE STATISTICS - GAS (INCLUDES CMP)

| | Description | | Amount |
|---|---|---|---|
| 1 | | | |
| 2 | | **Plant (Intrastate Only)** | |
| 3 | | | |
| 4 | 101 | Plant in Service (Includes Allocation from Common) | $355,333,419 |
| 5 | 105 | Plant Held for Future Use | 46,817 |
| 6 | 107 | Construction Work in Progress | 252,400 |
| 7 | 117 | Gas in Underground Storage | 47,145,562 |
| 8 | 151-163 | Materials & Supplies | 3,681,844 |
| 9 | | (Less): | |
| 10 | 108, 111 | Depreciation & Amortization Reserves | 116,720,351 |
| 11 | 252 | Contributions in Aid of Construction | 2,584,891 |
| 12 | **NET BOOK COSTS** | | $287,154,800 |
| 13 | | | |
| 14 | | **Revenues & Expenses** | |
| 15 | | | |
| 16 | 400 | Operating Revenues | $106,624,953 |
| 17 | | | |
| 18 | **Total Operating Revenues** | | $106,624,953 |
| 19 | | | |
| 20 | 401-402 | Other Operating Expenses | $69,175,805 |
| 21 | 403-407 | Depreciation & Amortization Expenses | 8,623,300 |
| 22 | 408.1 | Taxes Other than Income Taxes | 14,011,150 |
| 23 | 409-411 | Federal & State Income Taxes | 169,466 |
| 24 | | | |
| 25 | **Total Operating Expenses** | | $91,979,721 |
| 26 | **Net Operating Income** | | $14,645,232 |
| 27 | | | |
| 28 | 415-421.1 | Other Income | $1,133,332 |
| 29 | 421.2-426.5 | Other Deductions | (914,256) |
| 30 | **NET INCOME BEFORE INTEREST EXPENSE** | | $16,692,819 |
| 31 | | | |
| 32 | | **Average Customers (Intrastate Only)** | |
| 33 | | Residential | 126,962 |
| 34 | | Commercial | 17,581 |
| 35 | | Industrial | 394 |
| 36 | | Other | 44 |
| 37 | **TOTAL AVERAGE NUMBER OF CUSTOMERS** | | 144,981 |
| 38 | | | |
| 39 | | **Other Statistics (Intrastate Only)** | |
| 40 | | Average Annual Residential Use (Mcf) | 101 |
| 41 | | Average Annual Residential Cost per (Mcf) | $4.75 |
| 42 | | Average Residential Monthly Bill | $40.00 |
| 43 | | | |
| 44 | | Plant in Service (Gross) per Customer | $2,451 |
| 45 | | | |
| 46 | | | |
| 47 | | | |
| 48 | | | |
| 49 | | | |
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| 52 | | | |
| 53 | | | |

