

YEAR 2001
RECEIVED BY

ANNUAL REPORT
OF

2001-1-11 10:26
10-11-01

NorthWestern Energy, L.L.C

ELECTRIC UTILITY



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

ELECTRIC ANNUAL REPORT

TABLE OF CONTENTS

| <u>Description</u> | <u>Schedule</u> | <u>Page</u> |
|---|-----------------|-------------|
| Instructions | | i-v |
| Identification | 1 | 1 |
| Board of Directors | 2 | 2 |
| Officers | 3 | 3 |
| Corporate Structure | 4 | 4 |
| Corporate Allocations | 5 | 5 |
| Affiliate Transactions to the Utility | 6 | 6 |
| Affiliate Transactions by the Utility | 7 | 7 |
| Montana Utility Income Statement | 8 | 8 |
| Montana Revenues | 9 | 9 |
| Montana Operation and Maintenance Expenses | 10 | 10 |
| Montana Taxes Other Than Income | 11 | 11 |
| Payments for Services | 12 | 12 |
| Political Action Committees/Political Contributions | 13 | 13 |
| Pension Costs | 14 | 14 |
| Other Post Employment Benefits | 15 | 15 |
| Top Ten Montana Compensated Employees | 16 | 16 |
| Top Five Montana Compensated Employees | 17 | 17 |
| Balance Sheet | 18 | 18 |
| Montana Plant in Service | 19 | 19 |
| Montana Depreciation Summary | 20 | 20 |
| Montana Materials and Supplies | 21 | 21 |
| Montana Regulatory Capital Structure | 22 | 22 |
| Statement of Cash Flows | 23 | 23 |
| Long Term Debt | 24 | 24 |
| Preferred Stock | 25 | 25 |
| Common Stock | 26 | 26 |
| Montana Earned Rate of Return | 27 | 27 |
| Montana Composite Statistics | 28 | 28 |
| Montana Customer Information | 29 | 29 |
| Montana Employee Counts | 30 | 30 |
| Montana Construction Budget | 31 | 31 |
| Peak and Energy | 32 | 32 |
| Sources and Disposition of Energy | 33 | 33 |
| Sources of Electric Supply | 34 | 34 |
| MT Conservation and Demand Side Management Program | 35 | 35 |
| MT Consumption and Revenues | 36 | 36 |

| Sch. 1 | | IDENTIFICATION | |
|--------|--|--------------------------------------|----------------|
| 1 | | | |
| 2 | Legal Name of Respondent: | NorthWestern Energy, L.L.C. | |
| 3 | | (formerly The Montana Power Company) | |
| 4 | Name Under Which Respondent Does Business: | NorthWestern Energy, L.L.C. | |
| 5 | | | |
| 6 | Date Utility Service First Offered in Montana: | Electricity | - Dec 12, 1912 |
| 7 | | Natural Gas | - Jan 01, 1933 |
| 8 | | Propane | - Oct 13, 1995 |
| 9 | | | |
| 10 | Person Responsible for Report: | E. J. Kindt | |
| 11 | | | |
| 12 | Telephone Number for Report Inquiries: | (406) 497-2233 | |
| 13 | | | |
| 14 | Address for Correspondence Concerning Report: | 40 East Broadway | |
| 15 | | Butte, Montana 59701 | |
| 16 | | | |
| 17 | | | |
| 18 | | | |
| 19 | If direct control over respondent is held by another entity, provide below the name, | | |
| 20 | address, means by which control is held and percent ownership of controlling | | |
| 21 | entity. | | |
| 22 | | | |
| 23 | NorthWestern Corporation | | |
| 24 | 125 South Dakota Avenue | | |
| 25 | Sioux Falls, SD 57104-6403 | | |
| 26 | | | |
| 27 | | | |

| Sch. 2 | | BOARD OF DIRECTORS | |
|--------|--|---|--------------|
| | | Director's Name & Address (City, State) | Remuneration |
| 1 | | NOT APPLICABLE | |
| 2 | | | |
| 3 | | | |
| 4 | | | |
| 5 | | | |
| 6 | | | |
| 7 | | | |
| 8 | | | |
| 9 | | | |
| 10 | | | |
| 11 | | | |
| 12 | | | |
| 13 | | | |
| 14 | | | |
| 15 | | | |
| 16 | | | |
| 17 | | | |
| 18 | | | |
| 19 | | | |
| 20 | | | |
| 21 | | | |
| 22 | | | |
| 23 | | | |
| 24 | | | |
| 25 | | | |
| 26 | | | |
| 27 | | | |
| 28 | | | |
| 29 | | | |
| 30 | | | |
| 31 | | | |
| 32 | | | |
| 33 | | | |
| 34 | | | |
| 35 | | | |
| 36 | | | |
| 37 | | | |
| 38 | | | |
| 39 | | | |
| 40 | | | |
| 41 | | | |
| 42 | | | |
| 43 | | | |

| Sch. 3 | | OFFICERS | |
|--------|---------------------------|--|---------------------|
| | Title | Department Supervised | Name |
| 1 | | | |
| 2 | President | Executive | John D. Haffey |
| 3 | | | |
| 4 | Vice President, Human | Human Resources | Pamela K. Merrell |
| 5 | Resources and | | |
| 6 | Administration | | |
| 7 | | | |
| 8 | Vice President, Treasurer | Treasury Services | Ellen M. Senechal |
| 9 | and Chief Financial | | |
| 10 | Officer | | |
| 11 | | | |
| 12 | Vice President and Chief | Controller Services | Ernie J. Kindt |
| 13 | Accounting Officer | | |
| 14 | | | |
| 15 | Vice President and Chief | Information Services | David N. Ottolino |
| 16 | Information Officer | | |
| 17 | | | |
| 18 | Vice President and | Legal Services | Michael P. Manion |
| 19 | General Counsel | | |
| 20 | | | |
| 21 | Vice President, Energy | Energy Supply | William A. Pascoe |
| 22 | Supply | | |
| 23 | | | |
| 24 | Vice President, | Transmission and Distribution Services | David A. Johnson |
| 25 | Transmission and | | |
| 26 | Distribution Services | | |
| 27 | | | |
| 28 | Vice President, | Regulatory Affairs | Patrick R. Corcoran |
| 29 | Regulatory Affairs | | |
| 30 | | | |
| 31 | | | |
| 32 | | | |
| 33 | | | |
| 34 | | | |
| 35 | | | |
| 36 | | | |
| 37 | | | |
| 38 | | | |
| 39 | | | |
| 40 | | | |
| 41 | | | |
| 42 | | | |
| 43 | | | |
| 44 | | | |
| 45 | | | |
| 46 | | | |
| 47 | | | |
| 48 | | | |
| 49 | | | |
| 50 | | | |
| 51 | | | |

| Sch. 4 CORPORATE STRUCTURE - 1/ | | | | |
|---------------------------------|---|-------------------------------------|-------------------|---------------|
| | Subsidiary/Company Name | Line of Business | Earnings (000) | % of Total |
| 1 | | | | |
| 2 | NORTHWESTERN ENERGY, L.L.C. | | | |
| 3 | | | | |
| 3 | Utility Operations | | | |
| 4 | Electric Utility | Electric utility | (\$46,677) | 99.81% |
| 5 | Natural Gas Utility | Natural gas utility | | |
| 6 | Canadian-Montana Pipe Line Corporation | Natural gas transmission | | |
| 7 | Colstrip Community Services Company | Inactive | | |
| 8 | Montana Power Capital 1 | Financing | | |
| 9 | MPC Natural Gas Funding Trust | Bond transition financing | | |
| 10 | | | | |
| 11 | Nonutility Operations | | | |
| 12 | Montana Power Services Company | Inactive | (91) | 0.19% |
| 13 | Discovery Energy Solutions, Inc. | Energy services consulting | | |
| 14 | One Call Locators, Ltd. | Underground facility locating | | |
| 15 | Colstrip Unit 4 Lease Mgmt Division | Wholesale sales of electric power * | | |
| 16 | | | | |
| 17 | | | | |
| 18 | | | | |
| 19 | | | | |
| 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 | | | | |
| 54 | TOTAL | | (\$46,768) | 100.00% |
| 55 | 1/ - This schedule is prepared as of the filing date of 4/30/02. The balance sheet is prepared as of 12/31/01, and thus | | | |
| 56 | discloses investments in subsidiary companies not reflected on this schedule. | | | |
| 57 | | | | |
| 58 | * Colstrip Unit 4 Lease Management Division is an operating division of Northwestern Energy L.L.C. | | | |

| Sch. 5 CORPORATE ALLOCATIONS | | | | | |
|------------------------------|--|---|---|-----------------------------|--------|
| | Departments Allocated | Description of Services | Allocation Method | \$ to MT EI & Gas Utilities | MT % |
| 1 | Corporate - 1/ Utility Administration Executive Department | Includes the following departments: CEO; CFO; Vice Pres. & General Counsel; Investor Services; Strategic Planning; Corp. & Shareholder Services; Business Development; Government Affairs-Federal Includes the following departments: COO; MAP; Government Affairs-State | 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. | \$1,897,179 | 67.95% |
| 2 | | | | | |
| 3 | | | | | |
| 4 | | | | | |
| 5 | | | | | |
| 6 | | | | | |
| 7 | Human Resources | Includes the following departments: Benefits; Compensation & Labor Relations; Employment; Organizational Development; Payroll; Employee Relations; Consultant Services | All overhead costs not charged directly are allocated to the Utility companies based on number of employees or on %'s developed using formulas based on net plant, revenues and gross payroll. | 1,178,906 | 91.36% |
| 8 | | | | | |
| 9 | | | | | |
| 10 | | | | | |
| 11 | | | | | |
| 12 | | | | | |
| 13 | Financial Accounting - 2/ | Includes the following departments: Vice Pres. & CFO; Chief Accounting Officer; T&D Accounting; Tax & Financial Reporting; Treasury Services; Risk Management; Internal Auditing | All overhead costs not charged directly are allocated to the Utility companies based on number of employees or on %'s developed using formulas based on net plant, revenues and gross payroll. | 3,891,136 | 78.03% |
| 14 | | | | | |
| 15 | | | | | |
| 16 | | | | | |
| 17 | | | | | |
| 18 | | | | | |
| 19 | Facilities | Includes the following departments: Facilities; Mailing Services; Records Control | All overhead costs not charged directly are allocated to the Utility companies based on number of employees or on %'s developed using formulas based on net plant, revenues and gross payroll. | 5,416,356 | 73.31% |
| 20 | | | | | |
| 21 | | | | | |
| 22 | | | | | |
| 23 | | | | | |
| 24 | | | | | |
| 25 | Information Services | Includes the following departments: SAP Competency Center; Infrastructure Oper.; IS Architecture; Key Accounts Representative; Security; IS Support & Services; IS Administration | All overhead costs not charged directly are allocated to the Utility companies based on number of employees or on %'s developed using formulas based on net plant, revenues and gross payroll. | 2,709,345 | 88.96% |
| 26 | | | | | |
| 27 | | | | | |
| 28 | | | | | |
| 29 | | | | | |
| 30 | | | | | |
| 31 | | | | 9,331,352 | 86.17% |
| 32 | | | | | |
| 33 | | | | | |
| 34 | | | | | |
| 35 | | | | | |
| 36 | | | | | |
| | | | | \$ to Other | |
| | | | | \$895,040 | |

| Sch. 5 | | | | | |
|-----------------------|---|---|--|--------------------------------|---------------|
| CORPORATE ALLOCATIONS | | | | | |
| | Departments Allocated | Description of Services | Allocation Method | \$ to MT EI & Gas Utilities | MT % |
| 1 | Legal Services - 2/ | Includes the following departments: Legal Services | All overhead costs not charged directly are allocated to the Utility companies based on number of employees or on %'s developed using formulas based on net plant, revenues and gross payroll. | 583,797 | 45.92% |
| 2 | | | | | |
| 3 | | | | | |
| 4 | | | | | |
| 5 | | | | | |
| 6 | | | | | |
| 7 | Corporate Communications | Includes the following departments: Corp. Advertising; Video/Photo Services; Web Services; Corp. Communications; Community Relations; Printing Services | All overhead costs not charged directly are allocated to the Utility companies based on number of employees or on %'s developed using formulas based on net plant, revenues and gross payroll. | 2,979,528 | 77.11% |
| 8 | & Advertising - 2/ | | | | |
| 9 | | | | | |
| 10 | | | | | |
| 11 | | | | | |
| 12 | | | | | |
| 13 | | | | | |
| 14 | | | | | |
| 15 | | | | | |
| 16 | | | | | |
| 17 | | | | | |
| 18 | | | | | |
| 19 | | | | | |
| 20 | | | | | |
| 21 | | | | | |
| 22 | | | | | |
| 23 | | | | | |
| 24 | | | | | |
| 25 | | | | | |
| 26 | | | | | |
| 27 | | | | | |
| 28 | TOTAL | | | \$27,987,599 | 78.91% |
| 29 | 1/ - After June 30, 2001, the allocated costs include only companies sold to NorthWestern Energy. | | | | |
| 30 | | | | | |
| 31 | 2/ - These departments continued to do work for Touch America and Corporate through 2001, however will go with NorthWestern Energy. | | | | |
| 32 | The split of costs does not reflect future expectations. | | | | |
| 33 | | | | | |
| 34 | | | | | |

| 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 | Nonutility Subsidiaries Western Energy Company | Coal sales & transportation | Contract Rates | (\$210,381) | -0.03% | (\$210,381) |
| 2 | | Misc. Services | Actual Costs Incurred | 64,456 | 0.01% | 64,456 |
| 3 | | Line location services | Market Rates | 1,424,423 | 0.20% | 1,424,423 |
| 4 | | Engineering Services | Market Rates | 384,346 | 0.05% | 384,346 |
| 5 | | Communication Services | Market Rates | 870,667 | 0.12% | 870,667 |
| 6 | | Interest on notes | Interest rate used is average of short term borrowing rates & available short term investment rates. | 1,797,902 | 0.25% | 1,797,902 |
| 7 | | | 2001 Annual Average Rate = 4.8965% | | | |
| 8 | | | Market Rates | 4,038 | 0.00% | 4,038 |
| 9 | | | Interest rate used is average of short term borrowing rates & available short term investment rates. | 538,561 | 0.08% | 538,561 |
| 10 | | | 2001 Annual Average Rate = 4.8965% | | | |
| 11 | Discovery Energy Solutions | Energy services consulting | Market Rates | | | |
| 12 | | Interest on notes | Interest rate used is average of short term borrowing rates & available short term investment rates. | | | |
| 13 | | | 2001 Annual Average Rate = 4.8965% | | | |
| 14 | | | Market Rates | | | |
| 15 | Colstrip Unit 4 - Lease Management Division | Purchased power | | 1,064,286 | 0.15% | 1,064,286 |
| 16 | | | | | | |
| 17 | | | | | | |
| 18 | | | | | | |
| 19 | Total Nonutility Subsidiaries | | | 5,938,298 | 0.83% | 5,938,298 |
| 20 | | | | 714,119,000 | | |
| 21 | Total Nonutility Subsidiaries Revenues | | | | | |
| 22 | | | | | | |
| 23 | Utility Subsidiaries | | | | | |
| 24 | | | | | | |
| 25 | Total Utility Subsidiaries | | | | | |
| 26 | | | | | | |
| 27 | TOTAL AFFILIATE TRANSACTIONS | | | 7,793,000 | | |
| | | | | \$5,938,298 | | \$5,938,298 |

| 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 | Nonutility Subsidiaries Western Energy Company Touch America, Inc. | Sales of Electricity | Tariff Schedules | \$1,686,191 | 0.26% | \$1,686,191 |
| 2 | | | | | | |
| 3 | | Sales of Gas & Electricity | Tariff Schedules | 135,004 | 0.02% | 135,004 |
| 4 | | | | | | |
| 5 | | | | | | |
| 6 | | | | | | |
| 7 | | | | | | |
| 8 | | | | | | |
| 9 | Total Nonutility Subsidiaries | | | 1,821,195 | 0.28% | 1,821,195 |
| 10 | Total Nonutility Subsidiaries Expenses | | | 643,134,000 | | |
| 11 | | | | | | |
| 12 | | | | | | |
| 13 | Utility Subsidiaries | | | | | |
| 14 | Colstrip Community Services | Project Services | Actual Costs Incurred | - | 0.00% | - |
| 15 | Total Utility Subsidiaries | | | - | 0.00% | - |
| 16 | Total Utility Subsidiaries Expenses | | | 601,083,000 | | |
| 17 | TOTAL AFFILIATE TRANSACTIONS | | | \$1,821,195 | | \$1,821,195 |

| Sch. 8 MONTANA UTILITY INCOME STATEMENT - ELECTRIC (EXCLUDES UNIT 4) | | | | | | |
|--|---|----------------------------|------------------------------|----------------------|----------------------|----------|
| | Account Number & Title | This Year Cons. Utility | Yellowstone National Park | This Year Montana | Last Year Montana | % Change |
| 1 | | | | | | |
| 2 | 400 Operating Revenues | \$478,274,646 | \$2,361,221 | \$475,913,425 | \$470,337,501 | 1.19% |
| 3 | | | | | | |
| 4 | Total Operating Revenues | 478,274,646 | 2,361,221 | 475,913,425 | 470,337,501 | 1.19% |
| 5 | | | | | | |
| 6 | Operating Expenses | | | | | |
| 7 | | | | | | |
| 8 | 401 Operation Expenses | 394,301,711 | \$1,467,274 | 392,834,437 | 346,200,509 | 13.47% |
| 9 | 402 Maintenance Expense | 17,712,924 | 169,523 | 17,543,401 | 17,714,814 | -0.97% |
| 10 | 403 Depreciation Expense | 39,869,845 | 367,260 | 39,502,585 | 36,078,318 | 9.49% |
| 11 | 404-405 Amort. of Electric Plant | 2,050,186 | | 2,050,186 | 653,785 | 213.59% |
| 12 | 406 Amort. of Plant Acquisition Adj. | 94,914 | | 94,914 | 94,939 | -0.03% |
| 13 | 408.1 Taxes Other Than Income Taxes | 37,802,339 | 0 | 37,802,339 | 38,443,641 | -1.67% |
| 14 | 409.1 Income Taxes - Federal | (18,870,997) | 69,713 | (18,940,710) | 3,810,127 | -597.11% |
| 15 | - Other | (3,568,517) | 4,584 | (3,573,101) | 1,396,312 | -355.90% |
| 16 | 410.1 Deferred Income Taxes-Dr. | 27,174,446 | 19,249 | 27,155,197 | 10,847,576 | 150.33% |
| 17 | 411.1 Deferred Income Taxes-Cr. | (15,981,469) | | (15,981,469) | (9,641,781) | |
| 18 | 411.4 Investment Tax Credit Adj. | (319,877) | (3,575) | (316,302) | (39,480) | -701.17% |
| 19 | 411.6 Gain from Disposition of Property | | | | | |
| 20 | 411.7 Loss from Disposition of Property | | | | | |
| 21 | | | | | | |
| 22 | Total Operating Expenses | 480,265,505 | 2,094,028 | 478,171,477 | 445,558,760 | 7.32% |
| 23 | NET OPERATING INCOME | (\$1,990,859) | \$267,193 | (\$2,258,052) | \$24,778,741 | -109.11% |

| Sch. 9 MONTANA REVENUES - ELECTRIC (EXCLUDES UNIT 4) | | | | | | |
|--|--|----------------------------|------------------------------|----------------------|----------------------|----------|
| | Account Number & Title | This Year Cons. Utility | Yellowstone National Park | This Year Montana | Last Year Montana | % Change |
| 1 | | | | | | |
| 2 | Sales to Ultimate Consumers | | | | | |
| 3 | | | | | | |
| 4 | 440 Residential | \$133,380,492 | \$102,413 | \$133,278,079 | \$128,288,474 | 3.89% |
| 5 | 442 Commercial | 151,452,405 | 309,774 | 151,142,631 | 155,608,980 | -2.87% |
| 6 | Industrial | 52,961,305 | | 52,961,305 | 51,201,933 | 3.44% |
| 7 | 444 Public Street, Highway Lighting | | | | | |
| 8 | & Other Sales to Public Authorities | 10,955,688 | 1,949,034 | 9,006,654 | 6,907,178 | 30.40% |
| 9 | 448 Interdepartmental Sales | 746,589 | | 746,589 | 771,982 | -3.29% |
| 10 | | | | | | |
| 11 | Total Sales to Ultimate Consumers | 349,496,479 | 2,361,221 | 347,135,258 | 342,778,547 | 1.27% |
| 12 | 447 Sales for Resale | 62,497,245 | | 62,497,245 | 74,874,651 | -16.53% |
| 13 | | | | | | |
| 14 | Total Sales of Electricity | 411,993,724 | 2,361,221 | 409,632,503 | 417,653,198 | -1.92% |
| 15 | 449.1 Provision for Rate Refunds | | | - | - | - |
| 16 | | | | | | |
| 17 | Total Revenue Net of Rate Refunds | 411,993,724 | 2,361,221 | 409,632,503 | 417,653,198 | -1.92% |
| 18 | | | | | | |
| 19 | Other Operating Revenues | | | | | |
| 20 | | | | | | |
| 21 | 451 Miscellaneous Service Revenue | 583,343 | | 583,343 | 41,728 | 1297.97% |
| 22 | 453 Sales of Water & Water Power | | | 0 | (52,905) | 100.00% |
| 23 | 454 Rent From Electric Property | 2,322,371 | | 2,322,371 | 2,117,946 | 9.65% |
| 24 | 456 Other Electric Revenues | 63,375,208 | | 63,375,208 | 50,577,534 | 25.30% |
| 25 | | | | | | |
| 26 | Total Other Operating Revenue | 66,280,922 | - | 66,280,922 | 52,684,303 | 25.81% |
| 27 | TOTAL OPERATING REVENUE | \$478,274,646 | \$2,361,221 | \$475,913,425 | \$470,337,501 | 1.19% |

| Sch. 10 MONTANA OPERATION & MAINTENANCE EXPENSES - ELECTRIC (EXCLUDES UNIT 4) | | | | | | |
|---|---|----------------------------|------------------------------|----------------------|----------------------|-----------|
| | Account Number & Title | This Year Cons. Utility | Yellowstone National Park | This Year Montana | Last Year Montana | % Change |
| 1 | Power Production Expenses | | | | | |
| 2 | Steam Power Generation-Operation | | | | | |
| 3 | 500 Supervision & Engineering | \$ - | | \$ - | \$ - | - |
| 4 | 501 Fuel | (210,381) | | (210,381) | 108,090 | -294.64% |
| 5 | 502 Steam Expenses | - | | - | (15,930) | 100.00% |
| 6 | 503 Steam from Other Sources | - | | - | 40,257 | -100.00% |
| 7 | 505 Electric Plant | - | | - | - | - |
| 8 | 506 Miscellaneous Steam Power | - | | - | 8,274 | -100.00% |
| 9 | 507 Rents | - | | - | 4,513 | -100.00% |
| 10 | Total Operation-Steam Power Gen. | (210,381) | - | (210,381) | 145,204 | -244.89% |
| 11 | Steam Power Generation-Maintenance | | | | | |
| 12 | 510 Supervision & Engineering | - | | - | - | - |
| 13 | 511 Structures | - | | - | - | - |
| 14 | 512 Steam Boiler Plant | - | | - | (508) | 100.00% |
| 15 | 513 Electric Plant | - | | - | (426) | 100.00% |
| 16 | 514 Miscellaneous Steam Plant | - | | - | - | - |
| 17 | Total Maintenance-Steam Power Gen. | - | - | - | (934) | 100.00% |
| 18 | Total Steam Power Generation | (210,381) | - | (210,381) | 144,270 | -245.82% |
| 19 | Hydro Power Generation-Operation | | | | | |
| 20 | 535 Supervision & Engineering | 230,463 | | 230,463 | 217,220 | 6.10% |
| 21 | 536 Water for Power | - | | - | (11,344) | 100.00% |
| 22 | 537 Hydraulic Expenses | 875 | | 875 | 18,032 | -95.15% |
| 23 | 538 Electric Expenses | 3,762 | | 3,762 | 10,527 | -64.26% |
| 24 | 539 Miscellaneous Hydraulic Power | 83,223 | | 83,223 | 62,960 | 32.18% |
| 25 | 540 Rents | - | | - | - | - |
| 26 | Total Operation-Hydro Power Gen. | 318,323 | - | 318,323 | 297,395 | 7.04% |
| 27 | Hydro Power Generation-Maintenance | | | | | |
| 28 | 541 Supervision & Engineering | 249 | | 249 | - | 100.00% |
| 29 | 542 Structures | 50,571 | | 50,571 | 31,680 | 59.63% |
| 30 | 543 Reservoirs, Dams & Waterways | 187,581 | | 187,581 | 36,745 | 410.50% |
| 31 | 544 Electric Plant | 43,257 | | 43,257 | 4,092 | 957.16% |
| 32 | 545 Miscellaneous Hydro Plant | 7,821 | | 7,821 | 3,024 | 158.67% |
| 33 | Total Maintenance-Hydro Power Gen. | 289,479 | - | 289,479 | 75,540 | 283.21% |
| 34 | Total Hydraulic Power Generation | 607,803 | - | 607,803 | 372,935 | 62.98% |
| 35 | Other Power Generation-Operation | | | | | |
| 36 | 546 Supervision & Engineering | 897 | 947 | (50) | (93) | 46.16% |
| 37 | 547 Fuel | 90,410 | 90,410 | - | - | - |
| 38 | 548 Generation Expenses | 9,149 | 1,860 | 7,289 | 1,679 | 334.16% |
| 39 | 549 Miscellaneous Other Power | 6,720 | 7,138 | (417) | 65 | -737.41% |
| 40 | Total Operation-Other Power Gen. | 107,175 | 100,354 | 6,821 | 1,651 | 313.04% |
| 41 | Other Power Generation-Maintenance | | | | | |
| 42 | 551 Supervision & Engineering | - | - | - | - | - |
| 43 | 552 Structures | - | - | - | - | - |
| 44 | 553 Generating & Electric Plant | 20,873 | 21,058 | (185) | (58) | -221.64% |
| 45 | 554 Miscellaneous Other Power Plant | 37,674 | 44,473 | (6,799) | 292 | -2428.78% |
| 46 | Total Maintenance-Other Power Gen. | 58,547 | 65,531 | (6,984) | 234 | -3080.59% |
| 47 | Total Other Power Generation | 165,722 | 165,886 | (163) | 1,886 | -2767.55% |
| 48 | Other Power Supply Expenses | | | | | |
| 49 | 555 Purchased Power | 263,620,757 | 851,936 | 262,768,821 | 270,927,980 | -3.01% |
| 50 | 556 System Control & Load Dispatch | - | - | - | 4,943 | -100.00% |
| 51 | 557 Other Expenses | 63,559,958 | - | 63,559,958 | 1,033,327 | 6051.00% |
| 52 | Total Other Power Supply Expenses | 327,180,715 | 851,936 | 326,328,779 | 271,966,251 | 19.99% |
| 53 | Total Power Production Expenses | 327,743,859 | 1,017,822 | 326,726,038 | 272,485,342 | 19.91% |

| Sch. 10 | MONTANA OPERATION & MAINTENANCE EXPENSES - ELECTRIC (EXCLUDES UNIT 4) | | | | | |
|---------|---|----------------------------|------------------------------|----------------------|----------------------|----------|
| | Account Number & Title | This Year Cons. Utility | Yellowstone National Park | This Year Montana | Last Year Montana | % Change |
| 1 | | | | | | |
| 2 | Transmission Expenses | | | | | |
| 3 | | | | | | |
| 4 | Transmission-Operation | | | | | |
| 5 | 560 Supervision & Engineering | 1,724,849 | 257 | 1,724,592 | 1,940,962 | -11.15% |
| 6 | 561 Load Dispatching | 1,122,293 | - | 1,122,293 | 1,368,722 | -18.00% |
| 7 | 562 Station Expenses | 193,774 | - | 193,774 | 123,649 | 56.71% |
| 8 | 563 Overhead Lines | 988,246 | 78,721 | 909,525 | 705,819 | 28.86% |
| 9 | 564 Underground Lines | - | - | - | 5,235 | - |
| 10 | 565 Transmission of Elec. by Others | (2,109,041) | - | (2,109,041) | 1,865,847 | -213.03% |
| 11 | 566 Miscellaneous Transmission | 466,033 | - | 466,033 | 456,329 | 2.13% |
| 12 | 567 Rents | 3,298,462 | - | 3,298,462 | 2,550,779 | 29.31% |
| 13 | Total Operation-Transmission | 5,684,616 | 78,978 | 5,605,638 | 9,017,343 | -37.83% |
| 14 | Transmission-Maintenance | | | | | |
| 15 | 568 Supervision & Engineering | 755,596 | 211 | 755,385 | 884,377 | -14.59% |
| 16 | 569 Structures | 49,657 | 4,049 | 45,608 | 27,809 | 64.00% |
| 17 | 570 Station Equipment | 2,316,935 | 7,024 | 2,309,911 | 3,069,600 | -24.75% |
| 18 | 571 Overhead Lines | 1,625,214 | 23,743 | 1,601,471 | 1,892,479 | -15.38% |
| 19 | 572 Underground Lines | - | - | - | 549 | -100.00% |
| 20 | 573 Miscellaneous Transmission Plant | - | - | - | 1,608 | -100.00% |
| 21 | Total Maintenance-Transmission | 4,747,402 | 35,026 | 4,712,376 | 5,876,423 | -19.81% |
| 22 | Total Transmission Expenses | 10,432,017 | 114,004 | 10,318,013 | 14,893,766 | -30.72% |
| 23 | | | | | | |
| 24 | Distribution Expenses | | | | | |
| 25 | | | | | | |
| 26 | Distribution-Operation | | | | | |
| 27 | 580 Supervision & Engineering | 1,529,811 | 9,711 | 1,520,100 | 1,270,688 | 19.63% |
| 28 | 581 Load Dispatching | - | - | - | - | - |
| 29 | 582 Station Expenses | 565,274 | 3,527 | 561,747 | 544,534 | 3.16% |
| 30 | 583 Overhead Lines | 2,969,603 | 66,718 | 2,902,885 | 4,459,867 | -34.91% |
| 31 | 584 Underground Lines | 2,276,524 | 39,577 | 2,236,947 | 2,471,524 | -9.49% |
| 32 | 585 Street Lighting & Signal Systems | 629,234 | - | 629,234 | 664,106 | -5.25% |
| 33 | 586 Meters | 1,477,678 | 12,445 | 1,465,233 | 1,760,255 | -16.76% |
| 34 | 587 Customer Installations | 1,127,840 | 131 | 1,127,709 | 811,737 | 38.93% |
| 35 | 588 Miscellaneous Distribution | 2,140,755 | 39,523 | 2,101,232 | 935,841 | 124.53% |
| 36 | 589 Rents | 101,989 | - | 101,989 | 83,594 | 22.01% |
| 37 | Total Operation-Distribution | 12,818,710 | 171,632 | 12,647,078 | 13,002,146 | -2.73% |
| 38 | Distribution-Maintenance | | | | | |
| 39 | 590 Supervision & Engineering | 764,405 | - | 764,405 | 798,844 | -4.31% |
| 40 | 591 Structures | 126,481 | 2,448 | 124,033 | 67,644 | 83.36% |
| 41 | 592 Station Equipment | 872,516 | 14,064 | 858,452 | 1,028,890 | -16.57% |
| 42 | 593 Overhead Lines | 5,290,727 | 17,266 | 5,273,461 | 6,015,528 | -12.34% |
| 43 | 594 Underground Lines | 711,265 | 12,515 | 698,750 | 735,695 | -5.02% |
| 44 | 595 Line Transformers | 681,873 | 2,552 | 679,321 | 614,816 | 10.49% |
| 45 | 596 Street Lighting, Signal Systems | 431,115 | - | 431,115 | 410,134 | 5.12% |
| 46 | 597 Meters | 587,566 | 265 | 587,301 | 460,442 | 27.55% |
| 47 | 598 Miscellaneous Distribution Plant | - | - | - | - | - |
| 48 | Total Maintenance-Distribution | 9,465,948 | 49,110 | 9,416,838 | 10,131,992 | -7.06% |
| 49 | Total Distribution Expenses | 22,284,658 | 220,743 | 22,063,915 | 23,134,137 | -4.63% |

| Sch. 10 | MONTANA OPERATION & MAINTENANCE EXPENSES - ELECTRIC (EXCLUDES UNIT 4) | | | | | |
|---------|---|----------------------------|------------------------------|----------------------|----------------------|-----------|
| | Account Number & Title | This Year Cons. Utility | Yellowstone National Park | This Year Montana | Last Year Montana | % Change |
| 1 | | | | | | |
| 2 | Customer Accounts Expenses | | | | | |
| 3 | | | | | | |
| 4 | Customer Accounts-Operation | | | | | |
| 5 | 901 Supervision | | | - | - | - |
| 6 | 902 Meter Reading | 1,179,782 | 1,797 | 1,177,985 | 933,134 | 26.24% |
| 7 | 903 Customer Records & Collection | 5,023,763 | - | 5,023,763 | 4,063,301 | 23.64% |
| 8 | 904 Uncollectible Accounts | 930,185 | - | 930,185 | 1,324,172 | -29.75% |
| 9 | 905 Miscellaneous Customer Accts. | 30,767 | - | 30,767 | 170 | 18043.17% |
| 10 | Total Customer Accounts Expenses | 7,164,497 | 1,797 | 7,162,700 | 6,320,777 | 13.32% |
| 11 | | | | | | |
| 12 | Customer Service & Information | | | | | |
| 13 | | | | | | |
| 14 | Customer Service-Operation | | | | | |
| 15 | 907 Supervision | - | | - | 20,047 | -100.00% |
| 16 | 908 Customer Assistance | 1,801,239 | | 1,801,239 | 1,790,021 | 0.63% |
| 17 | 909 Inform. & Instruct. Advertising | 497,462 | | 497,462 | 269,131 | 84.84% |
| 18 | 910 Misc. Customer Service & Info. | (6) | | (6) | 400 | -101.47% |
| 19 | Total Customer Service & Info. Expense | 2,298,695 | - | 2,298,695 | 2,079,599 | 10.54% |
| 20 | | | | | | |
| 21 | Sales Expenses | | | | | |
| 22 | | | | | | |
| 23 | Sales-Operation | | | | | |
| 24 | 911 Supervision | 183,280 | | 183,280 | 261,614 | -29.94% |
| 25 | 912 Demonstrating & Selling | 1,104,614 | | 1,104,614 | 875,768 | 26.13% |
| 26 | 913 Advertising | 26,793 | | 26,793 | 389,119 | -93.11% |
| 27 | 916 Miscellaneous Sales | - | | - | 13,699 | -100.00% |
| 28 | Total Sales Expenses | 1,314,686 | - | 1,314,686 | 1,540,201 | -14.64% |
| 29 | | | | | | |
| 30 | Administrative & General Expenses | | | | | |
| 31 | | | | | | |
| 32 | Admin. & General-Operation | | | | | |
| 33 | 920 Admin. & General Salaries | 19,635,224 | 120,208 | 19,515,016 | 13,550,784 | 44.01% |
| 34 | 921 Office Supplies & Expenses | 3,398,752 | 9,875 | 3,388,877 | 3,506,517 | -3.35% |
| 35 | 922 Admin. Expense Transferred-Cr. | (2,098,605) | (12,784) | (2,085,821) | (2,181,962) | 4.41% |
| 36 | 923 Outside Services Employed | 2,814,571 | 16,450 | 2,798,121 | 5,430,442 | -48.47% |
| 37 | 924 Property Insurance | 418,219 | 2,548 | 415,672 | 155,848 | 166.72% |
| 38 | 925 Injuries & Damages | 4,419,504 | 26,922 | 4,392,582 | 3,187,668 | 37.80% |
| 39 | 926 Employee Pensions & Benefits | 1,851,431 | 9,000 | 1,842,431 | 307,306 | 499.54% |
| 40 | 927 Franchise Requirements | | | | | |
| 41 | 928 Regulatory Commission Expenses | 385,523 | | 385,523 | 300,290 | 28.38% |
| 42 | 407 Amortization of Property Losses | (5,903,253) | | (5,903,253) | 1,095,015 | -639.10% |
| 43 | 929 Duplicate Charges-Cr. | | | | | |
| 44 | 930 Miscellaneous General Expenses | 9,373,073 | 70,069 | 9,303,004 | 11,300,489 | -17.68% |
| 45 | 931 Rents | 3,330,234 | 20,287 | 3,309,948 | 5,177,546 | -36.07% |
| 46 | Total Operation-Admin. & General | 37,624,673 | 262,575 | 37,362,098 | 41,829,944 | -10.68% |
| 47 | Admin. & General-Maintenance | | | | | |
| 48 | 935 General Plant | 3,151,548 | 19,856 | 3,131,692 | 1,631,557 | 91.94% |
| 49 | Total Maintenance-Admin. & General | 3,151,548 | 19,856 | 3,131,692 | 1,631,557 | 91.94% |
| 50 | Total Admin. & General Expenses | 40,776,221 | 282,432 | 40,493,790 | 43,461,501 | -6.83% |
| 51 | TOTAL OPER. & MAINT. EXPENSES | 412,014,635 | \$1,636,797 | 410,377,838 | \$363,915,323 | 12.77% |

| Sch.11 | MONTANA TAXES OTHER THAN INCOME - ELECTRIC (EXCLUDES UNIT 4) | | | |
|--------|--|---------------------|---------------------|---------------|
| | Description | This Year | Last Year | % Change |
| 1 | | | | |
| 2 | <u>Federal Taxes</u> | | | |
| 3 | 2521xx Social Security, Medicare and Unemployment | \$4,857,068 | \$1,265,898 | 283.69% |
| 4 | | | | |
| 5 | <u>Montana Taxes</u> | | | |
| 6 | 252410 Real Estate & Personal Property | 37,533,795 | 30,811,662 | 21.82% |
| 7 | 252212 Montana Beneficial Use Tax | 152,656 | 244,192 | -37.49% |
| 8 | 252213 Crow Tribe Railroad & Utility Tax | 534 | 44,393 | -98.80% |
| 9 | 252218 Units 3 & 4 Transmission Property | (3,272,121) | 4,406,370 | -174.26% |
| 10 | 252450 Electric Energy Producer's License | 21,989 | 76,888 | -71.40% |
| 11 | 252450 Consumer Counsel | 283,730 | 263,757 | 7.57% |
| 12 | 252450 Public Service Commission | 947,964 | 852,369 | 11.22% |
| 13 | 252460 Wholesale Energy Transaction | 1,276,481 | 1,308,028 | -2.41% |
| 14 | Other Miscellaneous Taxes | 21,099 | 22,266 | -5.24% |
| 15 | | | | |
| 16 | <u>District of Columbia Taxes</u> | | | |
| 17 | 2521xx Social Security, Medicare and Unemployment | 144 | 216 | -33.33% |
| 18 | | | | |
| 19 | <u>Other</u> | | | |
| 20 | Payroll Tax Credit | (4,020,999) | (852,398) | -371.73% |
| 21 | | | | |
| 22 | TOTAL TAXES OTHER THAN INCOME | \$37,802,339 | \$38,443,641 | -1.67% |

| Sch. 12 | PAYMENTS FOR SERVICES TO PERSONS OTHER THAN EMPLOYEES, 1/ | | |
|---------|--|---------------------------------|---------------------|
| | Name of Recipient | Nature of Service | Total |
| 1 | Allen & Company, Inc. | Financial advisory services | \$100,000 |
| 2 | Alme Construction, Inc. | Gas Pipeline Construction | 1,943,867 |
| 3 | Anderson Tree Service | Tree trimming | 483,491 |
| 4 | Asplundh | Tree trimming | 1,575,753 |
| 5 | Bill Field Trucking, LLC | Equipment transportation | 303,396 |
| 6 | Buck Consultants, Inc. | Recordkeeper | 125,281 |
| 7 | Burns International Security | Security service | 256,946 |
| 8 | Cory Clarke | Engineering Services | 105,995 |
| 9 | Crowley, Haughey, Hanson | Legal services | 293,857 |
| 10 | Deloitte Consulting | Consulting | 1,403,238 |
| 11 | Dorsey & Whitney, LLP | Legal services | 130,960 |
| 12 | Express Services, Inc. | Temporary employment service | 444,618 |
| 13 | FX Drilling Company | Drilling Services | 106,784 |
| 14 | Georgeson Shareholder | Proxy statements | 283,976 |
| 15 | Goldman Sachs | Consulting | 2,546,558 |
| 16 | Gsea Montana | Advertising | 391,864 |
| 17 | Harp Line Constructors Co. | Line construction & maintenance | 4,995,142 |
| 18 | Heath Consultants, Inc. | Gas leak detection | 148,892 |
| 19 | Howrey & Simon | Environmental consulting | 161,275 |
| 20 | HR Link Group Inc. | Computer services | 131,390 |
| 21 | Hughes, Kellner, Sullivan & Alke | Legal services | 136,206 |
| 22 | IBEX Construction | Tree trimming | 335,448 |
| 23 | IBM Corp | Computer maintenance | 1,181,633 |
| 24 | Independent Inspection Co | Electric line inspection | 1,052,371 |
| 25 | Intergraph Public Safety | Software maintenance | 125,337 |
| 26 | Itron, Inc. | Hardware/software maintenance | 309,774 |
| 27 | Jensen's Tree Service, Inc. | Tree trimming | 291,331 |
| 28 | KM Construction | Contractor | 115,619 |
| 29 | Lewis Manufacturing & Construction | Construction | 453,339 |
| 30 | Mattingly Testing Services, Inc. | Inspection services | 101,376 |
| 31 | Merrill Communications, LLC | Printing services | 757,581 |
| 32 | Mike Boylan Excavating | Contractor | 119,338 |
| 33 | Mtn. Utility Constr. & Design | Contractor | 7,665,512 |
| 34 | Nat'l Ctr. For Appropriate Technology | Lab Testing | 530,524 |
| 35 | Natural Gas Services | Gas service work | 185,544 |
| 36 | Northwest Energy Efficiency | Energy services | 456,969 |
| 37 | Olson Land Services | Right of way | 111,415 |
| 38 | Orcom Solutions | Programming & implementation | 4,357,655 |
| 39 | PA Consulting Services | Consulting | 133,147 |
| 40 | Peaker Services, Inc. | Contractor | 122,421 |
| 41 | PricewaterhouseCoopers | Auditing/ Consulting | 837,954 |
| 42 | Quality Resource & Services | Inspection services | 103,303 |
| 43 | Rod Tabbert Construction, Inc. | Contractor | 357,495 |
| 44 | Spherion Corporation | Temporary employment service | 126,397 |
| 45 | State Line Contractors, Inc. | Contractor | 312,086 |
| 46 | Sweitzer Engineering | Engineering services | 140,675 |
| 47 | Technology Unlimited | Computer maintenance | 147,082 |
| 48 | Thelen Reid & Priest, LLC | Legal services | 564,455 |
| 49 | Tony Laslovich | Contractor | 101,278 |
| 50 | Towers Perrin | Consulting/Actuary | 507,458 |
| 51 | XENERGY, Inc. | Contract services | 1,247,988 |
| 52 | Washington Infrastructure | Contract services | 223,677 |
| 53 | Zacha Construction, Inc. | Construction & maintenance | 136,373 |
| 54 | | | |
| 55 | Total Payments for Services | | \$39,282,047 |
| 57 | 1/ Due to the multiple % allocations, it is not practical to separately identify amounts charged to the electric or gas utility. | | |

POLITICAL ACTION COMMITTEES / POLITICAL CONTRIBUTIONS

| | |
|----|---|
| 1 | |
| 2 | The Montana Power Company does not make any contributions to Political Action |
| 3 | Committees (PACs) or candidates. |
| 4 | |
| 5 | There is an employee PAC - Citizens for Responsible Government / Employees of |
| 6 | The Montana Power Company (CRG). CRG is an organization of employees and |
| 7 | shareholders of Montana Power and its subsidiaries. All of the money contributed by |
| 8 | members goes to support political candidates. No company funds may be spent in |
| 9 | support of a political candidate. Officers and local representatives of CRG donate |
| 10 | their time. Nominal administrative costs for such things as duplicating and postage |
| 11 | are paid by the Company. These costs are charged to shareholder expense. |

PENSION COSTS

| Description | | This Year | Last 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? | No - 3/ | Yes - 2/ | |
| 6 | | | | |
| 7 | Actuarial Cost Method | Projected Unit Credit Method | | |
| 8 | IRS Code | | | |
| 9 | Annual Contribution by Employer | 0 | 0 | |
| 10 | Accumulated Benefit Obligation - 4/ | 241,360,765 | 221,222,867 | 9.10% |
| 11 | Projected Benefit Obligation - 4/ | 229,830,140 | 216,129,144 | 6.34% |
| 12 | Fair Value of Plan Assets - 4/ | 191,046,243 | 223,920,969 | -14.68% |
| 13 | | | | |
| 14 | Discount Rate for Benefit Obligations | 7.00% | 7.50% | -6.67% |
| 15 | Expected Long-Term Return on Assets | 9.00% | 9.00% | 0.00% |
| 16 | | | | |
| 17 | Net Periodic Pension Cost: | | | |
| 18 | Service Cost - 4/ | 3,675,916 | 4,089,862 | -10.12% |
| 19 | Interest Cost - 4/ | 15,612,221 | 14,476,386 | 7.85% |
| 20 | Return on Plan Assets (Expected) -4/ | (17,921,050) | (20,272,561) | -11.60% |
| 21 | Net Amortization - 4/ | 1,900,249 | (1,336,297) | -242.20% |
| 22 | Special Termination Benefit Charge - 4/ | - | 9,814,262 | -100.00% |
| 23 | Curtailment Charge | - | - | - |
| 24 | Settlement Charge | - | - | - |
| 25 | Total Net Periodic Pension Cost | 3,267,336 | 6,771,652 | -51.75% |
| 26 | | | | |
| 27 | Minimum Required Contribution | | | |
| 28 | Actual Contribution | - | - | |
| 29 | Maximum Amount Deductible | - | - | |
| 30 | Benefit Payments | 15,219,835 | 9,942,351 | 53.08% |
| 31 | | | | |
| 32 | Montana Intrastate Costs: | | | |
| 33 | Pension Costs | NOT APPLICABLE | | |
| 34 | Pension Costs Capitalized | | | |
| 35 | Accumulated Pension Asset (Liability) at Year End | | | |
| 36 | | | | |
| 37 | Number of Company Employees : 1/ | | | |
| 38 | Covered by the Plan | | | |
| 39 | Active - 4/ | 1,152 | 1,383 | -16.70% |
| 40 | Retired - 4/ | 1,160 | 881 | 31.67% |
| 41 | Vested Former Employees (Deferred Inactive) - 4/ | 873 | 590 | 47.97% |
| 42 | Total Covered by the Plan - 4/ | 3,185 | 2,854 | 11.60% |
| 43 | Total Not Covered by the Plan | | | |
| 44 | | | | |
| 45 | 1/ Obtained from The Actuarial Valuation Report of the Retirement Plan for Employees of The | | | |
| 46 | Montana Power Company, prepared as of January 1, 2001 and 2000 respectively. | | | |
| 47 | | | | |
| 48 | 2/ As of December 31, 2000, the fair value of assets was \$223.9 million and the projected benefit obligation | | | |
| 49 | was 216.1 million. However, there was an unrecognized net gain of \$25.3 million that has not been | | | |
| 50 | fully amortized pursuant to SFAS Statement No. 87. There is a prepaid pension cost of \$10.8 million | | | |
| 51 | as of December 31, 2000. | | | |
| 52 | | | | |
| 53 | 3/ As of December 31, 2001, the fair value of assets was \$191.0 million and the projected benefit obligation | | | |
| 54 | was 229.8 million. However, there was an unrecognized net loss of \$20.6 million that has not been | | | |
| 55 | fully amortized pursuant to SFAS Statement No. 87. There is a pension liability of \$600,000 | | | |
| 56 | as of December 31, 2001. | | | |

| Sch. 14 | | PENSION COSTS | | |
|---------|---|---------------|----------------|----------|
| | Description | This Year | Last Year - 3/ | |
| 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 | 109,333,678 | 138,602,820 | -21.12% |
| 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 | | | |
| 22 | Return on Plan Assets (Actual) | | | |
| 23 | Net Amortization | | | |
| 24 | Total Net Periodic Pension Cost | | | |
| 25 | | | | |
| 26 | Minimum Required Contribution | | | |
| 27 | Actual Contribution | | | |
| 28 | Maximum Amount Deductible | | | |
| 29 | Benefit Payments | | | |
| 30 | | | | |
| 31 | Montana Intrastate Costs: | | | |
| 32 | Pension Costs | | | |
| 33 | Pension Costs Capitalized | | | |
| 34 | Accumulated Pension Asset (Liability) at Year End | | | |
| 35 | | | | |
| 36 | Number of Company Employees : | | | |
| 37 | Covered by the Plan -- Eligible -4/ | 1,313 | 1,032 | 27.23% |
| 38 | Not Covered by the Plan | - | - | |
| 39 | Active -- Participating | 955 | 1,013 | -5.73% |
| 40 | Retired | | | |
| 41 | Vested Former Employees, Retirees and -4/ | 358 | 19 | 1784.21% |
| 42 | Active-Noncontributing | | | |
| 43 | Total Covered by the Plan -4/ | 1,313 | 1,032 | 27.23% |
| 44 | Total Not Covered by the Plan | 0 | 0 | |
| 45 | | | | |
| 46 | | | | |
| 47 | | | | |
| 48 | 4/ 2000 numbers were restated to include SAS. | | | |

| Sch 15 | | OTHER POST EMPLOYMENT BENEFITS (OPEBS) | | |
|--------|---|--|-----------------|----------|
| | Description | This Year 2/ | Last Year 1/ | % Change |
| 1 | General Information | | | |
| 2 | Discount Rate for Benefit Obligations | 7.00% | 7.50% | -7.14% |
| 3 | Expected Long-Term Return on Assets | 9.00% | 9.00% | 0.00% |
| 4 | Medical Cost Inflation Rate 3/ | 9.00%, 5.50%: 7 | 10.0%, 5.50%: 7 | |
| 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) - 6/ | \$26,454,217 | \$20,479,046 | 22.59% |
| 17 | Fair Value of Plan Assets - 6/ | \$5,871,614 | \$9,706,656 | -65.31% |
| 18 | | | | |
| 19 | List the amount funded through each funding method: | | | |
| 20 | VEBA - 7/ | \$461,137 | \$726,947 | -57.64% |
| 21 | 401(h) - 7/ | 1,293,925 | 756,619 | 41.53% |
| 22 | Other: Cash | 811,379 | 639,256 | 21.21% |
| 23 | Total Amount Funded | \$2,566,441 | \$2,122,822 | 17.29% |
| 24 | | | | |
| 25 | List amount that was tax deductible for each type of funding: | | | |
| 26 | VEBA - 7/ | \$461,137 | \$726,947 | -57.64% |
| 27 | 401(h) - 7/ | 1,293,925 | 756,619 | 41.53% |
| 28 | Other: Cash | 811,379 | 639,256 | 21.21% |
| 29 | Total Amount Tax Deductible | \$2,566,441 | \$2,122,822 | 17.29% |
| 30 | | | | |
| 31 | Net Periodic Post Retirement Benefit Cost: | | | |
| 32 | Service Cost - 6/ | \$419,695 | \$429,624 | -2.37% |
| 33 | Interest Cost - 6/ | 1,851,224 | 1,560,506 | 15.70% |
| 34 | Return on Plan Assets (Expected) - 6/ | (705,817) | (817,728) | 15.86% |
| 35 | Amort. Of Transition Oblig. & Regulatory Asset-6/ | 791,706 | 837,029 | -5.72% |
| 36 | Amortization of Prior Service Cost - 6/ | 138,644 | 145,885 | -5.22% |
| 37 | Amortization of Gains or Losses - 6/ | 0 | (128,109) | -100.00% |
| 38 | Total Net Periodic Post Retirement Benefit Cost | \$2,495,452 | \$2,027,207 | 18.76% |
| 39 | Benefit Cost Expensed - 6/ | \$1,976,398 | \$1,558,922 | 21.12% |
| 40 | Benefit Cost Capitalized - 6/ | 374,318 | 425,713 | -13.73% |
| 41 | Benefit Cost Charged to MPC Subs & Colstrip Owners- 5/6/ | 144,736 | 42,571 | 70.59% |
| 42 | Total Benefit Costs | \$2,495,452 | \$2,027,206 | 18.76% |
| 43 | Benefit Payments | \$811,379 | \$639,256 | 21.21% |
| 44 | | | | |
| 45 | Number of Company Employees : | | | |
| 46 | Covered by the Plans | | | |
| 47 | Active - 6/ | 1,156 | 1,386 | -19.90% |
| 48 | Retired - 6/ | 1,025 | 759 | 25.95% |
| 49 | Retired Spouse/Dependents | 44 | 28 | 36.36% |
| 50 | Total Covered by the Plans | 2,225 | 2,173 | 2.34% |
| 51 | Total Not Covered by the Plans | 210 | 264 | -25.71% |
| 52 | 1/ Obtained from MPC's 2000 FASB 106 Valuation. Assumptions and data are as of December 31, 2000. | | | |
| 53 | 2/ Obtained from MPC's 2001 FASB 106 Valuation. Assumptions and data are as of December 31, 2001. | | | |
| 54 | 3/ First Year, Ultimate, Years to Reach Ultimate. | | | |