Sch. 29

## MONTANA CUSTOMER INFORMATION-GAS (EXCLUDES GLACIER GAS)

| | City/Town | Population 1/ | Residential Customers | Commercial Customers | Industrial & Other Customers | Total Customers 2/ |
|---|---|---|---|---|---|---|
| 1 | Absarokee (CDP) | | 442 | 75 | 2 | 519 |
| 2 | Amsterdam | | 1 | | | 1 |
| 3 | Anaconda | 10,093 | 3,455 | 334 | 4 | 3,793 |
| 4 | Augusta | | 191 | 44 | 1 | 236 |
| 5 | Barber | | 3 | | | 3 |
| 6 | Belfry | | 5 | | | 5 |
| 7 | Belgrade | 4,846 | 2,389 | 331 | 1 | 2,721 |
| 8 | Big Mountain | | 79 | 18 | | 97 |
| 9 | Big Sandy | 724 | 309 | 82 | | 391 |
| 10 | Big Timber | 1,698 | 830 | 165 | 8 | 1,003 |
| 11 | Bigfork | | 623 | 105 | | 728 |
| 12 | Billings | 91,195 | 27 | 24 | 1 | 52 |
| 13 | Boulder | 1,589 | 467 | 78 | | 545 |
| 14 | Box Elder | | 1 | | | 1 |
| 15 | Bozeman | 28,522 | 12,651 | 1855 | 19 | 14,525 |
| 16 | Brady | | 2 | | | 2 |
| 17 | Browning | 1,220 | 1,064 | 151 | 2 | 1,217 |
| 18 | Butte | 34,051 | 12,826 | 1312 | 70 | 14,208 |
| 19 | Carter | | 29 | 9 | | 38 |
| 20 | Cascade | 750 | | | | 0 |
| 21 | Chester | 952 | 386 | 121 | 4 | 511 |
| 22 | Chinook | 1,586 | 732 | 142 | 7 | 881 |
| 23 | Choteau | 1,791 | 835 | 171 | 6 | 1,012 |
| 24 | Clancy | | 1,002 | 63 | 2 | 1,067 |
| 25 | Clinton | | 328 | 13 | 1 | 342 |
| 26 | Columbia Falls | 3,922 | 2,631 | 289 | 4 | 2,924 |
| 27 | Columbus | 1,897 | 930 | 130 | 8 | 1,068 |
| 28 | Conrad | 2,873 | 1,183 | 202 | 21 | 1,406 |
| 29 | Coram | | 114 | 19 | | 133 |
| 30 | Corbin/Jefferson | | 99 | 7 | 2 | 108 |
| 31 | Corvallis | | 674 | 73 | 1 | 748 |
| 32 | Deer Lodge | 3,782 | 1,579 | 197 | 9 | 1,785 |
| 33 | Dillon | 4,382 | 1,940 | 323 | 9 | 2,272 |
| 34 | Drummond | 270 | 272 | 75 | 3 | 350 |
| 35 | East Glacier (CDP) | | 118 | 43 | 1 | 162 |
| 36 | East Helena | 1,720 | 1,574 | 94 | 4 | 1,672 |
| 37 | Elliston | | 90 | 12 | | 102 |
| 38 | Fairfield | 685 | 396 | 84 | 5 | 485 |
| 39 | Florence | | 816 | 52 | 1 | 869 |
| 40 | Floweree | | 43 | 8 | | 51 |
| 41 | Fort Benton | 1,654 | 604 | 158 | 1 | 763 |
| 42 | Fort Shaw | | 106 | 13 | | 119 |
| 43 | Gallatin Gateway | | 150 | 26 | | 176 |
| 44 | Garrison | | 176 | 53 | 7 | 236 |
| 45 | Gilford | | 86 | 28 | 1 | 115 |
| 46 | Great Falls | 57,758 | 1,176 | 104 | 8 | 1,288 |
| 47 | Greycliff | | 41 | 6 | | 47 |
| 48 | Hamilton | 4,059 | 3,155 | 530 | 11 | 3,696 |
| 49 | Harlem | 976 | 654 | 124 | 2 | 780 |
| 50 | Harlowton | 1,127 | 540 | 93 | 3 | 636 |
| 51 | Havre | 10,232 | 4,559 | 596 | 8 | 5,163 |
| 52 | Helena | 27,982 | 14,308 | 1971 | 47 | 16,326 |
| 53 | Hingham | 178 | 91 | 31 | | 122 |
| 54 | Hungry Horse | | 247 | 38 | | 285 |

Sch. 29

## MONTANA CUSTOMER INFORMATION-GAS (EXCLUDES GLACIER GAS)

| | City/Town | Population 1/ | Residential Customers | Commercial Customers | Industrial & Other Customers | Total Customers 2/ |
|---|---|---|---|---|---|---|
| 1 | Inverness | | 42 | 14 | | 56 |
| 2 | Joplin | | 107 | 29 | | 136 |
| 3 | Judith Gap | 146 | 81 | 9 | | 90 |
| 3 | Kalispell | 15,678 | 8,615 | 1509 | 22 | 10,146 |
| 4 | Kremlin | | 62 | 14 | | 76 |
| 5 | Laurel | 6,125 | 10 | | | 10 |
| 6 | Lewistown | 6,380 | 2,795 | 441 | 14 | 3,250 |
| 7 | Lima | | | | | 0 |
| 8 | Livingston | 7,509 | 3,573 | 488 | 19 | 4,080 |
| 9 | Logan | | 2 | | | 2 |
| 10 | Lohman | | 2 | 1 | | 3 |
| 11 | Lolo (CDP) | | 1,245 | 80 | | 1,325 |
| 12 | Manhattan | 1,380 | 1,035 | 115 | 2 | 1,152 |
| 13 | Martin City | | 115 | 17 | | 132 |
| 14 | Missoula | 51,204 | 24,491 | 2992 | 77 | 27,560 |
| 15 | Moore | 381 | | | | 0 |
| 16 | Philipsburg | 940 | 407 | 65 | 1 | 473 |
| 17 | Red Lodge | 2,204 | 1,392 | 242 | 4 | 1,638 |
| 18 | Reedpoint | | 79 | 17 | | 96 |
| 19 | Roberts | | | | | 0 |
| 20 | Rudyard | | 139 | 32 | | 171 |
| 21 | Shawmut | | 24 | 3 | | 27 |
| 22 | Sheridan | 723 | 358 | 56 | 1 | 415 |
| 23 | Simms | | 167 | 17 | 1 | 185 |
| 24 | Somers | | 194 | 16 | | 210 |
| 25 | Springdale | | 2 | | | 2 |
| 26 | Stevensville | 1,965 | 1,233 | 186 | 6 | 1,425 |
| 27 | Sun River | | 109 | 21 | | 130 |
| 28 | Three Forks | 1,481 | 698 | 112 | 1 | 811 |
| 29 | Trident | | 2 | | | 2 |
| 30 | Twin Bridges | 421 | 215 | 53 | | 268 |
| 31 | Valier | 532 | 68 | 11 | 1 | 80 |
| 32 | Vaughn | | 330 | 28 | 1 | 359 |
| 33 | Victor | | 414 | 64 | 1 | 479 |
| 34 | West Glacier | | 158 | 43 | 3 | 204 |
| 35 | Whitefish | 5,793 | 2,741 | 407 | 4 | 3,152 |
| 36 | Whitehall | 1,326 | 700 | 111 | 5 | 816 |
| 37 | Willow Creek | | 90 | 11 | | 101 |
| 38 | Wolf Creek | | 48 | 24 | 1 | 73 |
| 39 | **TOTAL MONTANA CUSTOMERS** | | 128,772 | 17,700 | 448 | 146,920 |

40
41 1/ Population figures are taken from the census conducted by the U.S. Bureau of the Census. The population for
42 these revenue towns are the 1996 estimates for "Incorporated Places" only.
43
44 2/ Total customers may exceed population due to "Revenue Town" boundaries encompassing a greater
45 area than that of the "Incorporated Place".
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## MONTANA EMPLOYEE COUNTS

| Department | Year Beginning 1/ | Year End 1/ | Average |
|---|---|---|---|
| **Utility Operations** | | | |
| Executive | | | |
| Financial, Risk Mgmt. & Information Services | | | |
| Administrative & Regulatory Affairs | | | |
| Utility Services & Division Administration | 769 | 795 | 782 |
| Corporate Administration | 206 | 211 | 209 |
| Business Development & Regulatory Affairs | 35 | 23 | 29 |
| Transmission | 200 | 152 | 176 |
| Generation | 503 | 486 | 495 |
| **Total Utility** | 1,713 | 1,667 | 1,690 |
| **Other Corporate** | | | |
| Office of the Corporation | | | |
| **Total Other Corporate** | 0 | | 0 |
| **TOTAL EMPLOYEES** | 1,713 | 1,667 | 1,690 |

1/ Part time employees have been converted to full time equivalents.