OTHER POST EMPLOYMENT BENEFITS (OPEBS)

| | Description | This Year | Last 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 PSC jurisdiction. Actual amounts that will be | | | |
| 52 | expensed, will reflect reductions for amounts billed to others or allocated to Yellowstone National Park. | | | |
| 53 | 5/ Due to the sale of generating assets, there is no longer billing to Colstrip owners from 2000 forward. | | | |
| 54 | 6/ 2000 restatements. | | | |
| 55 | 7/ 2001 Trust funding was made on January 11, 2002. | | | |

| 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 | \$487,981 | \$12,019 <A | | | |
| 2 | Chairman of the Board | | 6,800 <B | | | |
| 3 | and Chief Executive | | 100,000 <C | | | |
| 4 | Officer | | 1,078 <D | | | |
| 5 | | | 2,239 <E | | | |
| 6 | | | 145 <F | | | |
| 7 | | | 780 <G | | | |
| 8 | | | 682 <H | | | |
| 9 | | | | | | |
| 10 | | | | \$611,724 | \$764,340 | -20% |
| 11 | J. D. Haffey | 188,896 | 21,576 <A | | | |
| 12 | Executive Vice President and | | 6,800 <B | | | |
| 13 | Chief Operating Officer | | 80,523 <C | | | |
| 14 | | | 920 <E | | | |
| 15 | | | 380 <F | | | |
| 16 | | | 3,948 <G | | | |
| 17 | | | | | | |
| 18 | | | | 303,043 | 327,701 | -8% |
| 19 | | | | | | |
| 20 | J. P. Pederson | 250,000 | 6,800 <B | | | |
| 21 | Vice Chairman and | | 34,375 <C | | | |
| 22 | Chief Financial Officer | | 617 <E | | | |
| 23 | | | | | | |
| 24 | | | | 291,792 | 359,473 | -19% |
| 25 | | | | | | |
| 26 | | | | | | |
| 27 | D. A. Johnson | 173,935 | 6,800 <B | | | |
| 28 | Vice President, | | 52,729 <C | | | |
| 29 | Distribution Services | | 351 <E | | | |
| 30 | | | 249 <F | | | |
| 31 | | | | 234,064 | 231,201 | 1% |
| 32 | | | | | | |
| 33 | | | | | | |
| 34 | M. E. Zimmerman | 182,231 | 6,800 <B | | | |
| 35 | Vice President and | | 26,013 <C | | | |
| 36 | General Counsel | | 237 <D | | | |
| 37 | | | 1,558 <F | | | |
| 38 | | | 150 <H | | | |
| 39 | | | | \$216,989 | \$242,018 | -10% |
| 40 | W. A. Pascoe | | | | | |
| 41 | Vice President, | | | | | |
| 42 | Transmission Services | | | | | |
| 43 | | | | | | |
| 44 | | | | | | |
| 45 | | | | | | |
| 46 | D. J. Sullivan | | | | | |
| 47 | Chief Information Officer | | | | | |
| 48 | | | | | | |
| 49 | | | | | | |
| 50 | | | | | | |

CONFIDENTIAL INFORMATION
NOT REQUIRED FOR GENERAL DISTRIBUTION

| 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 | P. K. Merrell | CONFIDENTIAL INFORMATION NOT REQUIRED FOR GENERAL DISTRIBUTION | | | | |
| 2 | Vice President, | | | | | |
| 3 | Human Resources | | | | | |
| 4 | M. P. Manion | | | | | |
| 5 | Legal Services | | | | | |
| 6 | | | | | | |
| 7 | | | | | | |
| 8 | E. M. Senechal | | | | | |
| 9 | Treasurer | | | | | |
| 10 | | | | | | |
| 11 | | | | | | |
| 12 | | | | | | |
| 13 | | | | | | |
| 14 | | | | | | |
| 15 | | | | | | |
| 16 | 1/ Salary includes the employees' annual base federally taxable earnings, pretax contributions to the | | | | | |
| 17 | Company's Deferred Savings and Employee Stock Ownership (401(K)) Plan, pretax Section 125 | | | | | |
| 18 | flexible spending account contributions, pretax medical premium contributions, and, in some cases, tax | | | | | |
| 19 | deferred Executive Benefit Restoration Plan contributions. | | | | | |
| 20 | | | | | | |
| 21 | 2/ All Other Compensation for named employees consists of the following: | | | | | |
| 22 | | | | | | |
| 23 | A> Vacation time sold back to the Company. The vacation sellback program is available to all employees. | | | | | |
| 24 | | | | | | |
| 25 | B> The value of the Company's matching contribution of stock (through 10/31/01) and cash (11/1/01 - | | | | | |
| 26 | 12/31/01) made to the employee's account under the Retirement Savings Plan (401(K) plan) | | | | | |
| 27 | sponsored by the Company. | | | | | |
| 28 | | | | | | |
| 29 | C> Incentive Compensation Plan which were earned under the 2000 EVA Bonus Plan. | | | | | |
| 30 | | | | | | |
| 31 | D> Taxable fringe benefit. | | | | | |
| 32 | | | | | | |
| 33 | E> Imputed taxable income on Company-paid life insurance premiums. | | | | | |
| 34 | | | | | | |
| 35 | F> Company-paid physical examinations. | | | | | |
| 36 | | | | | | |
| 37 | G> Personal use of company vehicles. | | | | | |
| 38 | | | | | | |
| 39 | H> Spot cash bonus awards. | | | | | |
| 40 | | | | | | |
| 41 | | | | | | |
| 42 | | | | | | |
| 43 | | | | | | |
| 44 | | | | | | |
| 45 | | | | | | |
| 46 | | | | | | |
| 47 | | | | | | |
| 48 | | | | | | |
| 49 | | | | | | |

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 | \$487,981 | \$12,019 <A | | | |
| 2 | Chairman of the Board | | 6,800 <B | | | |
| 3 | and Chief Executive | | 100,000 <C | | | |
| 4 | Officer | | 1,078 <D | | | |
| 5 | | | 2,239 <E | | | |
| 6 | | | 145 <F | | | |
| 7 | | | 780 <G | | | |
| 8 | | | 682 <H | | | |
| 9 | | | | | | |
| 10 | | | | \$611,724 | \$764,340 | -20% |
| 11 | J. D. Haffey | 188,896 | 21,576 <A | | | |
| 12 | Executive Vice President and | | 6,800 <B | | | |
| 13 | Chief Operating Officer | | 80,523 <C | | | |
| 14 | | | 920 <E | | | |
| 15 | | | 380 <F | | | |
| 16 | | | 3,948 <G | | | |
| 17 | | | | | | |
| 18 | | | | | | |
| 19 | | | | 303,043 | 327,701 | -8% |
| 20 | J. P. Pederson | 250,000 | 6,800 <B | | | |
| 21 | Vice Chairman and | | 34,375 <C | | | |
| 22 | Chief Financial Officer | | 617 <E | | | |
| 23 | | | | | | |
| 24 | | | | | | |
| 25 | | | | | | |
| 26 | | | | 291,792 | 359,473 | -19% |
| 27 | D. A. Johnson | 173,935 | 6,800 <B | | | |
| 28 | Vice President, | | 52,729 <C | | | |
| 29 | Distribution Services | | 351 <E | | | |
| 30 | | | 249 <F | | | |
| 31 | | | | | | |
| 32 | | | | | | |
| 33 | | | | 234,064 | 231,201 | 1% |
| 34 | M. E. Zimmerman | 182,231 | 6,800 <B | | | |
| 35 | Vice President and | | 26,013 <C | | | |
| 36 | General Counsel | | 237 <D | | | |
| 37 | | | 1,558 <F | | | |
| 38 | | | 150 <H | | | |
| 39 | | | | | | |
| 40 | | | | \$216,989 | \$242,018 | -10% |
| 41 | 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. | | | | | |
| 42 | | | | | | |
| 43 | | | | | | |
| 44 | | | | | | |
| 45 | 2/ All Other Compensation for named employees consists of the following: | | | | | |
| 46 | | | | | | |
| 47 | A> Vacation time sold back to the Company. The vacation sellback program is available to all employees. | | | | | |
| 48 | | | | | | |
| 49 | B> The value of the Company's matching contribution of stock (through 10/31/01) and cash (11/1/01 - 12/31/01) made to the employee's account under the Retirement Savings Plan (401(K) plan) sponsored by the Company. | | | | | |
| 50 | | | | | | |
| 51 | | | | | | |
| 52 | | | | | | |
| 53 | C> Incentive Compensation Plan which were earned under the 2000 EVA Bonus Plan. | | | | | |
| 54 | | | | | | |
| 55 | D> Taxable fringe benefit. | | | | | |
| 56 | | | | | | |
| 57 | E> Imputed taxable income on Company-paid life insurance premiums. | | | | | |
| 58 | | | | | | |
| 59 | F> Company-paid physical examinations. | | | | | |
| 60 | | | | | | |
| 61 | G> Personal use of company vehicles. | | | | | |
| 62 | | | | | | |
| 63 | H> Spot cash bonus awards. | | | | | |

BALANCE SHEET 1/

| | Account Title | This Year | Last Year | % Change |
|----|---|------------------------|------------------------|----------------|
| 1 | Assets and Other Debits | | | |
| 2 | Utility Plant | | | |
| 3 | 101 Plant in Service 2/ | \$1,545,871,892 | \$1,221,842,478 | 26.52% |
| 4 | 105 Plant Held for Future Use | 8,984 | 8,984 | 0.00% |
| 5 | 107 Construction Work in Progress | 10,447,595 | 1,805,954 | 478.51% |
| 6 | 108 Accumulated Depreciation Reserve | (539,286,806) | (493,655,655) | -9.24% |
| 7 | 111 Accumulated Amortization & Depletion Reserves | (12,169,750) | (9,683,037) | -25.68% |
| 8 | 114 Electric Plant Acquisition Adjustments | 3,106,285 | 3,106,285 | 0.00% |
| 9 | 115 Accumulated Amortization-Electric Plant Acq. Adj. | (2,346,971) | (2,252,057) | -4.21% |
| 10 | 117 Gas Stored Underground-Noncurrent | 42,397,528 | 40,710,265 | 4.14% |
| 11 | Total Utility Plant | 1,048,028,757 | 761,883,217 | 37.56% |
| 12 | Other Property and Investments | | | |
| 13 | 121 Nonutility Property | 2,061,961 | 2,780,825 | -25.85% |
| 14 | 122 Accumulated Depr. & Amort.-Nonutility Property | (87,849) | (69,747) | -25.95% |
| 15 | 123.1 Investments in Subsidiary Companies | 807,438,353 | 759,190,205 | 6.36% |
| 16 | 123 Investments in Colstrip Unit 4 & YNP | 44,835,353 | 46,158,027 | -2.87% |
| 17 | 124 Other Investments | 21,447,804 | 21,162,587 | 1.35% |
| 18 | 128 Miscellaneous Special Funds | 1,429,900 | 1,393,095 | 2.64% |
| 19 | Total Other Property & Investments | 877,125,522 | 830,614,992 | 5.60% |
| 20 | Current and Accrued Assets | | | |
| 21 | 131 Cash | (3,630,377) | (4,330,121) | 16.16% |
| 22 | 135 Working Funds | 52,365 | 89,047 | -41.19% |
| 23 | 136 Temporary Cash Investments | 7,000,000 | - | |
| 24 | 141 Notes Receivable | 181,476 | 254,123 | -28.59% |
| 25 | 142 Customer Accounts Receivable | 43,310,904 | 75,778,151 | -42.85% |
| 26 | 143 Other Accounts Receivable | 5,093,295 | 22,238,445 | -77.10% |
| 27 | 144 Accumulated Provision for Uncollectible Accounts | (1,223,900) | (1,163,900) | -5.16% |
| 28 | 145 Notes Receivable-Associated Companies | - | 60,980,872 | -100.00% |
| 29 | 146 Accounts Receivable-Associated Companies | 34,656,551 | 125,321,575 | -72.35% |
| 30 | 151 Fuel Stock | - | 151,070 | -100.00% |
| 31 | 154 Plant Materials and Operating Supplies | 9,111,610 | 10,238,825 | -11.01% |
| 32 | 165 Prepayments | 16,272,659 | 11,574,145 | 40.59% |
| 33 | 171 Interest and Dividends Receivable | 12,114 | 2,380,228 | -99.49% |
| 34 | 172 Rents Receivable | 97,443 | 266,113 | -63.38% |
| 35 | 173 Accrued Utility Revenues | 22,696,131 | 27,744,975 | -18.20% |
| 36 | 174 Miscellaneous Current & Accrued Assets | 127,893 | 64,019 | 99.77% |
| 36 | Total Current & Accrued Assets | 133,758,164 | 331,587,567 | -59.66% |
| 37 | Deferred Debits | | | |
| 38 | 181 Unamortized Debt Expense | 3,763,307 | 3,353,218 | 12.23% |
| 39 | 182 Regulatory Assets | 209,378,179 | 206,288,584 | 1.50% |
| 40 | 183 Preliminary Survey and Investigation Charges | 625,340 | 625,340 | 0.00% |
| 41 | 184 Clearing Accounts | (78) | (27,020) | 99.71% |
| 42 | 185 Temporary Facilities | 78 | (12,238) | 100.63% |
| 43 | 186 Miscellaneous Deferred Debits | 37,476,788 | 14,500,996 | 158.44% |
| 44 | 189 Unamortized Loss on Reacquired Debt | 3,607,678 | 3,914,566 | -7.84% |
| 45 | 190 Accumulated Deferred Income Taxes | 175,932,149 | 170,007,486 | 3.48% |
| 46 | 191 Unrecovered Purchased Gas Costs | (6,659,440) | 14,414,108 | -146.20% |
| 47 | Total Deferred Debits | 424,124,001 | 413,065,040 | 2.68% |
| 48 | TOTAL ASSETS and OTHER DEBITS | \$2,483,036,444 | \$2,337,150,816 | 6.24% |

| Sch. 18 cont. | | BALANCE SHEET 1/ | | |
|---------------|---|------------------|-----------------|----------|
| | Account Title | This Year | Last Year | % Change |
| 1 | Liabilities and Other Credits | | | |
| 2 | Proprietary Capital | | | |
| 3 | 201 Common Stock Issued | \$706,100,642 | \$705,656,783 | 0.06% |
| 4 | 204 Preferred Stock Issued | 58,063,500 | 58,063,500 | 0.00% |
| 5 | 207 Premium on capital stock | - | - | |
| 6 | 211 Miscellaneous Paid-In Capital | 2,347,399 | 2,391,602 | -1.85% |
| 7 | 213 Discount on Capital Stock | (815,700) | (815,700) | 0.00% |
| 8 | 214 Capital Stock Expense | (93,888) | (93,889) | 0.00% |
| 9 | 215 Appropriated Retained Earnings | 6,238,312 | 6,238,312 | 0.00% |
| 10 | 216 Unappropriated Retained Earnings | 610,411,500 | 595,587,557 | 2.49% |
| 11 | 217 Reacquired capital stock | (205,656,384) | (205,656,384) | 0.00% |
| 12 | Total Proprietary Capital | 1,176,595,381 | 1,161,371,781 | 1.31% |
| 13 | Long Term Debt | | | |
| 14 | 221 Bonds | 327,402,000 | 177,402,000 | 84.55% |
| 15 | 224 Other Long Term Debt | 145,666,000 | 209,197,000 | -30.37% |
| 16 | 226 Unamortized Discount on Long Term Debt-Debit | (3,210,502) | (2,443,514) | -31.39% |
| 17 | Total Long Term Debt | 469,857,498 | 384,155,486 | 22.31% |
| 18 | Other Noncurrent Liabilities | | | |
| 19 | 227 Obligations Under Capital Leases-Noncurrent | - | 4,166 | -100.00% |
| 20 | 228.1 Accumulated Provision for Property Insurance | 410,424 | 939,516 | -56.32% |
| 21 | 228.2 Accumulated Provision for Injuries and Damages | 3,314,632 | 2,790,548 | 18.78% |
| 22 | 228.3 Accumulated Provision for Pensions and Benefits | 8,169,359 | 6,736,462 | 21.27% |
| 23 | 228.4 Accumulated Miscellaneous Operating Provisions | 5,155,912 | 7,350,000 | -29.85% |
| 24 | Total Other Noncurrent Liabilities | 17,050,327 | 17,820,692 | -4.32% |
| 25 | Current and Accrued Liabilities | | | |
| 25 | 231 Notes Payable | - | 75,000,000 | -100.00% |
| 26 | 232 Accounts Payable | 23,509,160 | 70,843,169 | -66.82% |
| 27 | 233 Notes Payable to Associated Companies | 24,810,881 | 49,372,117 | -49.75% |
| 28 | 234 Accounts Payable to Associated Companies | 75,088,194 | 157,968,250 | -52.47% |
| 29 | 235 Customer Deposits | 1,398,414 | 849,654 | 64.59% |
| 30 | 236 Taxes Accrued | (623,365) | 27,568,964 | -102.26% |
| 31 | 237 Interest Accrued | 6,572,178 | 4,821,957 | 36.30% |
| 32 | 238 Dividends Declared | 776,264 | 1,456,066 | -46.69% |
| 33 | 241 Tax Collections Payable | (142,569) | (304,174) | 53.13% |
| 34 | 242 Miscellaneous Current and Accrued Liabilities | 31,537,543 | 30,465,232 | 3.52% |
| 35 | 243 Obligations Under Capital Leases-Current | 10,962 | 22,542 | -51.37% |
| 36 | Total Current and Accrued Liabilities | 162,937,662 | 418,063,777 | -61.03% |
| 37 | Deferred Credits | | | |
| 38 | 252 Customer Advances for Construction | 21,030,639 | 20,944,582 | 0.41% |
| 39 | 253 Other Deferred Credits | 58,246,304 | 6,685,685 | 771.21% |
| 40 | 254 Regulatory Liabilities | 329,414,254 | 60,280,578 | 446.47% |
| 41 | 255 Accumulated Deferred Investment Tax Credits | 12,718,195 | 13,162,867 | -3.38% |
| 42 | 257 Unamortized Gain on Reacquired Debt | 13,149 | 22,360 | -41.20% |
| 43 | 281-283 Accumulated Deferred Income Taxes | 235,173,035 | 254,643,008 | -7.65% |
| 44 | Total Deferred Credits | 656,595,576 | 355,739,080 | 84.57% |
| 45 | TOTAL LIABILITIES and OTHER CREDITS | \$2,483,036,444 | \$2,337,150,816 | 6.24% |
| 46 | 1/ Includes CMP and Montana Power Capital I; excludes Colstrip Unit 4 and Yellowstone National Park. | | | |
| 47 | | | | |
| 48 | 2/ The 2000 plant in service balance included a credit amount of approximately \$249,000,000 in account | | | |
| 49 | 102. This represented the excess of proceeds over the book value of electric generating assets sold | | | |
| 50 | in 1999. This credit was moved to regulatory liabilities in 2001 in accordance with a FERC | | | |
| 49 | order in Docket No. AC00-70-000. | | | |

Annual Report of NorthWestern Energy, L.L.C.
to the Montana Public Service Commission
Notes to the Financial Statements

NOTES TO THE FINANCIAL STATEMENTS

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

□ BASIS OF ACCOUNTING

Our accounting policies conform to generally accepted accounting principles. With respect to our utility operations, these policies are in accordance with the accounting requirements and ratemaking practices of applicable regulatory authorities.

□ USE OF ESTIMATES

Preparing financial statements requires the use of estimates based on available information. Actual results may differ from our accounting estimates as new events occur or we obtain additional information.

□ 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 (SFAS) No. 94, "Consolidation of All Majority-Owned Subsidiaries. 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.

□ CASH AND CASH EQUIVALENTS AND TEMPORARY CASH INVESTMENTS

We consider all liquid investments with original maturities of three months or less to be cash equivalents, and investments with original maturities over three months and up to one year as temporary investments. All temporary investments at December 31, 2001, had original maturities of three months or less.

Annual Report of NorthWestern Energy, L.L.C.
to the Montana Public Service Commission
Notes to the Financial Statements

□ PROPERTY, PLANT, AND EQUIPMENT

The following table provides year-end balances of the major classifications of our property, plant, and equipment, which we record at cost:

| | December 31, | |
|--|------------------------|--------------|
| | 2001 | 2000 |
| | (Thousands of Dollars) | |
| <u>UTILITY PLANT:</u> | | |
| Electric: | | |
| Generation (including our share of jointly owned) | \$ 9,488 | \$ (238,431) |
| Transmission | 397,219 | 395,218 |
| Distribution | 623,054 | 597,871 |
| Other | 125,305 | 91,163 |
| Natural Gas: | | |
| Storage | 72,617 | 71,659 |
| Transmission | 173,750 | 167,416 |
| Distribution | 154,450 | 151,039 |
| Other | 45,949 | 31,539 |
| Total plant | \$1,601,832 | \$1,267,474 |

We capitalize the cost of plant additions and replacements, including an allowance for funds used during construction (AFUDC) of utility plant. We determine the rate used to compute AFUDC in accordance with a formula established by FERC. This rate averaged 6.1 percent for 2001 and 8.6 percent for 2000.

We charge costs of utility depreciable units of property retired, plus costs of removal less salvage, to accumulated depreciation and recognize no gain or loss. We charge maintenance and repairs of plant and property, as well as replacements and renewals of items determined to be less than established units of plant, to operating expenses.

Included in the plant classifications are utility plant under construction in the amounts of \$10,448,000 and \$1,806,000 for 2001 and 2000, respectively.

We record provisions for depreciation at amounts substantially equivalent to calculations made on a straight-line method by applying various rates based on useful lives of properties determined from engineering studies. As a percentage of the depreciable utility plant at the beginning of the year, our provision for depreciation of utility plant was approximately 3.4 percent for 2001 and 3.5 percent for 2000.

□ REVENUE AND EXPENSE RECOGNITION

We record operating revenues monthly on the basis of consumption or services rendered. To match revenues with associated expenses, we accrue unbilled revenues for electric and natural gas services delivered to customers but not yet billed at month-end.