Sch. 31

## MONTANA CONSTRUCTION BUDGET (ASSIGNED & ALLOCATED) - 1998

| Project Description | Total Company | Total Montana |
|---|---|---|
| **Electric Operations** | | |
| Three Rivers Auto Changeout | $1,039,000 | $1,039,000 |
| Rainbow - Helena 100KV "A" &"B" Tower Lines | 1,750,000 | 1,750,000 |
| 2188 Relicensing /1 | 1,454,020 | 1,454,020 |
| 2188 Protection, Mitigation & Enhancements /1 | 1,581,254 | 1,581,254 |
| Horizontal Superheater Upgrade 1/ | 1,116,540 | 1,116,540 |
| Milltown License Surrender and Disposal 1/ | 10,000,000 | 10,000,000 |
| All Other Projects < $1 Million Each 2/ | 45,272,985 | 45,272,985 |
| **Total Electric Utility Construction Budget** | $62,213,799 | $62,213,799 |
| **Gas Operations** | | |
| Greycliff to Absarokee 12" Pipeline | $6,500,000 | $6,500,000 |
| Dry Creek Storage Compression | 1,320,000 | 1,320,000 |
| All Other Projects < $1 Million Each | 11,925,495 | 11,925,495 |
| **Total Gas Utility Construction Budget** | $19,745,495 | $19,745,495 |
| **Common** | | |
| HVAC Project | 1,106,000 | 1,106,000 |
| All Other Projects < $1 Million Each | 6,059,690 | 6,059,690 |
| **Total Common Utility Construction Budget** | $7,165,690 | $7,165,690 |
| **Colstrip Unit 4** | | |
| All Other Projects < $1 Million Each | 800,626 | |
| **Total Colstrip Unit 4 Construction Budget** | $800,626 | $0 |
| **TOTAL CONSTRUCTION BUDGET** | $89,925,610 | $89,124,984 |

1/ - These amounts are included in the Generation Construction Budget for 1999.

2/ - This includes $10,700,991 for Other Generation Construction.

Sch. 32

## TRANSMISSION, DISTRIBUTION and STORAGE SYSTEMS - GAS

| | Month | Transmission System-Sales and Transportation | | | | | |
|---|---|---|---|---|---|---|---|
| | | Peak Day of Month | | Peak Day Volume(Mcf@14.9) | | Monthly Volumes(Mcf@14.9) | |
| | | Total Company | Montana | Total Company | Montana | Total Company | Montana |
| 1 | | | 1/ | | 1/ | 2/ | 3/ |
| 2 | January | 11 | | 241,064 | | 5,915,407 | 4,449,192 |
| 3 | February | 2 | | 147,577 | | 4,783,675 | 4,276,222 |
| 4 | March | 4 | | 153,499 | | 4,912,996 | 3,768,786 |
| 5 | April | 18 | | 118,425 | | 3,156,787 | 3,696,336 |
| 6 | May | 14 | | 79,845 | | 2,173,318 | 3,741,849 |
| 7 | June | 3 | | 82,907 | | 2,083,447 | 3,154,212 |
| 8 | July | 9 | | 58,997 | | 1,466,186 | 2,324,687 |
| 9 | August | 5 | | 51,756 | | 1,587,927 | 2,396,698 |
| 10 | September | 26 | | 66,946 | | 1,708,623 | 3,374,133 |
| 11 | October | 15 | | 110,113 | | 3,204,806 | 3,413,350 |
| 12 | November | 9 | | 138,836 | | 4,371,052 | 4,089,548 |
| 13 | December | 20 | | 253,042 | | 5,530,359 | 4,206,483 |
| 14 | **TOTAL** | | | | | 40,894,583 | 42,891,496 |

| 15 | | Distribution System-Sales and Transportation | | | | | |
|---|---|---|---|---|---|---|---|
| 16 | | Sales Volumes | | Transportation Volumes | | Monthly Volumes(Mcf@14.9) | |
| 17 | Month | Total Company | Montana | Total Company | Montana | Total Company | Montana |
| 18 | | | 1/ | | 1/ | 4/ | 5/ |
| 19 | January | 3,215,772 | | 169,972 | | 3,385,744 | 3,215,772 |
| 20 | February | 2,421,669 | | 305,158 | | 2,726,827 | 2,421,669 |
| 21 | March | 2,208,058 | | 254,759 | | 2,462,817 | 2,208,058 |
| 22 | April | 1,647,675 | | 315,775 | | 1,963,450 | 1,647,675 |
| 23 | May | 903,976 | | 239,929 | | 1,143,905 | 903,976 |
| 24 | June | 738,295 | | 140,980 | | 879,275 | 738,295 |
| 25 | July | 539,029 | | 140,401 | | 679,430 | 539,029 |
| 26 | August | 394,437 | | 124,203 | | 518,640 | 394,437 |
| 27 | September | 433,568 | | 124,927 | | 558,495 | 433,568 |
| 28 | October | 880,954 | | 151,188 | | 1,032,142 | 880,954 |
| 29 | November | 1,603,458 | | 265,122 | | 1,868,580 | 1,603,458 |
| 30 | December | 2,437,728 | | 327,267 | | 2,764,995 | 2,437,728 |
| 31 | **TOTAL** | 17,424,619 | | 2,559,681 | | 19,984,300 | 17,424,619 |