The Emerging Issues Task Force (EITF) Issue No. 98-10 requires that energy contracts entered into under "trading activities" be marked to market with the gains or losses shown net in the income statement. EITF 98-10 became effective for fiscal years beginning after December 15, 1998. We adopted

Annual Report of NorthWestern Energy, L.L.C.
to the Montana Public Service Commission
Notes to the Financial Statements

EITF 98-10 as of January 1, 1999, and accordingly mark to market energy contracts that qualify as "trading activities." The cumulative effect of adopting EITF 98-10 had no material effect on our financial position, results of operations, or cash flows.

□ REGULATORY ASSETS AND LIABILITIES

For our regulated operations, we follow 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 and liabilities we have recorded are discussed below.

Regulatory assets and liabilities related to electric supply were included in our filing with the Montana Public Service Commission (PSC) to address stranded costs. These amounts offset the gain realized on the sale of the electric generating assets in the determination of net stranded costs. Amortization of these items stopped in February 2000 when they were removed from rates. The electric supply related regulatory assets and liabilities were removed from the balance sheet in February of 2002 as a result of the PSC order in our Tier II rate filing. For further information on the effects of the sale of our electric generating assets and our Tier II filing, see Note 2, "Deregulation, Regulatory Matters, and 1999 Sale of Electric Generating Assets."

In Docket No. AC00-70-000, FERC allowed us to move the net proceeds from the electric generating asset sale from account 102, "Electric Plant Purchased or Sold," to account 254, "Other Regulatory Liabilities." This transfer was done in February 2001 and at December 31, 2001 the liability balance was \$257,519,000.

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 that we recognize a regulatory asset for taxes accrued but not yet recovered in rates. That regulatory asset was \$61,375,000 and \$88,822,000 as of December 31, 2001 and 2000, respectively.

In August 1985, the Montana Public Service Commission (PSC) issued an order allowing us to recover deferred carrying charges and depreciation expenses over the remaining life of Colstrip Unit 3. These recoveries compensated us for unrecovered costs of our investment for the period from January 10, 1984, to August 29, 1985, when we placed the plant in service. We were amortizing this asset to expense, and recovering in rates, \$1,831,000 per year. At December 31, 2001 and 2000, the unamortized amount was \$38,337,000.

We also include costs related to our Demand Side Management (DSM) programs in other regulatory assets. This amount was \$27,956,000 for both 2001 and 2000. These costs were in rate base and we were amortizing them to income over a 10-year period.

We recorded a regulatory liability of \$32,549,000 in connection with the sale of our unregulated oil and natural gas operations on October 31, 2000. The liability represents the portion of the proceeds from the sale attributable to properties previously in the natural gas utility's rate base. Based on gas

Annual Report of NorthWestern Energy, L.L.C.
to the Montana Public Service Commission
Notes to the Financial Statements

stipulation agreements addressing the removal of natural gas production properties from regulation, we had agreed to share this amount with our natural gas utility ratepayers and are amortizing this amount over a one-year period beginning in February 2001. In September 2001, after all testimony addressing the amount of sharing had been filed with the PSC, we reached an agreement with intervening parties to increase the amount of the credit to approximately \$56,300,000. This \$23,751,000 increase, along with approximately \$5,540,000 in interest from the date of sale, was added to the liability and will be credited to customers' bills over a two-year period beginning in January 2002. At December 31, 2001 and 2000, the balance in this account was \$33,426,000 and \$32,549,000, respectively.

Certain other amounts represent items that we are amortizing currently or are subject to future regulatory confirmation.

Changes in regulation or changes in the competitive environment could result in our not meeting the criteria of SFAS No. 71. If we were to discontinue application of SFAS No. 71 for some or all of our regulated operations, we would have to eliminate the related regulatory assets and liabilities from the balance sheet. We would include the associated expenses and credits in income in the period when the discontinuation occurred, unless recovery of those costs was provided through rates charged to those customers in portions of the business that were to remain regulated.

□ STORM DAMAGE AND ENVIRONMENTAL REMEDIATION COSTS

When losses from costs of storm damage and environmental remediation obligations for our utility operations are probable and reasonably estimable, we charge these costs against established, approved operating reserves.

□ INCOME TAXES

We defer income taxes to provide for the temporary differences between the financial reporting basis and the tax basis of our assets and liabilities. For further information on income taxes, see "Regulatory Assets and Liabilities" mentioned above and Note 3, "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," we periodically review long-lived assets for impairment whenever events or changes in circumstances indicate that we may not recover the carrying amount of an asset.

□ COMPREHENSIVE INCOME

Comprehensive income consists of net income (loss) and other comprehensive income (loss). For the years ended December 31, 2001 and 2000, other comprehensive loss consisted of marked to market adjustments related to derivative financial instruments, loss on a benefit restoration plan, and foreign currency translation adjustments of the assets and liabilities of Canadian-Montana Pipe Line Corporation (CMP). These amounted to a decrease to retained earnings of approximately \$410,000 and \$1,695,000, respectively.

The accumulated balance of other comprehensive income (loss) at December 31, 2001 and 2000, was \$2,086,000 and \$1,676,000, respectively.

Annual Report of NorthWestern Energy, L.L.C.
to the Montana Public Service Commission
Notes to the Financial Statements

□ DERIVATIVE FINANCIAL INSTRUMENTS

Electric Swap Agreements

Long-term power supply agreements, primarily one with a large industrial customer, exposed us to commodity price risk. We were exposed to this risk to the extent that a portion of the electric energy we were required to sell to our industrial customers at fixed rates was purchased at prices indexed to a wholesale electric market, which can be higher than the fixed sales rate that we received pursuant to our power supply agreements. We mitigated our exposure to losses on these agreements with financial derivative instruments called "price swaps" and offsetting electric energy purchase and sales agreements.

Since June 1998, we have had a price swap agreement with one of our industrial customers that converts 43 MWh of the Mid-Columbia (Mid-C) index price of our supply agreement with that customer to a fixed price through May 2001. In fiscal year 2000, we also entered into another price swap with a counterparty that effectively hedged 35 MWh of the anticipated market-based purchases to supply that agreement through March 2001.

Prior to fiscal year 2001, in accordance with the provisions of SFAS No. 80, "Accounting for Futures Contracts," we recognized gains and losses from the financial swaps in the same period in which we recognized the sales and related purchases under that agreement. For fiscal year 2000, we recognized a net gain of approximately \$16,000,000 from these financial swaps and losses of approximately \$32,200,000 from supplying large industrial customers. For more specific information about the commodity price risk that we face as a result of our long-term power supply agreements, see Note 10, "Contingencies," in the "Long-Term Power Supply Agreements" section.

An estimate of the fair market value of the swaps based on the Mid-C forward prices as of December 29, 2000 aggregated a gain of approximately \$21,800,000 as of December 31, 2000, which would offset approximately 40 percent of the expected losses on the above power supply agreements.

Effective January 1, 2001, we adopted SFAS No. 133, "Accounting for Derivative Instruments and Hedging Activities," as amended by SFAS No. 138, "Accounting for Certain Derivative Transactions and Hedging Activities." These pronouncements expand the definition of a derivative and require that all derivative instruments be recorded as assets or liabilities on an entity's balance sheet at fair value. Accounting for gains and losses resulting from changes in the fair value of those derivatives is dependent on the use of the derivative and whether it qualifies for hedge accounting.

At January 1, 2001, we had price swap agreements that hedged our exposure to variability in expected cash flows attributable to commodity price risk. Specifically, long-term power supply agreements, primarily one with a large industrial customer, expose us to that risk, to the extent that a portion of the electric energy we are required to sell to our industrial customers at fixed rates is purchased at prices indexed to the Mid-Columbia (Mid-C) wholesale electric market, which can be higher than the fixed sales rates. Another agreement to sell 1,760,000 dekatherms of natural gas storage at a monthly price based on the Alberta Energy Company "C" Hub (AECO-C) index, from October 2000 to March 2001, exposed us to adverse fluctuation in that market price index. In accordance with the provisions of SFAS No. 133, we marked to market at January 1, 2001 our price swap agreements hedging these

Annual Report of NorthWestern Energy, L.L.C.
to the Montana Public Service Commission
Notes to the Financial Statements

forecasted electric energy and natural gas sales, with a corresponding credit entry to "Other comprehensive income" for approximately \$11,300,000 after income taxes. That entry represented our cumulative transition adjustment in adopting SFAS No. 133, and is reflected in the Combined Statement of Other Equity in 2001.

For the first seven months of 2001, we were exposed to commodity price risk because a portion of the electric energy we were required to sell at fixed rates to industrial customers was purchased at prices indexed to a wholesale electric market, which could be and was higher than the fixed sales rate. We used derivative financial instruments called "price swaps" and offsetting electric energy purchase and sales agreements to hedge our exposure to losses on these power supply agreements with large industrial customers.

For the year ended December 31, 2001, the electric energy sales resulted in an after-tax loss of \$25,300,000, and the price swaps hedging those sales in an after-tax gain of approximately \$7,200,000. At December 31, 2001, we did not have agreements to purchase electric energy for sales to industrial customers or power marketers, nor did we have financial derivative agreements to hedge such transactions.

Natural Gas Utility Swaps

By drilling wells and adding compression at our Cobb storage reservoir, we were able to sell natural gas that had been held in reserve to provide firm storage deliverability to our customers. We therefore contracted to sell, from October 2000 through March 2001, 1,760,000 dekatherms from that reservoir at a monthly price based on the Alberta Energy Company "C" Hub (AECO-C) index. To reduce our exposure to fluctuations of the market index price, we entered into a swap agreement with a counterparty that effectively converted that index price to a fixed price for 903,000 dekatherms associated with these sales from December 2000 through February 2001.

For December 2000, we recognized a loss of approximately \$300,000 on the swap and a profit of approximately \$1,200,000 on the sale of the Cobb storage natural gas. Based on the AECO-C forward prices at December 29, 2000, we estimated a loss of approximately \$3,000,000 on the swap to offset profits of \$4,900,000 on the sale through February 2001. We deferred the net profit of these transactions in accordance with SFAS No. 71, "Accounting for the Effects of Certain Types of Regulation," and will recognize this amount in income as amounts are reflected in rates.

□ FAIR VALUE OF FINANCIAL INSTRUMENTS

| | 2001 | | 2000 | |
|------------------------|--------------------|---------------|--------------------|---------------|
| | Carrying Amount | Fair Value | Carrying Amount | Fair Value |
| (Thousands of Dollars) | | | | |
| ASSETS: | | | | |
| Investments | \$ 21,448 | \$ 21,448 | \$ 21,127 | \$ 21,127 |
| LIABILITIES: | | | | |
| Long-term debt | \$ 469,857 | \$ 458,861 | \$ 384,155 | \$ 381,654 |

Annual Report of NorthWestern Energy, L.L.C.
to the Montana Public Service Commission
Notes to the Financial Statements

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

- Investments - The carrying value of most of the investments approximates fair value as they have short maturities or the carrying value equals their cash surrender value. The investments consist mainly of the cash value of insurance policies associated with an unfunded, nonqualified benefit plan for senior management, executives, and directors.
- 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 - DEREGULATION, REGULATORY MATTERS, AND 1999 SALE OF ELECTRIC GENERATING ASSETS

□ DEREGULATION

The electric and natural gas utility businesses in Montana are transitioning to a competitive market in which commodity energy products and related services are sold directly to wholesale and retail customers.

Electric

Montana's Electric Utility Industry Restructuring and Customer Choice Act (Electric Act), passed in 1997, provides that all customers will be able to choose their electric supplier by July 1, 2002, with our electric utility acting as default supplier through the transition period. As default supplier, we are obligated to continue to supply electric energy to customers in our service territory who have not chosen, or have not had an opportunity to choose, other power suppliers during the transition period. This obligation requires us to develop an energy supply portfolio to meet these customers' electric needs. Buyback contracts with PPL Montana, LLC (PPL Montana), the purchaser of our former electric generating assets, allow us to purchase power necessary to serve these customers through the transition period ending June 30, 2002.

In its 2001 session, the Montana Legislature passed House Bill 474 (HB 474), which extends the transition period through June 30, 2007. This law also provides for the use of a cost-recovery mechanism that ensures all prudently incurred electric energy supply costs of the default supplier are fully recoverable in rates. Initiative 117, which if passed would repeal HB 474, has been approved for inclusion on the November 2002 ballot in Montana. In the event that HB 474 is repealed, Montana Law would continue the transition period through at least June 30, 2007, and provide full cost recovery.

On October 29, 2001, Montana Power filed with the PSC the default supply portfolio, containing a mix of long and short-term contracts that were negotiated in order to provide electricity to default supply customers. This filing seeks approval of the default supply portfolio contracts and establishment of default supply rates for customers who have not chosen alternative suppliers by July 1, 2002. We expect that the costs of the supply portfolio and a competitive transition charge for out-of-market QF costs, as discussed below, will increase residential electric rates by approximately 20 percent beginning July 1, 2002. As discussed below, this

Annual Report of NorthWestern Energy, L.L.C.
to the Montana Public Service Commission
Notes to the Financial Statements

will be offset for one year by a credit that reduces the increase to 12.8 percent. If the PSC does not approve the default supply portfolio, we may be required to seek alternative sources of supply. While we believe that we have met our default supply obligations prudently, the PSC could also disallow the recovery of costs incurred in entering into the default supply portfolio if a determination is made that the contracts were not entered into prudently.

On that same day, Montana Power submitted an updated Tier II filing with the PSC, addressing the recovery of transition costs of generation assets and other power-purchase contracts, generation-related regulatory asset transition costs, and transition costs associated with the out-of-market QF power-purchase contract costs. Previously, Montana Power initiated litigation in Montana District Court in Butte to address the ability to use tracking mechanisms to ensure fair and accurate recovery of these costs. Although the District Court ruled that the PSC must allow tracking mechanisms in the transition plan proposal, the Montana Supreme Court reversed this decision on appeal by the PSC and the Large Customer Group, which consists of various large industrial customers. Together with NorthWestern, the Montana Consumer Counsel, Commercial Energy and the Large Customer Group, on December 28, 2001, Montana Power submitted to the PSC an agreed upon stipulation settling the transition cost recovery in the Tier II filing and approving the sale to NorthWestern. The stipulation calls for Montana Power, through Touch America, and NorthWestern to establish a \$30,000,000 account that will be used to provide a credit for our electric distribution customers. The credit will be provided over a one year period to customers on a per kilowatt-hour (Kwh) basis beginning on July 1, 2002, when our current below market energy supply contract expires. The credit will reduce a projected 20 percent increase in electric rates at that time to about 12.8 percent for the next 12 months. The stipulation also states that customers shall have no obligation to pay any transition costs accrued under or relating to the accounting orders issued by the PSC. These accrued transition costs through December 31, 2001, amount to \$23,000,000. Another portion of the stipulation establishes the net present value (NPV) of out-of-market QF transition costs at \$244,711,065, a reduction of \$60,000,000, from the NPV presented in our October 29, 2001 filing. The effects of the stipulation were contingent upon the approval of the PSC and the consummation of the sale. On January 31, 2002, the PSC unanimously approved the stipulation.

Natural Gas

Montana's Natural Gas Utility Restructuring and Customer Choice Act, also passed in 1997, provides that a natural gas utility may voluntarily offer its customers choice of natural gas suppliers and provide open access. We have opened access on our gas transmission and distribution systems, and all of our natural gas customers have the opportunity of gas supply choice.

□ REGULATORY MATTERS

The PSC regulates our transmission and distribution services and approves the rates that we charge for these services, while FERC regulates our transmission services and our remaining generation operations. Current regulatory issues are discussed below.

Annual Report of NorthWestern Energy, L.L.C.
to the Montana Public Service Commission
Notes to the Financial Statements

Sale of the Utility Business

Together with NorthWestern, Montana Power filed joint applications with FERC on December 20, 2000, and with the PSC on January 11, 2001, seeking approval of the sale of the utility business formerly held by Montana Power to NorthWestern. FERC issued its approval on February 20, 2001. The PSC issued an order in June 2001 denying the joint application, claiming that insufficient information had been provided for it to fully evaluate whether the transaction is in the public interest. The PSC itemized additional information that must be provided before processing of the case could continue. Montana Power re-filed the joint application with the PSC in August 2001 and the PSC established a procedural schedule setting January 31, 2002 as the date for issuance of an order. As discussed above, together with NorthWestern, the Montana Consumer Counsel, Commercial Energy, and the Large Customer Group, on December 28, 2001, Montana Power submitted to the PSC an agreed-upon stipulation relating to the Tier II filing and the approval of the sale to NorthWestern Corporation. On January 31, 2002, the PSC unanimously approved the stipulation. The stipulation and the following PSC Order recognized that NorthWestern sufficiently demonstrated its capability to assume responsibility for the utility operations and will continue to be fit, willing and able provider of adequate service and facilities at just and reasonable rates. The utility business was sold to NorthWestern on February 15, 2002. For accounting convenience, due to the burden of a mid-month closing, both parties agreed to an effective date for the sale as of the opening of business on February 1, 2002.

Pending Transmission Asset Sale

In accordance with our Asset Purchase Agreement with PPL Montana, we expect to sell our portion of the 500-kilovolt transmission system associated with Colstrip Units 1, 2, and 3 for \$97,100,000, subject to the receipt of required regulatory approvals. We expect this transaction to close in 2002.

PSC

Electric Rates

In August 2000, Montana Power filed a combined request for increased electric and natural gas rates with the PSC, requesting increased annual electric transmission and distribution revenues of approximately \$38,500,000, with a proposed interim annual increase of approximately \$24,900,000. On November 28, 2000, the PSC granted Montana Power an interim electric rate increase of approximately \$14,500,000, with hearings on this submission beginning in January 2001. On May 8, 2001, Montana Power received a final order from the PSC resulting in an annual delivery service revenue adjustment of \$16,000,000, including the \$14,500,000 interim increase granted on November 28, 2000.

On June 27, 2001, the PSC issued an order stating that they continue to have jurisdiction over the utility business as a fully integrated public utility, in spite of the December 17, 1999 sale of our electric generating facilities. The order requires that, if we desire a power supply rate change at the end of the rate moratorium on July 1, 2002, we must make a filing containing information that supports what rates would be if the regulatory system in place prior to deregulation remained intact. Montana Power filed a motion for reconsideration with the PSC, which was subsequently denied. Montana Power has since filed a complaint against the PSC in Montana State District Court

Annual Report of NorthWestern Energy, L.L.C.
to the Montana Public Service Commission
Notes to the Financial Statements

in Helena, disputing this order. We cannot predict the ultimate outcome of this matter or its potential effect on our financial position or results of operation.

Natural Gas Rates

As discussed above, in August 2000, Montana Power filed a combined request for increased natural gas and electric rates with the PSC. Montana Power requested increased annual natural gas revenues of approximately \$12,000,000, with a proposed interim annual increase of approximately \$6,000,000. On November 28, 2000, the PSC granted Montana Power an interim natural gas rate increase of approximately \$5,300,000. On May 8, 2001, Montana Power received a final order from the PSC resulting in an annual delivery and gas storage service revenue increase of \$4,300,000. Because the amount established in the final order was less than the interim order, Montana Power began including a credit for the difference collected from November 2000 through May 2001, with interest, in customers' bills over a six-month period starting October 1, 2001.

In January 2001, Montana Power submitted to the PSC an Annual Gas Cost Tracker requesting an increase of approximately \$51,000,000. At that time, Montana Power also submitted a Compliance Filing for a credit of approximately \$32,500,000 associated with a sharing of the proceeds from the sale of gathering and production properties previously included in the natural gas utility's rate base. As a result, effective February 1, 2001, Montana Power began collecting a net amount of approximately \$18,500,000 in revenues over a one-year period. In September 2001, after all testimony addressing the amount of sharing had been filed with the PSC, Montana Power reached an agreement with intervening parties to increase the amount of the credit to approximately \$56,300,000. This \$23,800,000 increase, along with approximately \$5,300,000 in interest from the date of sale, was charged to expense during 2001 and will be credited to customers' bills over a two-year period beginning January 1, 2002.

On December 7, 2001, Montana Power filed our Annual Gas Cost Tracker request with the PSC for the tracking year beginning November 1, 2001.

FERC

Through a filing with FERC in April 2000, we are seeking recovery of transition costs associated with serving two wholesale electric cooperatives. A FERC decision on this filing, which corresponds with our transition-costs recovery proceedings with the PSC in Montana, has been on hold pending a PSC Tier II order. On January 31, 2002, the Montana PSC approved a stipulation settling transition cost recovery for retail customers in Montana. Discussions with the wholesale electric cooperatives involved in the FERC filing are expected to resume in the near future.

Annual Report of NorthWestern Energy, L.L.C.
to the Montana Public Service Commission
Notes to the Financial Statements

□ 1999 SALE OF ELECTRIC GENERATING ASSETS

Assets Sold

On December 17, 1999, in accordance with the Asset Purchase Agreement entered into with PPL Montana, Montana Power sold substantially all of our electric generating assets and related contracts. Montana Power also sold an immaterial amount of associated transmission assets, totaling less than 40 miles. The asset sale did not include the Milltown Dam near Missoula, Montana (gross capacity of approximately 3 MWS) or any of our QF purchase-power contracts. It also did not include our leased share of the Colstrip Unit 4 generation or transmission assets.

As expected, the sale of our electric generating assets in December 1999 reduced the utility's net income for 2000. Utility revenues decreased because of discontinued off-system revenues that related to the electric generating assets sold. In addition, we no longer earn a return on our shareholders' investment in the electric generating assets. Before the sale, revenues covered the costs of operating the generating plants, taxes and interest, and earned a return on our shareholders' investment. Since the sale, we continue to bill our core customers for energy supply, but now these revenues recover the costs of the power that we purchase to serve these customers. The energy that we formerly generated and sold to core customers is now purchased pursuant to buyback contracts. The maximum price that we pay for power in the buyback contracts, \$22.25/MWh, represents our net fully allocated supply costs of service in current rates, replacing operations and maintenance expense, property tax expense, depreciation expense, and return on investment associated with the electric generating assets.

In the sale of these assets, Montana Power generally retained all pre-closing obligations, and the purchaser generally assumed all post-closing obligations. However, with respect to environmental liabilities, the purchaser assumed all pre-closing (with certain limited exceptions) and post-closing environmental liabilities associated with the purchased assets.

While the purchaser assumed pre-closing environmental liabilities, Montana Power agreed to indemnify the purchaser from these pre-closing environmental liabilities, including a limited indemnity obligation for losses arising from required remediation of pre-closing environmental conditions, whether known or unknown at the closing, limited to:

- 50 percent of the loss. (Our share of this indemnity obligation at the Colstrip Project is limited to our pro-rata share of this 50 percent based on our pre-sale ownership share.)
- A two-year period after closing for unknown conditions. The indemnity for required remediation of pre-closing conditions known at the time of the closing continues indefinitely.
- An aggregate amount no greater than 10 percent of the purchase price paid for the assets.

Montana Power has received claim notices related to this indemnity obligation. Based on available information, we do not expect this indemnity claim on the indemnity obligation to have a material adverse effect on our combined financial position, results of operations, or cash flows.

Annual Report of NorthWestern Energy, L.L.C.
to the Montana Public Service Commission
Notes to the Financial Statements

Cash Proceeds

At December 31, 1999, we recorded a regulatory liability and related deferred income tax to reflect the generation sale proceeds in excess of book value. The Montana Power's liability, which was determined in the Tier II docket, is approximately \$250,000,000 before income taxes. This liability represents a deferral of the gain on the generation sale and nothing has been reflected in the Statement of Income.

As part of our Tier II filing, we deducted from the regulatory liabilities approximately \$15,000,000 of other after-tax generation-related transition costs and approximately \$65,600,000 of regulatory asset transition costs. The other generation-related transition costs consist mainly of environmental costs and costs to retire debt. The regulatory asset transition costs consist mainly of capitalized conservation costs and carrying charges associated with Colstrip Unit 3.

Montana Power used a portion of the net cash proceeds received (excluding the proceeds in excess of book value) to purchase treasury shares of its common stock, to reduce debt, and to fund projects involving expansion of Touch America, a wholly owned subsidiary of Montana Power.

NOTE 3 - INCOME TAX EXPENSE

Income before income taxes for the years ended December 31, 2001 and 2000 was as follows:

| | 2001 | 2000 |
|---------------------|------------------------|-------------------|
| | (Thousands of Dollars) | |
| United States | \$ (47,273) | \$ (4,173) |
| Canada | 37 | 237 |
| | <u>\$ (47,236)</u> | <u>\$ (3,936)</u> |

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

| | 2001 | 2000 |
|---------------------|------------------------|--------------------|
| | (Thousands of Dollars) | |
| Current | | |
| United States | \$ (16,101) | \$ 6,706 |
| Canada | 38 | 16 |
| State | 4,077 | (861) |
| | <u>(11,986)</u> | <u>5,861</u> |
| Deferred | | |
| United States | 7,298 | (20,448) |
| State | 373 | (1,747) |
| | <u>7,671</u> | <u>(22,195)</u> |
| | <u>\$ (4,315)</u> | <u>\$ (16,334)</u> |

Annual Report of NorthWestern Energy, L.L.C.
to the Montana Public Service Commission
Notes to the Financial Statements

The provision (benefit) for income taxes differs from the amount of income tax determined by applying the applicable U. S. statutory federal rate to pretax income as a result of the following differences:

| | 2001 | 2000 |
|--|------------------------|--------------------|
| | (Thousands of Dollars) | |
| Computed "expected" income tax benefit | \$ (16,533) | \$ (1,378) |
| Adjustments for tax effects of: | | |
| Tax credits | (445) | (167) |
| State income tax, net. | 4,560 | (4,734) |
| Reversal of utility book/tax Depreciation | 4,473 | 4,119 |
| Other | 3,630 | (14,174) |
| Actual income tax benefit | <u>\$ (4,315)</u> | <u>\$ (16,334)</u> |

Under Montana regulations, certain tax benefits flow through to customers on a basis consistent with the accelerated deduction of expenses for income tax purposes. As such, when these expenses are recognized for financial reporting purposes, there is not an offsetting tax savings. During periods of income, our utility's effective tax rate is higher than the statutory rate due to this timing difference. During periods of losses, tax benefits will appear lower than expected.

Deferred tax liabilities (assets) are comprised of the following at December 31:

| | 2001 | 2000 |
|--|------------------------|------------------|
| | (Thousands of Dollars) | |
| Plant related | \$ 198,104 | \$ 221,632 |
| Other | 37,070 | 36,063 |
| Gross deferred tax liabilities | 235,174 | 257,695 |
| Amortization of gain on sale/leaseback | (3,801) | (4,681) |
| Investment tax credit amortization | (8,265) | (14,056) |
| Other | (163,866) | (154,322) |
| Gross deferred tax assets | (175,932) | (173,059) |
| Net deferred tax liabilities | <u>\$ 59,242</u> | <u>\$ 84,636</u> |

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 deferred tax | \$ (25,394) |
| Regulatory assets related to income taxes | 27,678 |
| Benefit restoration plan equity adjustment | 1,022 |
| Pension plan equity adjustment | 5,904 |
| Amortization of investment tax credits | (445) |
| Transfer of MSC balance to MPC | (1,094) |
| Deferred tax expense | <u>\$ 7,671</u> |

Annual Report of NorthWestern Energy, L.L.C.
to the Montana Public Service Commission
Notes to the Financial Statements

NOTE 4 - PREFERRED STOCK

At December 31, 2001, Montana Power had 5,000,000 authorized shares of preferred stock. Montana Power's preferred stock is in three series as detailed in the following table:

| Series | Stated and Liquidation Price* | Shares Issued and Outstanding | | Thousands of Dollars | |
|----------|-------------------------------------|----------------------------------|---------|-------------------------|----------|
| | | 2001 | 2000 | 2001 | 2000 |
| \$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.

At a special meeting of Montana Power shareholders held on September 21, 2001, shareholders representing more than two-thirds of Montana Power's outstanding common stock approved (among others) the following proposals:

- Holders of Preferred Stock, \$6.875 Series, of Montana Power will receive one share of Touch America Holdings, Inc. Preferred Stock, \$6.875 Series, for each share of Montana Power Preferred Stock.
- The redemption of Montana Power's outstanding Preferred Stock, \$4.20 Series, and Preferred Stock, \$6.00 Series.

Responsibility for the preferred stock has reverted to Touch America with the February 15, 2002 sale of the utility to NorthWestern.

NOTE 5 - COMMON STOCK**□ SHARE REPURCHASE PROGRAM**

In 1998, the Board of Directors authorized a share repurchase program over the next five years to repurchase up to 20,000,000 shares, (approximately 18 percent of our then-outstanding common stock) on the open market or in privately negotiated transactions. As of December 31, 2001, we had 103,774,500 common shares outstanding. 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. As of December 31, 2001, we had acquired 6,616,000 shares of common stock at an average cost per share of approximately \$31.085. We have shown the total cost of \$205,656,000 as "Reacquired Capital Stock" on the Comparative Balance Sheet.

□ SHAREHOLDER PROTECTION RIGHTS PLAN

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

Annual Report of NorthWestern Energy, L.L.C.
to the Montana Public Service Commission
Notes to the Financial Statements

□ DIVIDEND REINVESTMENT AND STOCK PURCHASE PLAN

Our 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; and (b) deposit common and preferred stock certificates into their Plan accounts for safekeeping. It also allows for other interested investors (residents of certain states) to make initial purchases of its common shares with a minimum of \$100 and a maximum of \$60,000 per year.

In conjunction with the divestiture of our energy businesses and our transition to a telecommunications enterprise, our Board of Directors voted in October 2000 to eliminate the dividend payment on our common stock effective the first quarter 2001. The final quarterly dividend on our common stock was \$0.20 per share, payable on November 1, 2000. The Board's decision did not affect dividends on our preferred stock.

□ RETIREMENT SAVINGS PLAN

We have a 401(k) Retirement Savings Plan that covers eligible employees. We contribute, on behalf of the employee, a matching percentage of the amount contributed to the Plan by the employee. In 1990, we 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 used the proceeds to purchase 3,844,594 shares of our common stock. Shares acquired with loan proceeds are allocated monthly to Plan participants to help meet the Company's matching obligation. The loan, which is reflected as long-term debt, is offset by a similar amount in common shareholders' equity as unallocated stock. Our contributions plus the dividends on the shares held under the Plan are used to meet principal and interest payments on the loan with the Plan Trustee. As principal payments on the loan are made, long-term debt and the offset in common shareholders' equity are both reduced. At December 31, 2001, 3,012,646 shares had been allocated to the participants' accounts. We recognize expense for the Plan using the Shares Allocated Method, and the pretax expense was \$3,385,000 and \$2,570,000 for 2001 and 2000, respectively.

On February 15, 2002, Montana Power retired the ESOP notes. For more information regarding the ESOP notes, see Note 7, "Long-Term Debt."

The ESOP Plan was transferred to Touch America prior to the sale of the utility business to NorthWestern. The utility no longer maintains an employee stock ownership plan.

□ LONG-TERM INCENTIVE PLAN

Under the Long-Term Incentive Plan, we have issued options to our employees. Options issued to employees are not reflected in balance sheet accounts until exercised, at which time: (1) authorized, but un-issued shares are issued to the employee; (2) the capital stock account is credited with the proceeds; and (3) no charges or credits to income are made.

Annual Report of NorthWestern Energy, L.L.C.
to the Montana Public Service Commission
Notes to the Financial Statements

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:

| | 2001 | | 2000 | |
|---|-----------|------------------------------|-----------|------------------------------|
| | Shares | Wtd Avg Exercise Price | Shares | Wtd Avg Exercise Price |
| Outstanding, beginning of year | 4,076,244 | \$28.43 | 3,280,325 | \$25.63 |
| Granted | 35,500 | 17.38 | 1,199,545 | 34.36 |
| Exercised .. | 32,984 | 13.49 | 149,834 | 17.07 |
| Cancelled .. | 1,051,313 | 27.75 | 253,792 | 26.88 |
| Outstanding, end of year | 3,027,447 | \$28.70 | 4,076,244 | \$28.43 |

Shares under option at December 31, 2001, are summarized below:

| Exercise Price Range | Options Outstanding | | | Options Exercisable | |
|--------------------------|---------------------|------------------------------|-----------------------------|---------------------|------------------------------|
| | Shares | Wtd Avg Exercise Price | Wtd Avg Exercise Life | Shares | Wtd Avg Exercise Price |
| \$6.45 | 6,000 | \$ 6.45 | 10 yrs | - | \$ - |
| \$10.73 to \$14.29 | 154,725 | 11.11 | 4 yrs | 148,725 | 11.08 |
| \$18.00 to \$24.66 | 399,929 | 19.60 | 7 yrs | 317,446 | 18.62 |
| \$26.53 to \$32.50 | 1,689,863 | 28.72 | 8 yrs | 1,194,039 | 27.67 |
| \$35.36 to \$38.69 | 776,930 | 37.00 | 8 yrs | 394,930 | 35.36 |
| | <u>3,027,447</u> | | | <u>2,055,140</u> | |

As permitted by SFAS No. 123, "Accounting for Stock-Based Compensation," we have elected to follow Accounting Principles Board Opinion No. 25, "Accounting for Stock Issued to Employees" (APB 25), and related interpretations in accounting for our employee stock options. Under APB 25, because the exercise price of the 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 is required by SFAS No. 123. This information has been determined as if we had accounted for our employee stock options under the fair value method of that statement. The weighted-average fair value of options granted in 2001 and 2000 was \$10.23 and \$16.35 per share, respectively. We employed the binomial option-pricing model to estimate the fair value of each option grant on the date of grant. We used the following weighted-average assumptions for grants in 2001 and 2000, respectively: (1) risk-free interest rate of 5.07 percent and 6.05 percent; (2) expected life of 7.0 years and 6.2 years; (3) expected volatility of 51.00 percent and 42.00 percent; and (4) a dividend yield of zero percent for both years. Had we elected to use SFAS No. 123, compensation expense would have increased \$10,904,000 in 2001 and \$11,827,000 in 2000. The 2001 and 2000 pro forma net income after preferred dividends would be \$5,015,000 and \$188,632,000, respectively.

Annual Report of NorthWestern Energy, L.L.C.
to the Montana Public Service Commission
Notes to the Financial Statements

**NOTE 6 - COMPANY OBLIGATED MANDATORILY REDEEMABLE PREFERRED SECURITIES OF
SUBSIDIARY TRUST**

We established Montana Power Capital I (Trust) as a wholly owned business trust to issue common and preferred securities and hold Junior Subordinated Deferrable Interest Debentures (Subordinated Debentures) that we issue. At December 31, 2001 and 2000, the Trust had issued 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 our Subordinated Debentures, 8.45 percent Series due 2036. The Trust will use interest payments received on the Subordinated Debentures that it holds to make the quarterly cash distributions on the QUIPS. The QUIPS' \$65,000,000 liquidation value is included with "Other Long Term Debt" on the Comparative Balance Sheet.

Since November 6, 2001, we can wholly redeem the Subordinated Debentures at any time, or partially redeem the Subordinated Debentures from time to time. Upon repayment of the Subordinated Debentures at maturity or early redemption, the Trust Securities must be redeemed. In addition, we can terminate the Trust at any time and cause the pro rata distribution of the Subordinated Debentures to the holders of the Trust Securities.

Besides our obligations under the Subordinated Debentures, we have agreed to certain Back-up Undertakings. We have guaranteed, on a subordinated basis, payment of distributions on the Trust Securities, to the extent the Trust has funds available to pay such distributions. We also have agreed to pay all of the expenses of the Trust. Considered together with the Subordinated Debentures, the Back-up Undertakings constitute a full and unconditional guarantee of the Trust's obligations under the QUIPS. We are 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 7 - LONG-TERM DEBT

The Mortgage and Deed of Trust (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 (MTNs) and those securing Pollution Control Revenue Bonds.

Annual Report of NorthWestern Energy, L.L.C.
to the Montana Public Service Commission
Notes to the Financial Statements

Long-term debt consists of the following:

| | December 31, | |
|--|------------------------|-----------|
| | 2001 | 2000 |
| | (Thousands of Dollars) | |
| First Mortgage Bonds: | | |
| 7% series, due 2005 | \$ 5,386 | \$ 5,386 |
| 7.30% series, due 2006 | 150,000 | - |
| 8 1/4% series, due 2007 | 365 | 365 |
| 8.95% series, due 2022 | 1,446 | 1,446 |
| Secured Medium-Term Notes- | | |
| maturing 2003-2008 7.20%-8.11% | 28,000 | 28,000 |
| Pollution Control Revenue Bonds: | | |
| City of Forsyth, Montana | | |
| 6 1/8% series, due 2023 | 90,205 | 90,205 |
| 5.90% series, due 2023 | 80,000 | 80,000 |
| Unsecured Medium-Term Notes Series B- | | |
| maturing 2001-2026 7.20%-8.11% | 40,000 | 100,000 |
| ESOP Notes Payable - 9.20%, due 2004 | 12,666 | 16,197 |
| 8.45% QUIPS | 65,000 | 65,000 |
| Unamortized Discount and Premium | (3,211) | (2,444) |
| | \$469,857 | \$384,155 |

On November 27, 2001, we issued \$150,000,000 of our 7.3 percent series First Mortgage Bonds (Bonds) due December 1, 2006. The net proceeds from the sale of the bonds were used to repay outstanding short-term debt and for general corporate purposes. In addition, we retired the 9.20 percent ESOP notes on February 15, 2002 with a portion of the proceeds.

On April 6, 2001, we retired \$60,000,000 of our variable rate Series B Unsecured Medium Term Notes at maturity.

Scheduled debt repayments on the long-term debt outstanding at December 31, 2001, amount to: \$12,666,000 in 2002; \$15,000,000 in 2003; \$5,386,000 in 2005; \$165,000,000 in 2006; and \$271,805,000 thereafter.

NOTE 8 - SHORT-TERM BORROWING

Our committed and uncommitted credit lines expired at the end of November 2001 and were not renewed by December 31, 2001. On November 21, 2001, Montana Power issued \$150,000,000 in First Mortgage Bonds and used the proceeds from the bonds to repay the \$60,000,000 balance outstanding under committed credit line, repay short-term borrowings, and repay an intercompany loan between Montana Power and Entech. The remaining balance was used for existing cash requirements and to redeem our ESOP notes. At December 31, 2001, we had no outstanding short-term borrowing.

At December 31, 2000, we had outstanding notes payable to banks for \$75,000,000 at a weighted average annual interest rate of 8.05 percent. Of those outstanding notes, \$25,000,000 were issued from our committed lines of credit and the other \$50,000,000 from our uncommitted lines of credit.

Annual Report of NorthWestern Energy, L.L.C.
to the Montana Public Service Commission
Notes to the Financial Statements

NOTE 9 - RETIREMENT PLANS

Montana Power maintains trustee, noncontributory retirement plans covering substantially all of our employees. Prior to 1998, our retirement benefits were based on salary, years of service, and social security integration levels. In 1998, we amended our retirement plan's benefit provisions. Our retirement benefits are now based on salary, age, and years of service. Northwestern has agreed to assume certain retirement plans and participants and maintain such plans or equivalent plans for a period of two years.

Our plan assets consist primarily of domestic and foreign corporate stocks, domestic corporate bonds, and United States Government securities.

We also have an unfunded, nonqualified benefit plan for senior management executives and directors. In December 1998, we froze the benefits earned and curtailed the plan. We own life insurance policies, the cash value/death benefit of which is intended to finance this plan.

As a result of the sale of our electric generating assets to PPL Montana, 454 participants related to electric generation operations were curtailed from the retirement plan and approximately \$22,700,000 in assets were transferred from the retirement plan trust in December 1999. Pursuant to the agreement, when the calculation was finalized in February 2000, approximately \$3,200,000 of additional assets were transferred to the PPL trust. In accordance with SFAS 88, we calculated a curtailment gain of approximately \$4,100,000 and a settlement gain of approximately \$7,800,000 in 1999. Due to regulatory accounting treatment, the gains were recorded as regulatory liabilities or offsets to regulatory assets, resulting in no income statement impact.

We offered a Special Retirement Program (SRP) to certain eligible employees during 2000. The SFAS 88 special termination charge resulting from 201 utility participants electing the SRP amounted to approximately \$9,814,000. Due to regulatory accounting treatment, the expense was recorded as regulatory liabilities or offsets to regulatory assets, resulting in no income statement impact.

We also provide certain health care and life insurance benefits for eligible retired employees. In 1994, we established a pre-funding plan for postretirement benefits for utility employees retiring after January 1, 1993. The plan assets consist primarily of domestic and foreign corporate stocks, domestic corporate bonds, and United States Government securities. The PSC allows us to include in rates all utility Other Postretirement Benefits costs on the accrual basis provided by SFAS No. 106, "Employers' Accounting for Postretirement Benefits Other Than Pensions."

We also have a voluntary retirement savings plan in conjunction with our retirement plans. Through October 30, 2001, Montana Power contributed a matching percentage comprised of shares of Montana Power stock from a leveraged Employee Stock Ownership Plan (ESOP) arrangement and Montana Power shares purchased on the open market. Beginning November 1, 2002, we make cash contributions matching employee contributions up to 4 percent of their salaries. For costs associated with these plans and for information about the transfer of the ESOP Plan to Touch America, see Note 5, "Common Stock."

Annual Report of NorthWestern Energy, L.L.C.
to the Montana Public Service Commission
Notes to the Financial Statements

The following tables provide a reconciliation of the changes in the plans' benefit obligations and fair value of plan assets over the two-year period ending December 31, 2001, and a statement of the funded status as of December 31 of both years:

| | Pension Benefits | | Other Benefits | |
|--|------------------------|--------------------|-------------------|-------------------|
| | 2001 | 2000 | 2001 | 2000 |
| | (Thousands of Dollars) | | | |
| Change in benefit obligation: | | | | |
| Benefit obligation at January 1. | \$ 235,515 | \$ 197,333 | \$ 23,168 | \$ 18,918 |
| Service cost on benefits earned. | 3,676 | 4,090 | 420 | 430 |
| Interest cost on projected benefit obligation..... | 16,992 | 15,893 | 1,851 | 1,561 |
| Plan amendments..... | 1,717 | 7,578 | - | - |
| Assumption changes..... | - | 5,859 | - | - |
| Actuarial (gain)/loss..... | 24,909 | (4,988) | 3,598 | 4,920 |
| Adjustments for liability transfers..... | 14,072 | 11,630 | (324) | - |
| Special termination benefits.... | - | 9,814 | - | - |
| Gross benefits paid..... | (16,488) | (11,694) | (4,688) | (2,661) |
| Benefit obligation at December 31..... | <u>\$ 280,393</u> | <u>\$ 235,515</u> | <u>\$ 24,025</u> | <u>\$ 23,168</u> |
| Change in plan assets: | | | | |
| Fair value of plan assets at January 1..... | \$ 223,921 | \$ 230,606 | \$ 9,706 | \$ 9,916 |
| Actual return/(loss) on plan assets..... | (4,917) | (4,955) | 107 | 329 |
| Employer contributions..... | 1,834 | 1,818 | 746 | 2,122 |
| Acquisitions/divestitures..... | - | (3,200) | - | - |
| Assets allocated (to)/from related companies..... | 10,793 | 11,346 | - | - |
| Gross benefits paid..... | (16,488) | (11,694) | (4,688) | (2,661) |
| Fair value of plan assets at December 31..... | <u>\$ 215,143</u> | <u>\$ 223,921</u> | <u>\$ 5,871</u> | <u>\$ 9,706</u> |
| Reconciliation of funded status: | | | | |
| Funded status at end of year.... | \$ (65,250) | \$ (11,594) | \$ (18,153) | \$ (13,461) |
| Unrecognized net: | | | | |
| Actuarial gain..... | 24,642 | (22,707) | 2,855 | (97) |
| Prior service cost..... | 20,459 | 21,295 | 1,248 | 1,459 |
| Transition obligation..... | (129) | (196) | 8,721 | 10,034 |
| Acquisitions/divestitures..... | 3,615 | - | - | - |
| Net amount recognized at December 31..... | <u>\$ (16,663)</u> | <u>\$ (13,202)</u> | <u>\$ (5,329)</u> | <u>\$ (2,065)</u> |

Annual Report of NorthWestern Energy, L.L.C.
to the Montana Public Service Commission
Notes to the Financial Statements

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

| | Pension Benefits | | Other Benefits | |
|--|------------------------|-------------|----------------|------------|
| | 2001 | 2000 | 2001 | 2000 |
| | (Thousands of Dollars) | | | |
| Prepaid benefit cost..... | \$ 2,170 | \$ 11,028 | \$ - | \$ - |
| Accrued benefit cost..... | (18,833) | (24,230) | (5,329) | (2,065) |
| Additional minimum liability..... | (40,374) | (2,594) | - | - |
| Intangible asset..... | 21,367 | - | - | - |
| Regulatory asset - pension plan... | 14,990 | - | - | - |
| Accum. other comprehensive inc.... | 4,017 | 2,594 | - | - |
| Net amount recognized at December 31..... | \$ (16,663) | \$ (13,202) | \$ (5,329) | \$ (2,065) |

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 2001, 2000, and 1999:

| | Pension Benefits | |
|--|------------------------|----------|
| | 2001 | 2000 |
| | (Thousands of Dollars) | |
| Service cost on benefits earned | \$ 3,676 | \$ 4,090 |
| Interest cost on projected benefit obligation | 16,992 | 15,893 |
| Expected return on plan assets..... | (17,921) | (20,273) |
| Amortization of: | | |
| Transition obligation | (47) | (49) |
| Prior service cost | 1,947 | 1,607 |
| Actuarial gain | 67 | (2,830) |
| Net periodic benefit cost (credit) | 4,714 | (1,562) |
| Special termination benefit charge | - | 9,814 |
| Curtailment (gain)/loss | - | - |
| Settlement gain | - | - |
| Net periodic benefit cost (credit) after curtailments and settlements | \$ 4,714 | \$ 8,252 |

Annual Report of NorthWestern Energy, L.L.C.
to the Montana Public Service Commission
Notes to the Financial Statements

| | <u>Other Benefits</u> | |
|---|------------------------|-----------------|
| | <u>2001</u> | <u>2000</u> |
| | (Thousands of Dollars) | |
| Service cost on benefits earned | \$ 420 | \$ 430 |
| Interest cost on projected benefit obligation | 1,851 | 1,561 |
| Expected return on plan assets | (706) | (819) |
| Amortization of: | | |
| Transition obligation | 792 | 837 |
| Prior service cost | 138 | 146 |
| Actuarial gain | - | (128) |
| Net periodic benefit cost (credit) | 2,495 | 2,027 |
| Curtailment (gain)/loss | - | - |
| Net periodic benefit cost (credit) after curtailments and settlements | <u>\$ 2,495</u> | <u>\$ 2,027</u> |

In 2001, funding for pension costs was less than SFAS No. 87, "Employers Accounting for Pensions," pension expense by \$3,138,000. In 2000, pension costs exceeded SFAS No. 87 pension expense by \$3,078,000. The PSC allows recovery for the funding of pension costs through rates. Any differences between funding and expense are deferred for recognition in future periods. At December 31, 2001, the regulatory liability was \$7,487,000.

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

| | <u>Pension Benefits</u> | | <u>Other Benefits</u> | |
|---|-------------------------|-------------|-----------------------|-------------|
| | <u>2001</u> | <u>2000</u> | <u>2001</u> | <u>2000</u> |
| Weighted average assumptions as of December 31: | | | | |
| Discount rate | 7.00% | 7.50% | 7.00% | 7.50% |
| Expected return on plan assets | 9.00% | 9.00% | 9.00% | 9.00% |
| Rate of compensation increase | 4.40% | 4.40% | 4.40% | 4.40% |

Assumed health care costs trend rates have a significant effect on the amounts reported for the health care plans. A change of 1 percent in assumed health care cost trend rates would have the following effects:

| | <u>1% Increase</u> | <u>1% Decrease</u> |
|--|--------------------|--------------------|
| (Thousands of Dollars) | | |
| Effect on the total of service and interest cost components of net periodic post-retirement health care benefit cost | \$ 95 | \$ (82) |
| Effect on the health care component of the accumulated postretirement benefit obligation | 687 | (604) |

Annual Report of NorthWestern Energy, L.L.C.
to the Montana Public Service Commission
Notes to the Financial Statements

The assumed 2001 health care cost trend rates used to measure the expected cost of benefits covered by the plans is 9.00 percent. The trend rate decreases through 2007 to 5.50 percent.

NOTE 10 - CONTINGENCIES

□ KERR PROJECT

A FERC order that preceded the sale of the Kerr Project required Montana Power to implement a plan to mitigate the effect of the Kerr Project operations on fish, wildlife, and habitat. To implement this plan, Montana Power was required to make payments of approximately \$135,000,000 between 1985 and 2020, the term during which we would have been the licensee. The net present value of the total payments, assuming a 9.5 percent annual discount rate, was approximately \$57,000,000, an amount we recognized as license costs in plant and long-term debt on the Comparative Balance Sheet in 1997. In the sale of the Kerr Project, the purchaser of the electric generating assets assumed the obligation to make post-closing license compliance payments.

In December 1998 and January 1999, Montana Power requested a review by the United States Court of Appeals for the District of Columbia Circuit of this order and another FERC order which included the United States Department of Interior's conditions. In December 2000, FERC issued an order approving a settlement among the parties. On February 15, 2001, the Circuit Court dismissed the petitions for review. Consequently, the approximately \$24,000,000 that Montana Power paid into escrow in 2000 was released to the Confederated Salish and Kootenai Tribes (Tribes) to be used in accordance with the terms of the settlement. We have also transferred 669 acres of land on the Flathead Indian Reservation to the Tribes. With the payment and the transfer of land, we have fulfilled our obligations under the terms of this settlement. Because PPL Montana, the purchaser, assumed the obligation in excess of \$24,000,000, the basis in the properties sold decreased and the regulatory liability associated with the deferred gain on the sale increased accordingly.