| 32 | | Storage System-Sales and Transportation | | | | | |
|---|---|---|---|---|---|---|---|
| 33 | | Peak Day & Peak Day Vol. | | Total Monthly Volumes(Mcf@14.9) | | | |
| 34 | Month | Total Company | Montana | Total Company 4/ | | Montana 5/ | |
| 35 | | 1/ | 1/ | Injection | Withdrawal | Injection | Withdrawal |
| 36 | January | | | 27,349 | 1,736,033 | 0 | 602,321 |
| 37 | February | | | 164,888 | 945,101 | 0 | 211,609 |
| 38 | March | | | 70,046 | 1,061,092 | 0 | 279,519 |
| 39 | April | | | 618,386 | 241,119 | 112,023 | 0 |
| 40 | May | | | 1,848,539 | 44,653 | 840,244 | 0 |
| 41 | June | | | 1,149,138 | 47,462 | 565,839 | 0 |
| 42 | July | | | 1,246,126 | 33,696 | 575,373 | 0 |
| 43 | August | | | 1,678,345 | 33,187 | 802,207 | 0 |
| 44 | September | | | 1,534,207 | 71,314 | 687,390 | 0 |
| 45 | October | | | 1,084,596 | 181,329 | 0 | 71,379 |
| 46 | November | | | 276,188 | 1,049,277 | 72,760 | 0 |
| 47 | December | | | 163,322 | 1,698,796 | 0 | 1,061,785 |
| 48 | **TOTAL** | | | 9,861,130 | 7,143,059 | 3,655,836 | 2,226,613 |

49 1/ Data is not accumulated on a daily basis, therefore the peak day and peak day volumes are not available.
50 2/ Includes intrastate and interstate deliveries.
51 3/ Includes intrastate deliveries only.
52 4/ Includes sales and transportation volumes. Losses of gas are not available.
53 5/ Includes sales volumes only. Losses of gas are not available.

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## SOURCES OF CORE GAS SUPPLY

| | Name of Supplier | Last Year Volumes Mcf | This Year Volumes Mcf | Last Year Avg. Commodity Cost | This Year Avg. Commodity Cost |
|---|---|---|---|---|---|
| 1 | | | | | |
| 2 | Montana Purchase | 6,957,972 | 6,183,408 | $1.6858 | $1.6858 |
| 3 | Montana Royalty | 4,024,736 | 0 | 0.1784 | 0.1784 |
| 4 | MP Gas | 1,840,961 | 10,956,279 | 1.7500 | 1.7500 |
| 5 | Rosza | 0 | 283,154 | 0.0000 | 1.5240 |
| 6 | Blaine #3 | 336,621 | 831,260 | 2.0319 | 2.0319 |
| 7 | Canadian Purchase | 1,475,016 | 0 | 1.3250 | 1.3250 |
| 8 | Canadian Royalty | 4,034,717 | 0 | 0.1558 | 0.1558 |
| 9 | Reagan | 47,753 | 0 | 1.2616 | 1.2616 |
| 10 | Carway | 4,259,038 | 1,493,294 | 1.3164 | 1.3164 |
| 11 | **TOTAL CORE GAS SUPPLY** | 22,976,814 | 19,747,395 | $1.0708 | $1.6839 |