□ LONG-TERM POWER SUPPLY AGREEMENTS

Long-term power supply agreements, primarily an agreement with a large industrial customer, exposed us to losses and potential future losses mainly because of unusually high electric energy market prices. To eliminate our exposure to expected future losses through December 2002 when the agreement with that customer terminated, we executed a termination agreement effective June 30, 2001. Under the termination agreement, we made a one-time payment of \$62,500,000 to the customer and ended our obligations under this power supply agreement. We recorded a pretax loss of \$62,500,000, or approximately \$37,900,000 after income taxes, in the second quarter 2001. Prior to the termination agreement, we recorded pretax losses associated with the power supply agreement of approximately \$2,500,000 in the first quarter 2001, and \$22,500,000 in the second quarter 2001, and approximately \$16,200,000 for the year ended December 31, 2000.

Annual Report of NorthWestern Energy, L.L.C.
to the Montana Public Service Commission
Notes to the Financial Statements

□ CLASS ACTION LAWSUIT

On August 16, 2001, eight individuals filed a lawsuit in Montana State District Court, naming Montana Power, eleven of its current Board of Directors, three officers of both Touch America and Montana Power, and PPL Montana as defendants. In their complaint, the plaintiffs allege that Montana Power and its directors and officers had a legal obligation and a fiduciary duty to obtain shareholder approval before the sale of our former electric generation assets to PPL Montana. On September 14, 2001, the complaint was amended to add one other current officer of Touch America, one other current officer of Montana Power, and our investment banking consultants as additional defendants. As previously reported, Montana Power completed the sale of the electric generation assets to PPL Montana in December 1999. The plaintiffs further allege that because Montana Power shareholders did not vote, the sale of the generation assets is void and PPL Montana is holding these assets in constructive trust for the shareholders.

Alternatively, the plaintiffs allege that Montana Power shareholders should have been allowed to vote on the sale of the generation assets and, if an appropriate majority vote was obtained in favor of the sale, the shareholders should have been given dissenters' rights. The plaintiffs also make various claims of breaches of duty and negligence against the Board of Directors and the individual officers. The plaintiffs have indicated that they will seek court approval to proceed with this suit as a class action.

It is Montana Power's position that Montana Power and its former directors and officers, and one current officer, have fully complied with their statutory and fiduciary duties. Accordingly, Montana Power is defending the suit vigorously. Montana Power filed a motion to dismiss the complaint in late November 2001. At this early stage, however, we cannot predict the ultimate outcome of this matter or how it may affect our combined financial position, results of operations, or cash flows.

□ MISCELLANEOUS

We are parties to various other legal claims, actions, and complaints arising in the ordinary course of business. We do not expect the conclusion of any of these matters to have a material adverse effect on our combined financial position, results of operations, or cash flows.

NOTE 11 - COMMITMENTS

□ PURCHASE COMMITMENTS

Electric Utility

The Public Utilities Regulatory Policies Act (PURPA) requires a public utility to purchase power from QFs at a rate equal to what it would pay to generate or purchase power. These QFs are power production or co-generation facilities that meet size, fuel use, ownership, and operating and efficiency criteria specified by PURPA. The electric utility has 15 long-term QF contracts with expiration terms ranging from 2003 through 2032 that require us to make payments for energy capacity and energy received at prices established by the PSC. Three contracts account for 96 percent of the 101 MWS of capacity provided by these facilities. Montana's 1997 Electric Act designates above-market portion of the QF costs as Competitive Transition

Annual Report of NorthWestern Energy, L.L.C.
to the Montana Public Service Commission
Notes to the Financial Statements

Costs (CTCs) and allows for their recovery. For more information about CTCs, see Note 2, "Deregulation, Regulatory Matters, and 1999 Sale of Electric Generating Assets".

Montana's 1997 Electric Act also designated Montana Power as the default power supplier for those customers who had not chosen another supplier by July 1, 2002. To fulfill that obligation, there was included in the Asset Purchase Agreement with PPL Montana, dated as of October 31, 1998 and amended June 29, 1999 and October 29, 1999, two Wholesale Transition Service Agreements (WTSAs), effective December 17, 1999. One agreement terminated at December 31, 2001. The other agreement continues to commit us to purchase through June 2002 any power requirements remaining after having received power from the QFs and Milltown Dam, and prices the power purchased from PPL Montana at a market index, with a monthly floor and an annual cap.

In its 2001 session, the Montana Legislature passed House Bill 474, which extends the transition period of electric deregulation in Montana from July 1, 2002 to June 30 2007 and, therefore, our obligation as a default supplier through June 30, 2007. We entered into three power purchase agreements in October 2001 that enable us to satisfy, in part, our "Default Supply" obligation. These agreements commit us to purchase a total of 561 MWs per hour during peak hours and 411 MWs per hour during the off-peak hours in the first year of the extended transition period. In the remaining years of the transition period, these agreements also obligate us to purchase 450 MWs per hour during the peak hours and 300 MWs per hour during the off-peak hours. These purchases are included in the "Default Supply Portfolio" filing with the PSC (Docket No.D2001.10.144) dated October 29, 2001. House Bill 474 also provides for the complete recovery in rates of the default supplier's costs that are prudently incurred to supply electric energy. For more information about electric deregulation, see Note 2, "Deregulation, Regulatory Matters, and 1999 Sale of Electric Generating Assets," in the "Electric Deregulation" section.

Natural Gas Utility

Since 1998, because of uncertainty about the number and timing of customers who could choose another natural gas supplier under the provisions of Montana's 1997 Natural Gas Act, Montana Power entered primarily into one-year take-or-pay contracts with Montana natural gas producers. We currently have six of these contracts, five of which expire in 2002, and one in 2006. After July 1, 2002, we are not obligated to supply natural gas to those who do not choose another supplier. We have a request before the PSC to designate us as the natural gas default supplier for the five-year period beyond July 1, 2002. Upon such designation, we will secure additional supply contracts to meet the needs of our customers.

Contractual Payments and Present Value

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

| | Electric | Natural Gas | Total |
|------------|------------------------|-------------|------------|
| | (Thousands of Dollars) | | |
| 2001 | \$ 263,924 | \$ 16,764 | \$ 280,688 |
| 2000 | 272,075 | 7,101 | 279,176 |
| 1999 | 61,274 | 4,069 | 65,343 |

Annual Report of NorthWestern Energy, L.L.C.
to the Montana Public Service Commission
Notes to the Financial Statements

Under the above agreements, the present value of future minimum payments, at a discount rate of 3.615 percent, is as follows:

| | Electric | Natural Gas | Total |
|-----------------|------------------------|-------------|------------|
| | (Thousands of Dollars) | | |
| 2002 | \$ 103,724 | \$ 8,871 | \$ 112,595 |
| 2003 | 118,985 | 613 | 119,598 |
| 2004 | 104,289 | 612 | 104,901 |
| 2005 | 100,677 | 593 | 101,270 |
| 2006 | 87,723 | 566 | 88,289 |
| Remainder | 241,009 | - | 241,009 |
| | \$756,407 | \$11,255 | \$767,662 |

LEASE COMMITMENTS

On September 24, 1997, Montana Power entered into a seven-year operating lease with a banking institution - for an automated meter reading system - with annual payments of approximately \$2,400,000. This lease was terminated by NorthWestern on February 15, 2002. We have no other material minimum operating lease payments and capitalized leases are not material.

Rental expense for the prior two years was \$9,700,000 for 2001, \$6,800,000 for 2000, and \$56,316,000 for 1999.

NOTE 12 - NEW ACCOUNTING PRONOUNCEMENTS

SFAS NOS. 141, 142, 143, AND 144

In June 2001, the Financial Accounting Standards Board (FASB) issued SFAS No. 141, "Business Combinations." SFAS No. 141 eliminates the use of the pooling of interests method of accounting, and requires that all mergers and acquisitions be accounted for using the purchase method of accounting. SFAS No. 141 also establishes specific criteria for the recognition of intangible assets separately from goodwill and adds new disclosure requirements. This statement is effective for all mergers and acquisitions initiated after June 30, 2001. Adoption of this pronouncement is not expected to have a material impact on our financial position, results of operations, or cash flows.

In June 2001, the FASB issued SFAS No. 142, "Goodwill and Other Intangibles." The amortization provisions of SFAS No. 142 apply to goodwill and other intangibles acquired after June 30, 2001. For goodwill and other intangible assets acquired prior to July 1, 2001, adoption of SFAS No. 142 is required for fiscal years beginning after December 15, 2001. SFAS No. 142 primarily addresses the accounting for goodwill and intangible assets subsequent to their initial recognition. The provisions of SFAS 142:

- prohibit the amortization of goodwill and indefinite-lived intangible assets;
- require that reporting units be identified for the purpose of assessing potential future impairments of goodwill;
- remove the forty-year limitation on the amortization period of intangible assets that have finite lives; and

Annual Report of NorthWestern Energy, L.L.C.
to the Montana Public Service Commission
Notes to the Financial Statements

- prohibit amortization of the excess of cost over the underlying equity in the net assets of an equity-method investee that is recognized as goodwill.

In addition, SFAS No. 142 requires that goodwill be tested annually for impairment - and in interim periods if certain events occur indicating that the carrying value of goodwill and/or indefinite-lived intangible assets may be impaired - using a two-step process. The first step is to identify a potential impairment and, in transition, this step must be measured as of the beginning of the fiscal year. However, a company has six months from the date of adoption to complete the first step. The second step of the goodwill impairment test measures the amount of the impairment loss (measured as of the beginning of the year of adoption), if any, and must be completed by the end of the fiscal year. Intangible assets deemed to have an indefinite life will be tested for impairment using a one-step process which compares the fair value to the carrying amount of the asset as of the beginning of the fiscal year, and pursuant to the requirements of SFAS 142 will be completed during the first quarter of 2002. Any impairment loss resulting from the transitional impairment tests will be reflected as the cumulative effect of a change in accounting principle in the first quarter 2002. Adoption of this pronouncement is not expected to have a material impact on our financial position, results of operations, or cash flows.

In June 2001, the FASB issued SFAS No. 143 "Accounting for Asset Retirement Obligations." SFAS No. 143 requires entities to record the fair value of a legal liability for an asset retirement obligation in the period it is incurred. The asset retirement costs are capitalized as part of the carrying amount of the long-lived asset. This statement is effective for financial statements issued for fiscal years beginning after June 15, 2002. We are currently evaluating this pronouncement, but we do not expect it to have a material impact on our financial position, results of operations, or cash flows.

In August 2001, the FASB issued SFAS No. 144 "Accounting for the Impairment of Long-Lived Assets." SFAS No. 144 addresses financial accounting and reporting for the impairment or disposal of long-lived assets. This statement is effective for financial statements issued for fiscal years beginning after December 15, 2001. Adoption of this pronouncement is not expected to have a material impact on our financial position, results of operations, or cash flows.

| Sch.19 | MONTANA PLANT IN SERVICE - ELECTRIC (EXCLUDES UNIT 4) | | | | | |
|--------|---|----------------------------|------------------------------|----------------------|----------------------|----------|
| | Account Number & Title | This Year Cons. Utility | Yellowstone National Park | This Year Montana | Last Year Montana | % Change |
| 1 | | | | | | |
| 2 | Intangible Plant | | | | | |
| 3 | 301 Organization | \$19,995 | | \$19,995 | \$19,995 | - |
| 4 | 302 Franchises and Consents | 2,004 | | 2,004 | 2,004 | - |
| 5 | 303 Miscellaneous Intangible Plant | 1,287,004 | | 1,287,004 | 1,322,515 | -2.69% |
| 6 | Total Intangible Plant | 1,309,003 | - | 1,309,003 | 1,344,514 | -2.64% |
| 7 | | | | | | |
| 8 | Production Plant | | | | | |
| 9 | | | | | | |
| 10 | Steam Production | | | | | |
| 11 | 310 Land and Land Rights | - | | | 1,292 | -100.00% |
| 12 | 311 Structures and Improvements | - | | | 60,420 | -100.00% |
| 13 | 312 Boiler Plant Equipment | - | | | 426,612 | -100.00% |
| 14 | 313 Engines, Engine Driven Generator | - | | | - | - |
| 15 | 314 Turbogenerator Units | - | | | 309,314 | -100.00% |
| 16 | 315 Accessory Electric Equipment | - | | | - | - |
| 17 | 316 Misc. Power Plant Equipment | - | | | 116,028 | -100.00% |
| 18 | Total Steam Production Plant | - | - | - | 913,666 | -100.00% |
| 19 | | | | | | |
| 20 | Nuclear Production | | | | | |
| 21 | 320 - 325 Not Applicable | | | | | |
| 22 | Total Nuclear Production Plant | - | - | - | - | - |
| 23 | | | | | | |
| 24 | Hydraulic Production | | | | | |
| 25 | 330 Land and Land Rights | 58,620 | | 58,620 | 58,620 | - |
| 26 | 331 Structures and Improvements | 119,451 | | 119,451 | 119,451 | - |
| 27 | 332 Reservoirs, Dams and Waterways | 8,993,976 | | 8,993,976 | 8,976,477 | 0.19% |
| 28 | 333 Water Wheel, Turbine, Generators | 122,145 | | 122,145 | 124,613 | -1.98% |
| 29 | 334 Accessory Electric Equipment | 77,056 | | 77,056 | 99,660 | -22.68% |
| 30 | 335 Misc. Power Plant Equipment | 90,472 | | 90,472 | 90,351 | 0.13% |
| 31 | 336 Roads, Railroads and Bridges | 26,282 | | 26,282 | 60,077 | -56.25% |
| 32 | Total Hydraulic Production Plant | 9,488,002 | - | 9,488,002 | 9,529,249 | -0.43% |
| 33 | | | | | | |
| 34 | Other Production | | | | | |
| 35 | 340 Land and Land Rights | | | | | |
| 36 | 341 Structures and Improvements | 30,746 | 30,746 | | 10,083 | -100.00% |
| 37 | 342 Reservoirs, Dams and Waterways | 112,084 | 112,084 | | - | - |
| 38 | 343 Water Wheel, Turbine, Generators | - | | | - | - |
| 39 | 344 Accessory Electric Equipment | 2,255,293 | 2,255,293 | | 14,772 | -100.00% |
| 40 | 345 Misc. Power Plant Equipment | 249,277 | 249,277 | | 17,411 | -100.00% |
| 41 | 346 Roads, Railroads and Bridges | 7,554 | 7,554 | | - | - |
| 42 | Total Other Production Plant | 2,654,954 | 2,654,954 | - | 42,266 | -100.00% |
| 43 | Total Production Plant | 12,142,956 | 2,654,954 | 9,488,002 | 10,485,181 | -9.51% |

| Sch. 19 | MONTANA PLANT IN SERVICE - ELECTRIC (EXCLUDES UNIT 4) | | | | | |
|---------|---|----------------------------|------------------------------|------------------------|------------------------|---------------|
| | Account Number & Title | This Year Cons. Utility | Yellowstone National Park | This Year Montana | Last Year Montana | % Change |
| 1 | | | | | | |
| 2 | Transmission Plant | | | | | |
| 3 | 350 Land and Land Rights | 15,720,230 | - | 15,720,230 | 15,616,467 | 0.66% |
| 4 | 352 Structures and Improvements | 4,281,552 | - | 4,281,552 | 3,996,250 | 7.14% |
| 5 | 353 Station Equipment | 125,393,870 | - | 125,393,870 | 125,260,188 | 0.11% |
| 6 | 354 Towers and Fixtures | 23,167,957 | - | 23,167,957 | 22,995,734 | 0.75% |
| 7 | 355 Poles and Fixtures | 117,952,468 | 710,150 | 117,242,318 | 116,313,874 | 0.80% |
| 8 | 356 Overhead Conductors & Devices | 105,681,375 | 594,293 | 105,087,082 | 104,757,788 | 0.31% |
| 9 | 357 Underground Conduit | 137,878 | 102,286 | 35,592 | 35,592 | - |
| 10 | 358 Undergrnd Conductors & Devices | 1,410,535 | 554,036 | 856,499 | 856,499 | - |
| 11 | 359 Roads and Trails | 2,372,509 | 44,906 | 2,327,603 | 2,279,222 | 2.12% |
| 12 | Total Transmission Plant | 396,118,374 | 2,005,671 | 394,112,703 | 392,111,614 | 0.51% |
| 13 | | | | | | |
| 14 | Distribution Plant | | | | | |
| 15 | 360 Land and Land Rights | 3,685,883 | 601 | 3,685,282 | 3,586,886 | 2.74% |
| 16 | 361 Structures and Improvements | 4,307,269 | 141,867 | 4,165,402 | 3,838,824 | 8.51% |
| 17 | 362 Station Equipment | 90,777,991 | 1,921,163 | 88,856,828 | 88,538,629 | 0.36% |
| 18 | 363 Storage Battery Equipment | - | - | - | - | - |
| 19 | 364 Poles, Towers, and Fixtures | 111,242,277 | 223,224 | 111,019,053 | 105,459,072 | 5.27% |
| 20 | 365 Overhead Conductors & Devices | 68,369,346 | 326,659 | 68,042,687 | 65,756,192 | 3.48% |
| 21 | 366 Underground Conduit | 21,297,667 | 92,647 | 21,205,020 | 21,205,602 | - |
| 22 | 367 Undergrnd Conductors & Devices | 74,135,704 | 2,519,355 | 71,616,349 | 62,552,790 | 14.49% |
| 23 | 368 Line Transformers | 125,204,524 | 715,091 | 124,489,433 | 121,556,740 | 2.41% |
| 24 | 369 Services | 62,076,751 | 214,774 | 61,861,977 | 59,404,266 | 4.14% |
| 25 | 370 Meters | 29,926,936 | 67,143 | 29,859,793 | 28,880,969 | 3.39% |
| 26 | 371 Installations on Cust. Premises | - | - | - | - | - |
| 27 | 372 Leased Property on Cust. Premises | - | - | - | - | - |
| 28 | 373 Street Lighting and Signal Systems | 38,271,785 | 19,872 | 38,251,913 | 37,091,174 | 3.13% |
| 29 | Total Distribution Plant | 629,296,133 | 6,242,396 | 623,053,737 | 597,871,144 | 4.21% |
| 30 | | | | | | |
| 31 | General Plant | | | | | |
| 32 | 389 Land and Land Rights | 414,128 | - | 414,128 | 415,080 | -0.23% |
| 33 | 390 Structures and Improvements | 7,432,193 | 84,207 | 7,347,986 | 7,173,557 | 2.43% |
| 34 | 391 Office Furniture and Equipment | 987,968 | - | 987,968 | 838,042 | 17.89% |
| 35 | 392 Transportation Equipment | 24,831,400 | 93,890 | 24,737,510 | 24,436,827 | 1.23% |
| 36 | 393 Stores Equipment | 456,324 | - | 456,324 | 434,209 | 5.09% |
| 37 | 394 Tools, Shop & Garage Equipment | 4,242,472 | 35,749 | 4,206,723 | 4,184,788 | 0.52% |
| 38 | 395 Laboratory Equipment | 4,256,127 | 6,952 | 4,249,175 | 4,324,394 | -1.74% |
| 39 | 396 Power Operated Equipment | 2,287,364 | - | 2,287,364 | 2,242,288 | 2.01% |
| 40 | 397 Communication Equipment | 19,588,240 | 74,172 | 19,514,068 | 19,830,270 | -1.59% |
| 41 | 398 Miscellaneous Equipment | 204,084 | 73,861 | 130,223 | 132,373 | -1.62% |
| 42 | 399 Other Tangible Equipment | - | - | - | 824,515 | -100.00% |
| 43 | Total General Plant | 64,700,300 | 368,831 | 64,331,469 | 64,836,343 | -0.78% |
| 44 | Total Plant in Service | 1,103,566,766 | 11,271,852 | 1,092,294,914 | 1,066,648,796 | 2.40% |
| 45 | | | | | | |
| 46 | 4101 EI Plant Allocated from Common | 51,528,766 | - | 51,528,766 | 23,746,825 | 116.99% |
| 47 | 105 EI Plant Held for Future Use | - | - | - | - | - |
| 48 | 107 EI Construction Work in Progress | 8,135,564 | - | 8,135,564 | 1,236,057 | 558.19% |
| 49 | 114.2 EI Plant Acquisition Adjustment | 3,106,285 | - | 3,106,285 | 3,106,285 | - |
| 50 | | | | | | |
| 51 | TOTAL ELECTRIC PLANT | \$1,166,337,381 | \$11,271,852 | \$1,155,065,529 | \$1,094,737,963 | 5.51% |

| Sch. 20 | | MONTANA DEPRECIATION SUMMARY - ELECTRIC (EXCLUDES UNIT 4) | | | | | |
|---------|---------------------------------|---|----------------------------|------------------------------|----------------------|----------------------|----------------------|
| | Functional Plant Class | Montana Plant Cost | This Year Cons. Utility | Yellowstone National Park | This Year Montana | Last Year Montana | Current Avg. Rate |
| 1 | Accumulated Depreciation | | | | | | |
| 2 | | | | | | | |
| 3 | Steam Production | \$913,666 | (\$1,164,218) | \$ - | (\$1,164,218) | (\$1,164,218) | - |
| 4 | | | | | | | |
| 5 | Nuclear Production | | | | | | |
| 6 | | | | | | | |
| 7 | Hydraulic Production | 9,529,249 | 5,836,127 | - | 5,836,127 | 5,317,515 | 5.48% |
| 8 | | | | | | | |
| 9 | Other Production | 42,266 | 1,424,608 | 1,424,608 | - | - | - |
| 10 | | | | | | | |
| 11 | Transmission | 392,111,614 | 127,033,019 | 1,180,974 | 125,852,045 | 116,263,681 | 2.93% |
| 12 | | | | | | | |
| 13 | Distribution | 597,871,213 | 238,492,480 | 2,540,017 | 235,952,463 | 215,781,511 | 3.84% |
| 14 | | | | | | | |
| 15 | General and Intangible | 66,180,789 | 29,880,865 | 214,300 | 29,666,565 | 29,510,858 | 5.65% |
| 16 | | | | | | | |
| 17 | Common | 23,746,825 | 15,637,175 | - | 15,637,175 | 4,975,285 | 5.38% |
| 18 | | | | | | | |
| 19 | TOTAL DEPRECIATION | \$1,090,395,622 | \$417,140,056 | \$5,359,899 | \$411,780,157 | \$370,684,632 | 3.64% |
| 20 | | | | | | | |
| 21 | | | | | | | |
| 22 | | | | | | | |
| 23 | | | | | | | |

| Sch. 21 MONTANA MATERIALS & SUPPLIES (ASSIGNED & ALLOCATED)- ELECTRIC (EXCLUDES UNIT 4) | | | | | | |
|---|--|----------------------------|------------------------------|----------------------|----------------------|----------------|
| | Account Number & Title | This Year Cons. Utility | Yellowstone National Park | This Year Montana | Last Year Montana | % Change |
| 1 | | | | | | |
| 2 | 151 Fuel Stock | \$0 | | \$0 | \$151,070 | -100.00% |
| 3 | | | | | | |
| 4 | 154 Plant Materials & Operating Supplies | | | | | |
| 5 | Assigned and Allocated to: | | | | | |
| 6 | Operation & Maintenance | - | | - | - | - |
| 7 | Construction | - | | - | - | - |
| 8 | Production Plant | 66,285 | | 66,285 | 85,258 | -22.25% |
| 9 | Transmission Plant | 2,753,343 | | 2,753,343 | 3,188,365 | -13.64% |
| 10 | Distribution Plant | 4,352,766 | | 4,352,766 | 4,861,451 | -10.46% |
| 11 | | | | | | |
| 12 | | | | | | |
| 13 | TOTAL MATERIALS & SUPPLIES | \$7,172,394 | \$ - | \$7,172,394 | \$8,286,144 | -13.44% |

| Sch. 22 | | MONTANA REGULATORY CAPITAL STRUCTURE & COSTS - ELECTRIC | | |
|---------|---|---|-------------|---------------|
| | | % Capital Structure | % Cost Rate | Weighted Cost |
| 1 | Commission Accepted - Most Recent 1/ | | | |
| 2 | | | | |
| 3 | Docket Number: 2000.8.113 | | | |
| 4 | Order Number : 6271c | | | |
| 5 | | | | |
| 6 | Common Equity | 43.00% | 10.75% | 4.62% |
| 7 | Preferred Stock | 6.97% | 6.40% | 0.45% |
| 8 | QUIPS Preferred 2/ | 7.86% | 8.54% | 0.67% |
| 9 | Long Term Debt | 42.17% | 6.46% | 2.72% |
| 10 | TOTAL | 100.00% | | 8.46% |
| 11 | | | | |
| 12 | Actual at Year End | | | |
| 13 | | | | |
| 14 | Common Equity | 37.26% | 10.75% | 4.01% |
| 15 | Preferred Stock | 7.03% | 6.40% | 0.45% |
| 16 | QUIPS Preferred 2/ | 7.92% | 8.54% | 0.68% |
| 17 | Long Term Debt 3/ | 47.79% | 6.83% | 3.26% |
| 18 | TOTAL | 100.00% | | 8.40% |
| 19 | | | | |
| 20 | 1/ Docket 2000.8.113, Order 6271c specifies the authorized capital structure and associated costs for | | | |
| 21 | the regulated electric utility effective May 8, 2001. | | | |
| 22 | | | | |
| 23 | 2/ The cost of the QUIPS securities is treated as tax deductible for income tax purposes. | | | |
| 24 | See footnote on Schedule 25. | | | |
| 25 | | | | |
| 26 | 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 | \$15,393,683 | \$199,490,689 | -92.28% |
| 4 | Depreciation | 55,281,111 | 48,266,339 | 14.53% |
| 5 | Amortization | 94,914 | 94,939 | -0.03% |
| 6 | Deferred Income Taxes - Net | (19,429,078) | (15,883,186) | -22.32% |
| 7 | Investment Tax Credit Adjustments - Net | (444,673) | (166,770) | -166.64% |
| 8 | Change in Operating Receivables - Net | 231,253,843 | (21,580,392) | 1171.59% |
| 9 | Change in Materials, Supplies & Inventories - Net | 599,764 | (92,138) | 750.94% |
| 10 | Change in Operating Payables & Accrued Liabilities - Net | (196,263,958) | (52,468,014) | -274.06% |
| 11 | Allowance for Funds Used During Construction (AFUDC) | (36,530) | (446,286) | 91.81% |
| 12 | Change in Other Assets & Liabilities - Net | - | - | - |
| 13 | Other Operating Activities: | | | |
| 14 | Undistributed Earnings from Subsidiary Companies | (59,388,353) | (193,438,772) | 69.30% |
| 15 | Amortization of Loss on Long-Term Sale of Power | - | - | - |
| 16 | Other (net) | (241,219,431) | 4,975,607 | -4948.04% |
| 17 | Change in Regulatory Assets | (3,089,595) | (15,464,321) | 80.02% |
| 18 | Change in Regulatory Liabilities | 269,133,676 | 36,517,739 | 636.99% |
| 19 | Net Cash Provided by/(Used in) Operating Activities | 51,885,373 | (10,194,566) | 608.95% |
| 20 | Cash Inflows/Outflows From Investment Activities: | | | |
| 21 | Construction/Acquisition of Property, Plant and Equipment | (58,505,790) | (49,747,654) | -17.61% |
| 22 | (net of AFUDC & Capital Lease Related Acquisitions) | | | |
| 23 | Sale of Generation Assets | - | - | - |
| 24 | Contributions In and Advances to Affiliates | - | (99,001,000) | - |
| 25 | Other Investing Activities: | | | |
| 26 | Miscellaneous Special Funds | (36,806) | 473,237,760 | -100.01% |
| 27 | Net Cash Provided by/(Used in) Investing Activities | (58,542,596) | 324,489,106 | -118.04% |
| 28 | Cash Flows from Financing Activities: | | | |
| 29 | Proceeds from Issuance of: | | | |
| 30 | Long-Term Debt | 150,000,000 | 35,556,648 | 321.86% |
| 31 | Common Stock | 467,115 | 2,445,313 | -80.90% |
| 32 | Other: Manditorily Redeem. Pref. Securities of Sub. Trust | | | |
| 33 | Dividends from Subsidiaries | - | - | - |
| 34 | Net Increase in Short-Term Debt | - | 75,000,000 | - |
| 35 | Other: Return of Subsidiary Capital | | | |
| 36 | Payment for Retirement of: | | | |
| 37 | Long-Term Debt | (64,297,988) | (297,868,964) | 78.41% |
| 38 | Preferred Stock | - | - | - |
| 39 | Net Decrease in Short-Term Debt | (75,000,000) | | |
| 40 | Dividends on Preferred Stock | (3,769,784) | (3,690,034) | - |
| 41 | Dividends on Common Stock | - | (62,426,418) | 100.00% |
| 42 | Other Financing Activities (explained on attached page) 2/ | - | (60,784,409) | 100.00% |
| 43 | Net Cash Provided by (Used in) Financing Activities | 7,399,343 | (311,767,864) | 102.37% |
| 44 | | | | |
| 45 | Net Increase/(Decrease) in Cash and Cash Equivalents | 742,120 | 2,526,676 | -70.63% |
| 46 | Cash and Cash Equivalents at Beginning of Year | (4,538,779) | (7,065,455) | 35.76% |
| 47 | Cash and Cash Equivalents at End of Year | (\$3,796,659) | (\$4,538,779) | 16.35% |
| 48 | | | | |
| 49 | 1/ The cash balances on the 2001 and 2000 balance sheets include CMP, whereas the statement of | | | |
| 50 | cash flows does not. | | | |
| 51 | | | | |
| 52 | 2/ The amount listed on line 42 for 2000 is the amount paid to reacquire Common Stock. | | | |

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 % |
|---|------------|---------------|------------------|---------------|-------------------------------|-------------------|----------------------------------|--------------|
| First Mortgage Bonds | | | | | | | | |
| 1 8.25% Series, Due 2007 | 12/05/91 | 02/01/07 | 55,000,000 | 54,550,100 | 364,966 | 8.260% | 30,167 | 8.27% |
| 2 8.95% Series, Due 2022 | 12/05/91 | 02/01/22 | 50,000,000 | 49,536,500 | 1,437,200 | 8.957% | 129,979 | 9.04% |
| 3 7.00% Series, Due 2005 | 03/01/93 | 03/01/05 | 50,000,000 | 49,375,000 | 5,370,355 | 7.075% | 383,032 | 7.13% |
| 4 7.30% Series, Due 2006 | 11/27/01 | 12/01/06 | 150,000,000 | 148,670,240 | 149,121,250 | 7.426% | 11,324,552 | 7.59% |
| Total First Mortgage Bonds | | | \$305,000,000 | \$302,131,840 | \$156,293,771 | | \$11,867,730 | 7.59% |
| Pollution Control Bonds | | | | | | | | |
| 5 6-1/8% Series, Due 2023 | 06/30/93 | 05/01/23 | \$90,205,000 | \$88,199,743 | \$88,771,073 | 5.841% | \$5,620,635 | 6.33% |
| 6 5.90% Series, Due 2023 | 12/30/93 | 12/01/23 | 80,000,000 | 79,040,800 | 79,294,183 | 6.428% | 4,834,215 | 6.10% |
| Total Pollution Control Bonds | | | \$170,205,000 | \$167,240,543 | \$168,065,256 | | \$10,454,850 | 6.22% |
| Other Long Term Debt | | | | | | | | |
| 7 Quarterly Income Preferred Securities, 8.45%, Series A (QUIPS) 2/ | 11/96 | 11/01 | \$ 65,000,000 | \$ 62,567,385 | \$ 65,000,000 | | \$ 5,553,304 | 8.54% |
| 8 Medium Term Notes-Secured Series | Various | Various | 128,000,000 | 126,807,269 | 28,000,000 | | 2,076,332 | 7.42% |
| 9 Medium Term Notes-Unsecured Series B | Various | Various | 115,000,000 | 113,851,197 | 39,832,471 | | 3,069,288 | 7.71% |
| 10 Cost Associated with Prior Debt Retirements | N/A | N/A | 0 | 0 | 0 | | 201,237 | N/A |
| Total Other Long Term Debt | | | \$308,000,000 | \$303,225,851 | \$132,832,471 | | \$10,900,161 | 8.21% |
| TOTAL LONG TERM DEBT | | | \$783,205,000 | \$772,598,234 | \$457,191,498 | | \$33,222,741 | 7.27% |

1/ Total Long-Term Debt does not include ESOP debt of \$12,666,000, as ESOP debt is not used for rate making purposes.

Total Long-Term Debt does not include amounts due within 1 year - \$ 0 at December 31, 2001.

2/ The Company believes and intends to take the position that the securities associated with the QUIPS issue will constitute indebtedness for United States federal income tax purposes. As such, the cost of QUIPS are deemed to be tax deductible. Since November 6, 2001, the Company has the right to wholly redeem the securities at any time, or partially redeem them from time to time.

| Sch. 25 | | | | | | | | | | | |
|-----------------|--|------------|---------------|-----------|------------|--------------|---------------|-----------------------|-------------|-----------------|--|
| PREFERRED STOCK | | | | | | | | | | | |
| | Series | Issue Date | Shares Issued | Par Value | Call Price | Net Proceeds | Cost of Money | Principal Outstanding | Annual Cost | Embedded Cost % | |
| 1 | | | | | | | | | | | |
| 2 | \$6.00 Series Cumulative | 1929-1932 | 159,589 | \$100 | \$110.000 | \$15,958,900 | 6.00% | \$15,958,900 | \$957,534 | 6.00% | |
| 3 | | | | | | | | | | | |
| 4 | \$4.20 Series Cumulative | May 1954 | 60,000 | \$100 | \$103.000 | 6,024,600 | 4.18% | 6,024,600 | 252,000 | 4.18% | |
| 5 | | | | | | | | | | | |
| 6 | \$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% | |
| 7 | | | | | | | | | | | |
| 8 | | | | | | | | | | | |
| 9 | | | | | | | | | | | |
| 10 | TOTAL PREFERRED STOCK | | 580,389 | | | \$57,653,912 | 6.36% | \$57,653,912 | \$3,690,034 | 6.40% | |
| 11 | | | | | | | | | | | |
| 12 | 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. | | | | | | | | | | |

COMMON STOCK

| | | Avg. Number of Shares Outstanding 1/ | Book Value Per Share 2/ | Earnings Per Share | Dividends Per Share (Declared) | Retention Ratio | Market Price | | Price/ Earnings Ratio |
|----|---|---|----------------------------------|--------------------------|---|--------------------|--------------|---------|-----------------------------|
| | | | | | | | High | Low | |
| 1 | | | | | | | | | |
| 2 | | | | | | | | | |
| 3 | January | 103,743,534 | \$10.75 | | | | \$26.50 | \$18.06 | |
| 4 | | | | | | | | | |
| 5 | February | 103,755,534 | 10.90 | | | | 22.22 | 17.55 | |
| 6 | | | | | | | | | |
| 7 | March | 103,760,218 | 11.24 | \$0.58 | | | 18.20 | 13.05 | |
| 8 | | | | | | | | | |
| 9 | April | 103,760,218 | 11.18 | | | | 14.49 | 11.19 | |
| 10 | | | | | | | | | |
| 11 | May | 103,773,500 | 11.22 | | | | 16.75 | 12.75 | |
| 12 | | | | | | | | | |
| 13 | June | 103,774,500 | 11.12 | (0.11) | | | 13.59 | 9.65 | |
| 14 | | | | | | | | | |
| 15 | July | 103,774,500 | 11.09 | | | | 11.48 | 9.45 | |
| 16 | | | | | | | | | |
| 17 | August | 103,774,500 | 11.10 | | | | 9.90 | 6.40 | |
| 18 | | | | | | | | | |
| 19 | September | 103,774,500 | 10.87 | (0.27) | | | 7.15 | 5.07 | |
| 20 | | | | | | | | | |
| 21 | October | 103,774,500 | 10.82 | | | | 7.46 | 5.01 | |
| 22 | | | | | | | | | |
| 23 | November | 103,774,500 | 10.79 | | | | 5.40 | 3.95 | |
| 24 | | | | | | | | | |
| 25 | December | 103,774,500 | 10.77 | (0.09) | | | 5.95 | 4.36 | |
| 26 | | | | | | | | | |
| 27 | TOTAL Year End | 103,767,875 | \$10.77 | \$0.11 | \$0.00 | 100.00% | \$5.75 | | 52.3 |
| 28 | | | | | | | | | |
| 29 | 1/ Monthly shares are actual shares outstanding at month-end. Total year-end shares are average | | | | | | | | |
| 30 | shares for 2001. | | | | | | | | |
| 31 | | | | | | | | | |
| 32 | 2/ All Book Value Per Share amounts are based on actual shares and include unallocated stock | | | | | | | | |
| 33 | held by Trustee for the Deferred Savings and Employee Ownership Plans. | | | | | | | | |
| 34 | | | | | | | | | |
| 35 | | | | | | | | | |

MONTANA EARNED RATE OF RETURN - ELECTRIC

| <u>Description</u> | | <u>This Year</u> | <u>Last Year</u> | <u>% Change</u> |
|--|---|----------------------|----------------------|-----------------|
| Rate Base | | | | |
| 101 | Plant in Service | \$1,130,070,071 | \$1,039,063,190 | 8.76% |
| 108 | Accumulated Depreciation | (402,143,778) | (351,411,120) | -14.44% |
| Net Plant in Service | | \$727,926,293 | \$687,652,070 | 5.86% |
| Additions: | | | | |
| 154, 156 | Materials & Supplies | \$6,412,825 | \$7,437,251 | -13.77% |
| 165 | Prepayments | | | 0.00% |
| | Other Additions <u>3/</u> | 48,988,710 | 120,593,479 | -59.38% |
| Total Additions | | \$55,401,535 | \$128,030,730 | -56.73% |
| Deductions: | | | | |
| 190 | Accumulated Deferred Income Taxes <u>1/</u> | \$130,112,342 | \$142,677,086 | -8.81% |
| 252 | Customer Advances for Construction | 16,946,982 | 14,704,355 | 15.25% |
| 255 | Accumulated Def. Investment Tax Credits | 0 | 0 | 0.00% |
| | Other Deductions <u>4/</u> | 18,241,383 | 13,338,485 | 36.76% |
| Total Deductions | | \$165,300,707 | \$170,719,926 | -3.17% |
| Total Rate Base | | \$618,027,121 | \$644,962,874 | -4.18% |
| Net Earnings | | (\$2,258,050) | \$24,778,741 | -109.11% |
| Rate of Return on Average Rate Base | | -0.365% | 3.842% | -109.51% |
| Rate of Return on Average Equity <u>2/</u> | | -12.737% | -3.391% | -275.61% |
| Major Normalizing and Commission Ratemaking Adjustments | | | | |
| | Rate Schedule Revenues | \$594,975 | \$1,624,115 | -63.37% |
| | ASiMI Losses writeoff | 86,175,594 | 0 | |
| | Capitalized regulatory assets | (7,169,830) | 0 | |
| Non-Allowables: | | | | |
| | Advertising | 864,859 | 662,320 | |
| | Benefit Restoration Plan | 980,473 | 332,469 | |
| | Dues, Contributions, Other | 54,246 | 46,611 | 16.38% |
| | Corporate Overhead | 0 | 278,994 | |
| | Associated Income Taxes | (32,100,937) | (1,159,768) | -2667.87% |
| Total Adjustments | | \$49,399,379 | \$1,784,741 | 2667.87% |
| Revised Net Earnings | | \$47,141,329 | \$26,563,482 | 77.47% |
| Adjusted Rate of Return on Average Rate Base | | 7.628% | 4.119% | 85.20% |
| Adjusted Rate of Return on Average Equity <u>2/</u> | | 6.974% | -2.090% | 433.68% |
| 1/ Includes adjustments related to FAS 109. | | | | |
| 2/ ROE calculation utilizes a average of four quarters common equity component applied to rate base for the denominator of the equations. The 2001 common equity component applied to rate base was 42.26%. An average was used to more accurately reflect 2001 common equity. | | | | |
| 3/ Adjusted ROE includes \$3,431,734 and \$3,389,057 interest adjustment on excess proceeds from generation sale for 2001 and 2000 respectively. | | | | |

MONTANA EARNED RATE OF RETURN - ELECTRIC

| | Description | Last Year | This Year | % Change |
|----|---|---------------------|----------------------|----------------|
| 1 | | | | |
| 2 | Detail - Other Additions 3/ | | | |
| 3 | FAS 109 Regulatory Asset | \$42,232,476 | \$49,316,832 | -14.36% |
| 4 | Conservation Expenditures | 0 | 27,989,827 | -100.00% |
| 5 | Cost of Refinancing Debt | 2,284,219 | 3,398,428 | -32.79% |
| 6 | Colstrip Unit 3 Carrying Charge | 0 | 38,349,152 | -100.00% |
| 7 | Corette PS&I | 0 | 311,674 | -100.00% |
| 8 | Fuel | 0 | 145,336 | -100.00% |
| 9 | Division Centralization | 56,251 | 72,348 | -22.25% |
| 10 | Qualifying Facilities Buyout | 0 | 11,590 | -100.00% |
| 11 | ORCOM Development Costs | 853,687 | 0 | 100.00% |
| 12 | SAP Development Costs | 2,823,844 | 0 | 100.00% |
| 13 | 1999 Severance Plan | 125,696 | 0 | 100.00% |
| 14 | 1997 & 1998 Severance Plan | 125,653 | 0 | 100.00% |
| 15 | 1995 & 1996 Severance Costs | 486,884 | 622,866 | -21.83% |
| 16 | 1994 Severance Costs | 0 | 375,426 | -100.00% |
| 17 | Total Other Additions | \$48,988,710 | \$120,593,479 | -59.38% |
| 18 | | | | |
| 19 | Detail - Other Deductions 4/ | | | |
| 20 | Personal Injury and Property Damage | \$2,135,840 | \$2,102,304 | 1.60% |
| 21 | Unamortized Gain on Reacquired Debt | 17,766 | 26,987 | -34.17% |
| 22 | Milltown Dam | 3,920,342 | 0 | 100.00% |
| 23 | Bird Plant Reserve | 1,164,218 | 0 | 100.00% |
| 24 | Gross Cash Requirements | 5,574,447 | 6,021,372 | -7.42% |
| 25 | Kerr Mitigation | 0 | 0 | |
| 26 | Storm Damage Reserve | 669,263 | 879,912 | -23.94% |
| 20 | Met Life Refund | 144,724 | 0 | 100.00% |
| 27 | Materials & Supplies Non-Consumable Parts | 0 | 9,668 | -100.00% |
| 27 | USBC Expenses | 4,614,783 | 4,298,242 | 7.36% |
| 21 | Net Kerr Mitigation | 0 | 0 | |
| 22 | | | | |
| 23 | Total Other Deductions | \$18,241,383 | \$13,338,485 | 36.76% |
| 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 | | | | |

| Sch. 28 | MONTANA COMPOSITE STATISTICS - ELECTRIC (EXCLUDES UNIT 4 & YNP) | |
|---------|--|--------------------|
| | Description | Amount |
| 1 | | |
| 2 | Plant (Intrastate Only) | |
| 3 | | |
| 4 | 101 Plant in Service (Includes Allocation from Common) | \$ 1,143,823,680 |
| 5 | 105 Plant Held for Future Use | - |
| 6 | 107 Construction Work in Progress | 8,135,564 |
| 7 | 114 Plant Acquisition Adjustments | 3,106,285 |
| 8 | 151-163 Materials & Supplies | \$7,172,394 |
| 9 | (Less): | |
| 10 | 108, 111 Depreciation & Amortization Reserves | \$411,780,157 |
| 11 | 252 Contributions in Aid of Construction | 16,635,337 |
| 12 | NET BOOK COSTS | 733,822,429 |
| 13 | | |
| 14 | Revenues & Expenses | |
| 15 | | |
| 16 | 400 Operating Revenues | 475,913,425 |
| 17 | | |
| 18 | Total Operating Revenues | 475,913,425 |
| 19 | | |
| 20 | 401-402 Other Operating Expenses | 410,377,838 |
| 21 | 403-407 Depreciation & Amortization Expenses | 41,647,685 |
| 22 | 408.1 Taxes Other than Income Taxes | 37,802,339 |
| 23 | 409-411 Federal & State Income Taxes | (11,656,385) |
| 24 | | |
| 25 | Total Operating Expenses | 478,171,477 |
| 26 | Net Operating Income | (2,258,052) |
| 27 | | |
| 28 | 415-421.1 Other Income | 1,131,021 |
| 29 | 421.2-426.5 Other Deductions | 1,381,582 |
| 30 | NET INCOME BEFORE INTEREST EXPENSE | (2,508,613) |
| 31 | | |
| 32 | Average Customers (Intrastate Only) | |
| 33 | Residential | 237,429 |
| 34 | Commercial & Industrial | 52,232 |
| 35 | Other | 3,708 |
| 36 | | |
| 37 | TOTAL AVERAGE NUMBER OF CUSTOMERS | 293,369 |
| 38 | | |
| 39 | Other Statistics (Intrastate Only) | |
| 40 | Average Annual Residential Use (Kwh) | 8,316 |
| 41 | Average Annual Residential Cost per (Kwh) | \$0.067 |
| 42 | Average Residential Monthly Bill | \$46.78 |
| 43 | | |
| 44 | Plant in Service (Gross) per Customer | \$3,899 |

| Sch. 29 | | Montana Customer Information- Electric, 1/ | | | | |
|---------|------------------|--|-------------|------------|-----------------------|--------|
| | City | Population Census 2000 | Residential | Commercial | Industrial & Other | Total |
| 1 | Absarokee | 1,234 | 455 | 115 | 8 | 578 |
| 2 | Alberton | 374 | 336 | 77 | 22 | 435 |
| 3 | Alder | 116 | 184 | 61 | 18 | 263 |
| 4 | Amsterdam | 727 | | | 1 | 1 |
| 5 | Anaconda | 9,417 | 4,125 | 678 | 50 | 4,853 |
| 6 | Armington | | 1 | | | 1 |
| 7 | Arrow Creek | | 5 | 3 | | 8 |
| 8 | Augusta | 284 | 232 | 88 | 7 | 327 |
| 9 | Austin | | 1 | | | 1 |
| 10 | Avon | 124 | 91 | 53 | 2 | 146 |
| 11 | Barber | | 50 | 9 | 2 | 61 |
| 12 | Basin | 255 | 157 | 64 | 2 | 223 |
| 13 | Bearcreek-Washoe | 83 | 66 | 16 | 4 | 86 |
| 14 | Belfry | 219 | 195 | 62 | 25 | 282 |
| 15 | Belgrade | 5,728 | 4,626 | 853 | 55 | 5,534 |
| 16 | Belt | 633 | 613 | 204 | 14 | 831 |
| 17 | Benchland | | 7 | 7 | | 14 |
| 18 | Big Sandy | 703 | 357 | 136 | 14 | 507 |
| 19 | Big Sky | 1,221 | 1,673 | 304 | 6 | 1,983 |
| 20 | Big Timber | 1,650 | 1,119 | 329 | 24 | 1,472 |
| 21 | Bigfork | 1,421 | | | | - |
| 22 | Billings | 89,847 | 39,197 | 6,326 | 562 | 46,085 |
| 23 | Black Eagle | | 433 | 100 | 3 | 536 |
| 24 | Bonner | 1,693 | 82 | 18 | 4 | 104 |
| 25 | Boulder | 1,300 | 722 | 204 | 38 | 964 |
| 26 | Box Elder | 794 | 122 | 72 | 8 | 202 |
| 27 | Bozeman | 27,509 | 18,046 | 3,345 | 170 | 21,561 |
| 28 | Brady | | 98 | 37 | 8 | 143 |
| 29 | Bridger | 745 | 395 | 131 | 29 | 555 |
| 30 | Broadview | 150 | 205 | 142 | 8 | 355 |
| 31 | Buffalo | | | 3 | | 3 |
| 32 | Butte | 33,892 | 13,971 | 2,106 | 322 | 16,399 |
| 33 | Cameron | | 187 | 80 | 8 | 275 |
| 34 | Canyon Creek | | 152 | 27 | 9 | 188 |
| 35 | Carter | 62 | 117 | 64 | 2 | 183 |
| 36 | Cascade | 819 | 953 | 233 | 21 | 1,207 |
| 37 | Centerville | | 16 | 11 | 4 | 31 |
| 38 | Checkerboard | | 57 | 13 | | 70 |
| 39 | Chester | 871 | 494 | 263 | 26 | 783 |
| 40 | Chinook | 1,386 | 832 | 289 | 26 | 1,147 |
| 41 | Choteau | 1,781 | 953 | 341 | 43 | 1,337 |
| 42 | Churchill | | 2 | | | 2 |
| 43 | Clancy | 1,406 | 1,420 | 207 | 2 | 1,629 |
| 44 | Clinton | 549 | 93 | 32 | 2 | 127 |
| 45 | Coffee Creek | | 54 | 22 | | 76 |
| 46 | Colstrip | 2,346 | 947 | 186 | 32 | 1,165 |
| 47 | Columbus | 1,748 | 922 | 285 | 22 | 1,229 |
| 48 | Conrad | 2,753 | 1,273 | 460 | 38 | 1,771 |
| 49 | Corbin-Jefferson | | | 1 | | 1 |
| 50 | Corvallis | 443 | 610 | 136 | 56 | 802 |