Sch. 3

## MONTANA CONSERVATION & DEMAND SIDE MANAGEMENT PROGRAMS - GAS 1/

| Program Description | Current Year Expenditures | Last Year Expenditures | % Change | Planned Savings Mcf | Achieved Savings Mcf | 2/ Difference |
|---|---|---|---|---|---|---|
| Residential E+ Audits - 3/ | $309,545 | $437,661 | -29.27% | 8,665 | 11,572 | 2,907 |
| Free Weatherization (Low income) 3/ | 562,745 | 413,968 | 35.94% | 7,089 | 3,586 | (3,503) |
| **TOTAL** | $872,290 | $851,629 | 2.43% | 15,754 | 15,158 | (596) |

1/ Detailed information regarding program initiation, program projected life, program participants and program conservation units may be obtained from the NU-TRACK Report or the Efficiency Plus Annual Report.

2/ Planned Savings and Achieved Savings are reported in Net MCFs.

3/ Expenditures through October 1997. Effective November 21, 1997, Gas conservation programs were assigned to the CTC-RA (Competitive Transition Charge - Regulatory Assets) per MPSC Order 5898d.

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## MONTANA CONSUMPTION AND REVENUES - GAS (EXCLUDES GLACIER GAS)

| | | Operating Revenues | | MCF Sold | | Average Customers | |
|---|---|---|---|---|---|---|---|
| | | Current Year | Previous Year | Current Year | Previous Year | Current Year | Previous Year |
| 1 | **Sales of Natural Gas** | | | | | | |
| 2 | | | | | | | |
| 3 | Residential | $61,446,308 | $66,292,220 | 12,929,818 | 14,044,362 | 126,962 | 124,251 |
| 4 | Commercial | 30,120,125 | 38,157,815 | 6,367,818 | 8,421,312 | 17,581 | 16,867 |
| 5 | Industrial Firm | 1,371,859 | 2,661,811 | 308,500 | 618,717 | 394 | 400 |
| 6 | Public Authorities | 237,205 | 797,024 | 58,013 | 247,527 | 9 | 15 |
| 7 | Interdepartmental | 201,366 | 224,548 | 41,151 | 41,355 | 32 | 30 |
| 8 | CNG Station | 16,569 | 16,991 | 6,174 | 4,449 | | |
| 9 | Sales to Other Utilities | 606,470 | 788,694 | 189,094 | 195,237 | 3 | 3 |
| 10 | **TOTAL SALES** | $93,999,902 | $108,939,103 | 19,900,568 | 23,572,959 | 144,981 | 141,566 |
| 11 | | **Operating Revenues** | | **Dkt Transported** | | **Average Customers** | |
| 12 | | Current | Previous | Current | Previous | Current | Previous |
| 13 | | Year | Year | Year | Year | Year | Year |
| 14 | **Transportation of Gas** | | | | | | |
| 15 | | | | | | | |
| 16 | Firm - DBU | $1,901,082 | $484,662 | 2,529,920 | 1,116,601 | 211 | 9 |
| 17 | Firm - S & TBU | 7,860,701 | 6,280,444 | 12,288,029 | 11,043,849 | 19 | 16 |
| 18 | | | | | | | |
| 19 | Interruptible - DBU | 40,985 | 31,164 | 122,365 | 72,661 | 3 | |
| 20 | Interruptible - S & TBU | 1,173,108 | 1,399,542 | 5,481,212 | 4,958,092 | 1 | |
| 21 | Interruptible - Off System | 2,005,590 | 1,890,299 | 6,743,269 | 8,374,850 | | |
| 22 | Sales Subscriptions | | | | | | |
| 23 | | | | | | | |
| 24 | Firm - GTAC Refund | | | | | | |
| 25 | Interruptible - GTAC Balance | | | | | | |
| 26 | Gathering & Processing | | | | | | |
| 27 | | | | | | | |
| 28 | Storage | 2,368,767 | 2,090,738 | | | | |
| 29 | | | | | | | |
| 30 | **TOTAL TRANSPORTATION** | $15,350,233 | $12,176,849 | 27,164,795 | 25,566,053 | 234 | 25 |
| 31 | | | | | | | |
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