| Sch. 29 Montana Customer Information- Electric, 1/ | | | | | | |
|--|------------------|---------------------------|-------------|------------|-----------------------|--------|
| | City | Population Census 2000 | Residential | Commercial | Industrial & Other | Total |
| 1 | Craig | | 84 | 16 | 5 | 105 |
| 2 | Custer | 145 | | 3 | | 3 |
| 3 | Darby | 710 | 678 | 198 | 18 | 894 |
| 4 | Deer Lodge | 3,421 | 2,008 | 451 | 71 | 2,530 |
| 5 | Denton | 301 | 186 | 78 | 6 | 270 |
| 6 | Dillon | 3,752 | 1,819 | 483 | 71 | 2,373 |
| 7 | Divide | | 54 | 9 | 4 | 67 |
| 8 | Dodson | 122 | 119 | 55 | 15 | 189 |
| 9 | Drummond | 318 | 348 | 195 | 36 | 579 |
| 10 | Dutton | 389 | 252 | 118 | 15 | 385 |
| 11 | East Helena | 1,642 | 2,370 | 307 | 22 | 2,699 |
| 12 | Edgar | | 240 | 69 | 12 | 321 |
| 13 | Elliston | 225 | 195 | 62 | 4 | 261 |
| 14 | Ennis | 840 | 1,369 | 408 | 40 | 1,817 |
| 15 | Fairfield | 659 | 391 | 144 | 34 | 569 |
| 16 | Florence | 901 | 315 | 103 | 16 | 434 |
| 17 | Floweree | | 108 | 57 | 1 | 166 |
| 18 | Fort Belknap | 1,262 | 20 | 13 | 1 | 34 |
| 19 | Fort Benton | 1,594 | 795 | 314 | 23 | 1,132 |
| 20 | Fort Harrison | | 1 | 78 | 3 | 82 |
| 21 | Fromberg | 486 | 293 | 65 | 20 | 378 |
| 22 | Galata | | | 1 | | 1 |
| 23 | Gallatin Gateway | | 903 | 221 | 17 | 1,141 |
| 24 | Gardiner | 851 | 709 | 251 | 12 | 972 |
| 25 | Garrison | 112 | 105 | 54 | 5 | 164 |
| 26 | Geraldine | 284 | 279 | 141 | 7 | 427 |
| 27 | Geyser | | 65 | 30 | 6 | 101 |
| 28 | Gildford | 185 | 92 | 68 | 9 | 169 |
| 29 | Glasgow | 3,253 | 1,725 | 569 | 89 | 2,383 |
| 30 | Glen | | 2 | | 2 | 4 |
| 31 | Gold Creek | | 55 | 27 | 7 | 89 |
| 32 | Gransdale | | 24 | 4 | 2 | 30 |
| 33 | Great Falls | 56,690 | 26,188 | 4,291 | 395 | 30,874 |
| 34 | Greycliff | 56 | 49 | 27 | 12 | 88 |
| 35 | Hall | | 181 | 51 | 18 | 250 |
| 36 | Hamilton | 3,705 | 4,514 | 1,099 | 86 | 5,699 |
| 37 | Hardin | 3,384 | 1,411 | 412 | 53 | 1,876 |
| 38 | Harlem | 848 | 868 | 264 | 43 | 1,175 |
| 39 | Harlowtown | 1,062 | 651 | 250 | 22 | 923 |
| 40 | Harrison | 162 | 159 | 49 | 28 | 236 |
| 41 | Haugan-Deborgia | 69 | 197 | 63 | 1 | 261 |
| 42 | Havre | 10,594 | 4,889 | 998 | 250 | 6,137 |
| 43 | Helena | 45,819 | 19,305 | 3,815 | 340 | 23,460 |
| 44 | Hingham | 157 | 109 | 67 | 4 | 180 |
| 45 | Hinsdale | | 140 | 44 | 11 | 195 |
| 46 | Hobson | 244 | 152 | 52 | 12 | 216 |
| 47 | Huson | | 100 | 26 | 2 | 128 |
| 48 | Inverness | 103 | 47 | 26 | 2 | 75 |
| 49 | Jardine | | | 4 | | 4 |
| 50 | Jeffers | | 2 | 2 | | 4 |
| 51 | Jefferson City | 295 | 208 | 34 | 3 | 245 |

| Sch. 29 Montana Customer Information- Electric, 1/ | | | | | | |
|--|------------------|---------------------------|-------------|------------|-----------------------|--------|
| | City | Population Census 2000 | Residential | Commercial | Industrial & Other | Total |
| 1 | Joliet | 575 | 354 | 83 | 21 | 458 |
| 2 | Joplin | 210 | 101 | 48 | 7 | 156 |
| 3 | Judith Gap | 164 | 92 | 39 | 4 | 135 |
| 4 | Kremlin | 126 | 73 | 40 | 2 | 115 |
| 5 | Laurel | 6,255 | 2,879 | 384 | 14 | 3,277 |
| 6 | Lavina | 209 | 178 | 83 | 11 | 272 |
| 7 | Lennepe-Ringling | | 60 | 41 | 3 | 104 |
| 8 | Lewistown | 5,813 | 3,209 | 811 | 79 | 4,099 |
| 9 | Lincoln | 1,100 | 972 | 198 | 3 | 1,173 |
| 10 | Livingston | 6,851 | 4,154 | 919 | 63 | 5,136 |
| 11 | Logan | | 3 | 9 | 2 | 14 |
| 12 | Lohman | | 22 | 18 | 7 | 47 |
| 13 | Lolo | 3,388 | 1,169 | 149 | 20 | 1,338 |
| 14 | Loma | 92 | 75 | 45 | 5 | 125 |
| 15 | Lothair | | 15 | 9 | | 24 |
| 16 | Malta | 2,120 | 1,325 | 419 | 68 | 1,812 |
| 17 | Mammoth | | 162 | 66 | 2 | 230 |
| 18 | Manhattan | 1,396 | 1,504 | 288 | 105 | 1,897 |
| 19 | Martinsdale | | 111 | 67 | 6 | 184 |
| 20 | Marysville | | 53 | 25 | | 78 |
| 21 | Maxville | | 1 | | | 1 |
| 22 | McAllister | | 121 | 27 | 4 | 152 |
| 23 | Melrose | | 1 | | 2 | 3 |
| 24 | Melstone | 136 | 158 | 298 | 14 | 470 |
| 25 | Melville | | 81 | 46 | 1 | 128 |
| 26 | Milltown | | 78 | 21 | | 99 |
| 27 | Missoula | 57,053 | 28,510 | 4,989 | 452 | 33,951 |
| 28 | Moccasin | | 46 | 29 | 5 | 80 |
| 29 | Molt | | 17 | 16 | | 33 |
| 30 | Monarch | | 319 | 46 | | 365 |
| 31 | Moore | 186 | 101 | 36 | 8 | 145 |
| 32 | Musselshell | 60 | 63 | 27 | 2 | 92 |
| 33 | Nashua | 325 | 206 | 59 | 10 | 275 |
| 34 | Neihart | 91 | 179 | 28 | 1 | 208 |
| 35 | Norris | | 54 | 32 | 5 | 91 |
| 36 | Nye | | 24 | 2 | | 26 |
| 37 | Old Faithful | | | 1 | | 1 |
| 38 | Paradise | 184 | 150 | 49 | 9 | 208 |
| 39 | Park City | 870 | 379 | 54 | 6 | 439 |
| 40 | Philipsburg | 914 | 1,511 | 234 | 19 | 1,764 |
| 41 | Plains | 1,126 | 1,291 | 357 | 37 | 1,685 |
| 42 | Pony | | 118 | 21 | 4 | 143 |
| 43 | Power | 171 | 82 | 41 | 6 | 129 |
| 44 | Pray | | 19 | 1 | 1 | 21 |
| 45 | Radersburg | 70 | 60 | 4 | | 64 |
| 46 | Ramsay | | 45 | 21 | 1 | 67 |
| 47 | Raynesford | | 58 | 32 | 1 | 91 |
| 48 | Red Lodge | 2,177 | 1,635 | 343 | 37 | 2,015 |
| 49 | Reedpoint | 185 | 138 | 49 | 8 | 195 |

| Sch. 29 | | Montana Customer Information- Electric, 1/ | | | | |
|---------|--|--|-------------|------------|-----------------------|---------|
| | City | Population Census 2000 | Residential | Commercial | Industrial & Other | Total |
| 1 | Rocker | | 13 | 7 | | 20 |
| 2 | Rocvale | | 2 | | | 2 |
| 3 | Roscoe | | 72 | 9 | | 81 |
| 4 | Roundup | 1,931 | 1,094 | 390 | 25 | 1,509 |
| 5 | Rudyard | 275 | 159 | 65 | 7 | 231 |
| 6 | Ryegate | 268 | 140 | 61 | 11 | 212 |
| 7 | Saco | 224 | 156 | 83 | 9 | 248 |
| 8 | Saint Marie | 183 | 168 | 56 | 22 | 246 |
| 9 | Salesia | | 28 | 5 | 1 | 34 |
| 10 | Saltese | | 32 | 19 | 2 | 53 |
| 11 | Sand Coulee | | 130 | 41 | 1 | 172 |
| 12 | Sapphire Village | | 59 | 3 | | 62 |
| 13 | Shawmut | | 47 | 24 | 2 | 73 |
| 14 | Sheridan | 659 | 775 | 188 | 38 | 1,001 |
| 15 | Silverbow | | 15 | 3 | 4 | 22 |
| 16 | Springdale | | 35 | 16 | 7 | 58 |
| 17 | Square Butte | | 42 | 24 | | 66 |
| 18 | St. Regis | 315 | 384 | 133 | 14 | 531 |
| 19 | Stanford | 454 | 337 | 179 | 17 | 533 |
| 20 | Stevensville | 1,553 | 1,625 | 464 | 59 | 2,148 |
| 21 | Stockett | | 166 | 43 | | 209 |
| 22 | Sumatra | | | 3 | | 3 |
| 23 | Superior | 893 | 751 | 250 | 16 | 1,017 |
| 24 | Tampico | | | 1 | | 1 |
| 25 | Thompson Falls | 1,321 | 924 | 295 | 23 | 1,242 |
| 26 | Three Forks | 1,728 | 1,166 | 392 | 66 | 1,624 |
| 27 | Tiber | | | 4 | | 4 |
| 28 | Toston | 105 | 49 | 52 | 26 | 127 |
| 29 | Townsend | 1,867 | 1,035 | 250 | 25 | 1,310 |
| 30 | Tracy | | 99 | 13 | 1 | 113 |
| 31 | Trident | | 2 | | | 2 |
| 32 | Twin Bridges | 400 | 304 | 136 | 33 | 473 |
| 33 | Twodot | | 49 | 37 | 6 | 92 |
| 34 | Ulm | 750 | 358 | 108 | 6 | 472 |
| 35 | Utica | | 2 | 4 | | 6 |
| 36 | Valier | 498 | 360 | 174 | 30 | 564 |
| 37 | Vaughn | 701 | 221 | 37 | 3 | 261 |
| 38 | Victor | 859 | 705 | 221 | 25 | 951 |
| 39 | Virginia City | 130 | 141 | 79 | 4 | 224 |
| 40 | Wagner | | 44 | 17 | 1 | 62 |
| 41 | Warm Springs | | | 2 | | 2 |
| 42 | White Sulphur Springs | 984 | 760 | 303 | 44 | 1,107 |
| 43 | Whitehall | 1,044 | 912 | 234 | 58 | 1,204 |
| 44 | Williamsburg | | 2 | 1 | | 3 |
| 45 | Willow Creek | 209 | 132 | 48 | 17 | 197 |
| 46 | Windham | | 52 | 27 | 2 | 81 |
| 47 | Winston | 73 | 86 | 25 | 4 | 115 |
| 48 | Wolf Creek | | 389 | 125 | 4 | 518 |
| 49 | Yellowstone Park | | 1 | 7 | | 8 |
| 50 | Zurich | | 104 | 62 | 11 | 177 |
| 51 | Total | 448,194 | 237,503 | 49,677 | 5,231 | 292,411 |
| 52 | | | | | | |
| 53 | 1/ Customer populations represent an average of the 12 month period from 01/01/01 through 12/31/01 | | | | | |

MONTANA EMPLOYEE COUNTS

| | Department | Year Beginning 1/ | Year End 1/ | Average |
|----|---|----------------------|----------------|---------|
| 1 | | | | |
| 2 | Utility Operations | | | |
| 3 | Executive - 2/ | | 3 | |
| 4 | Financial, Risk Mgmt. & Information Services - 2/ | | 98 | 49 |
| 5 | Human Resources & Administration - 2/ | | 38 | 19 |
| 6 | Utility Services & Division Administration | 706 | 665 | 686 |
| 7 | Corporate Administration - 2/ | 140 | | 70 |
| 8 | Business Development & Regulatory Affairs | 18 | 14 | 16 |
| 9 | Transmission | 214 | 188 | 201 |
| 10 | Legal - 2/ | | 8 | |
| 11 | Generation | 1 | | 1 |
| 12 | Total Utility | 1,079 | 1,014 | 1,047 |
| 13 | | | | |
| 14 | Other Corporate | | | |
| 15 | Office of the Corporation | | | |
| 16 | Total Other Corporate | 0 | 0 | 0 |
| 17 | TOTAL EMPLOYEES | 1,079 | 1,014 | 1,047 |
| 18 | | | | |
| 19 | 1/ Part time employees have been converted to full time equivalents. | | | |
| 20 | | | | |
| 21 | 2/ The total number of employees is for The Montana Power Company only. In the past, a portion of | | | |
| 22 | The Montana Power Services Company employees were included in the total. During 2001, | | | |
| 23 | these employees became employees of the utility division of Montana Power. | | | |
| 24 | | | | |

| Sch. 31 | MONTANA CONSTRUCTION BUDGET (ASSIGNED & ALLOCATED) | | |
|---------|---|---------------------|---------------------|
| | Project Description | Total Company | Total Montana |
| 1 | | | |
| 2 | Electric Operations | | |
| 3 | | | |
| 4 | Rainbow-Helena Tower Line Reconductoring | \$1,926,600 | \$1,926,600 |
| 5 | Hauser 69kV rebuild 10mi | 1,100,000 | 1,100,000 |
| 6 | | | |
| 7 | | | |
| 8 | | | |
| 9 | All Other Projects < \$1 Million Each | 37,199,483 | 37,199,483 |
| 10 | | | |
| 11 | Total Electric Utility Construction Budget | 40,226,083 | 40,226,083 |
| 12 | | | |
| 13 | Natural Gas Operations | | |
| 14 | | | |
| 15 | Telstad Compressor Station Upgrade | 1,100,000 | 1,100,000 |
| 16 | North Cobb 16" Loop Line | 1,600,000 | 1,600,000 |
| 17 | | | |
| 18 | All Other Projects < \$1 Million Each | 10,629,127 | 10,629,127 |
| 19 | | | |
| 20 | Total Natural Gas Utility Construction Budget | 13,329,127 | 13,329,127 |
| 21 | | | |
| 22 | Common | | |
| 23 | | | |
| 24 | All Other Projects < \$1 Million Each | 1,390,700 | 1,390,700 |
| 25 | (Includes Milltown, SAS, AP, Reg Affairs, Carry over) | | |
| 26 | | | |
| 27 | | | |
| 28 | Total Common Utility Construction Budget | 1,390,700 | 1,390,700 |
| 29 | | | |
| 30 | Colstrip Unit 4 | 1,800,000 | 1,800,000 |
| 31 | | | |
| 32 | | | |
| 33 | | | |
| 34 | | | |
| 35 | | | |
| 36 | Total Colstrip Unit 4 Construction Budget | 1,800,000 | 1,800,000 |
| 37 | TOTAL CONSTRUCTION BUDGET | \$56,745,910 | \$56,745,910 |

| Sch. 32 | | TOTAL SYSTEM & MONTANA PEAK AND ENERGY | | | | | |
|---------|---------------|--|-----------|------------------------------|---------------------------------------|--|--|
| | | System Peak and Energy | | | | | |
| | | Peak Day | Peak Hour | Peak Day Volume Megawatts | Total Monthly Volumes Energy (Mwh) | Non-Requirements Sales For Resale (Mwh) | |
| 1 | January | 17 | 1900 | 1,237 | 794,826 | 184,494 | |
| 2 | February | 15 | 1900 | 1,270 | 730,954 | 179,866 | |
| 3 | March | 1 | 800 | 1,155 | 695,744 | 159,135 | |
| 4 | April | 1 | 800 | 1,155 | 602,621 | 115,012 | |
| 5 | May | 24 | 1800 | 1,096 | 638,391 | 146,024 | |
| 6 | June | 28 | 1700 | 1,165 | 672,290 | 152,969 | |
| 7 | July | 11 | 1700 | 1,237 | 748,581 | 225,519 | |
| 8 | August | 11 | 1700 | 1,290 | 708,323 | 150,770 | |
| 9 | September | 4 | 1700 | 1,189 | 667,605 | 141,659 | |
| 10 | October | 24 | 2000 | 1,033 | 604,922 | 148,559 | |
| 11 | November | 26 | 1900 | 1,176 | 615,068 | 134,063 | |
| 12 | December | 19 | 1900 | 1,252 | 745,838 | 133,568 | |
| 13 | TOTALS | | | | 8,225,163 | 1,871,638 | |
| 14 | | Montana Peak and Energy | | | | | |
| 15 | | Peak Day | Peak Hour | Peak Day Volume Megawatts | Total Monthly Volumes Energy (Mwh) | Non-Requirements Sales For Resale (Mwh) | |
| 16 | | | | | | | |
| 17 | January | | | | | | |
| 18 | February | | | | | | |
| 19 | March | | | | | | |
| 20 | April | | | | | | |
| 21 | May | | | | | | |
| 22 | June | | | | | | |
| 23 | July | | | NOT AVAILABLE | | | |
| 24 | August | | | | | | |
| 25 | September | | | | | | |
| 26 | October | | | | | | |
| 27 | November | | | | | | |
| 28 | December | | | | | | |
| 29 | TOTALS | | | | - | - | |

| Sch. 33 TOTAL SYSTEM SOURCES & DISPOSITION OF ENERGY | | | | |
|--|--------------------------------------|---------------|-------------------------------------|---------------|
| | Sources | Megawatthours | Dispositions | Megawatthours |
| 1 | Generation (Net of Station Use) | | | |
| 2 | Steam | 1,611,276 | | |
| 3 | Nuclear | - | Sales to Ultimate Consumers | 7,315,027 |
| 4 | Hydro - Conventional | 13,537 | (Include Interdepartmental) | |
| 5 | Hydro - Pumped Storage | - | | |
| 6 | Other | 654 | Sales for Resale | |
| 7 | (Less) Energy for Pumping | - | Requirement Sales | 34,752 |
| 8 | Net Generation | 1,625,467 | Non-Requirement Sales | 1,871,638 |
| 9 | Purchases | 6,394,413 | Sales for Resale | 1,906,390 |
| 10 | Power Exchanges | | Energy Furnished w/o Charge | |
| 11 | Received | 1,063,957 | | |
| 12 | Delivered | 1,034,198 | | - |
| 13 | Net Power Exchanges | 29,759 | Energy Furnished | - |
| 14 | Transmission Wheeling for Others | | Energy Used Within Utility | |
| 15 | Received | 4,577,193 | Electric Department | |
| 16 | Delivered | 4,401,670 | (Less) Station Use | - |
| 17 | Net Transmission Wheeling | 175,523 | Net Energy Used Within Util. | - |
| 18 | Transmission by Others Losses | - | Energy Losses | (996,255) |
| 19 | TOTAL SOURCES | 8,225,162 | TOTAL DISPOSITIONS | 8,225,162 |

| Sch. 34 | | SOURCES OF ELECTRIC SUPPLY /1 | | | |
|---------|--|-------------------------------|-----------------------------------|------------------|---------------------|
| | Type | Plant Name | Location | Annual Peak (MW) | Annual Energy (Mwh) |
| 1 | Hydro | Milltown | Missoula, MT | 2.5 | 13,537.9 |
| 2 | Subtotal | | | 2.5 | 13,537.9 |
| 3 | Internal Combustion | Lake | Yellowstone Nat'l Park | 0.0 | 130.1 |
| 4 | Internal Combustion | Old Faithful | Yellowstone Nat'l Park | 0.0 | 243.3 |
| 5 | Internal Combustion | Tower Falls | Yellowstone Nat'l Park | 0.0 | 7.2 |
| 6 | Internal Combustion | Grant Village | Yellowstone Nat'l Park | 0.0 | 273.4 |
| 7 | Subtotal | | | 0.0 | 654.0 |
| 8 | Purchases | Small Power Producers | Colstrip Energy, Ltd. | 0.0 | 314,857.0 |
| 9 | Purchases | Small Power Producers | Billings Generation, Inc. | 0.0 | 425,962.0 |
| 10 | Purchases | Small Power Producers | State of Montana - DNRC | 0.0 | 40,474.0 |
| 11 | Purchases | Small Power Producers | Others | 0.0 | 15,187.0 |
| 12 | | | | | |
| 13 | Purchases | Nonassociated Utilities | Avista | 0.0 | 1,296.0 |
| 14 | Purchases | Nonassociated Utilities | Washington Water Power | 0.0 | 508,700.0 |
| 15 | Purchases | Nonassociated Utilities | PPL Montana | 0.0 | 4,785,619.0 |
| 16 | | | | | |
| 17 | Purchases | Cooperatives | Basin Electric Coop | 0.0 | 17,232.0 |
| 18 | | | | | |
| 19 | Purchases | Marketing Agencies | Avista Energy | 0.0 | 145,629.0 |
| 20 | | Marketing Agencies | Enron Power Marketing | 0.0 | 140,947.0 |
| 21 | Purchases | Marketing Agencies | Montana Power Trading & Marketing | 0.0 | 14,321.0 |
| 22 | Subtotal | | | 0.0 | 6,410,224.0 |
| 23 | Total | | | 2.5 | 6,424,415.9 |
| 24 | | | | | |
| 25 | 1 An outage report does not accompany schedule 34 because of the sale of almost all of our generation assets | | | | |
| 26 | in December 1999. | | | | |

Sch. 35 MONTANA CONSERVATION & DEMAND SIDE MANAGEMENT PROGRAMS

NorthWestern Energy (NWE) submits an annual report on USB program activities, including conservation, market transformation, low-income and renewables, to the Montana Department of Revenue (DOR). The following pages are taken from the 2000 and 2001 reports, and are consistent with the way in which NWE has reported on USB programs since 1999. Additional programmatic information is available in the reports submitted by NWE to DOR.

| 1 | 2 | USB Categories | 2001 Spent in 2001 | Contracted - 2001 Complete - 2002 | Total 2001 Funds |
|----|---|---|--------------------|--------------------------------------|---------------------|
| 3 | | Local Conservation | \$ 679,728 | \$ 980,673 | \$ 1,660,401 |
| 4 | | E+ Residential Audit/Sm. Com. Pilot | \$ 420,767 | \$ 777,842 | \$ 1,198,609 |
| 5 | | E+ Business Partners | \$ 42,585 | \$ 202,831 | \$ 245,416 |
| 6 | | MPLLC Promotion | \$ 108,982 | \$ - | \$ 108,982 |
| 7 | | MPLLC Labor | \$ 79,678 | \$ - | \$ 79,678 |
| 8 | | MPLLC Admin. Non-labor | \$ 27,716 | \$ - | \$ 27,716 |
| 9 | | Local Conservation Summary | \$ 679,728 | \$ 980,673 | \$ 1,660,401 |
| 10 | | Market Transformation | \$ 742,391 | \$ 109,860 | \$ 852,251 |
| 11 | | E+ Commercial Lighting | \$ 155,566 | \$ 109,860 | \$ 265,426 |
| 12 | | NW Energy Efficiency Alliance | \$ 456,989 | \$ - | \$ 456,989 |
| 13 | | MPLLC Promotion | \$ 41,673 | \$ - | \$ 41,673 |
| 14 | | MPLLC Labor | \$ 67,774 | \$ - | \$ 67,774 |
| 15 | | MPLLC Admin. Non-labor | \$ 20,389 | \$ - | \$ 20,389 |
| 16 | | Market Transformation Summary | \$ 742,391 | \$ 109,860 | \$ 852,251 |
| 17 | | Renewable Resources | \$ 519,026 | \$ 594,519 | \$ 1,113,545 |
| 18 | | Generation/Education | \$ 449,383 | \$ 594,519 | \$ 1,043,902 |
| 19 | | MPLLC Promotion | \$ 2,795 | \$ - | \$ 2,795 |
| 20 | | MPLLC Labor | \$ 57,666 | \$ - | \$ 57,666 |
| 21 | | MPLLC Admin. Non-labor | \$ 9,182 | \$ - | \$ 9,182 |
| 22 | | Renewable Resources Summary | \$ 519,026 | \$ 594,519 | \$ 1,113,545 |
| 23 | | Research & Development | \$ 64,328 | \$ - | \$ 64,328 |
| 24 | | R&D/ Infrastructure | \$ 34,084 | \$ - | \$ 34,084 |
| 25 | | MPLLC Promotion | \$ 12,561 | \$ - | \$ 12,561 |
| 26 | | MPLLC Labor | \$ 7,817 | \$ - | \$ 7,817 |
| 27 | | MPLLC Admin. Non-labor | \$ 9,866 | \$ - | \$ 9,866 |
| 28 | | Research & Development Summary | \$ 64,328 | \$ - | \$ 64,328 |
| 29 | | Low Income (See Low-Income Category) | \$ 1,610,875 | \$ 183,658 | \$ 1,794,533 |
| 30 | | Bill Assistance | \$ 846,315 | \$ - | \$ 846,315 |
| 31 | | Free Weatherization | \$ 336,369 | \$ 119,658 | \$ 456,027 |
| 32 | | Energy Share | \$ 253,006 | \$ - | \$ 253,006 |
| 33 | | Renewables | \$ 36,000 | \$ 64,000 | \$ 100,000 |
| 34 | | MPLLC Promotion | \$ 93,852 | \$ - | \$ 93,852 |
| 35 | | MPLLC Labor | \$ 25,276 | \$ - | \$ 25,276 |
| 36 | | MPLLC Admin. Non-labor | \$ 20,056 | \$ - | \$ 20,056 |
| 37 | | Low Income Summary | \$ 1,610,875 | \$ 183,658 | \$ 1,794,533 |
| 38 | | Irrigation | \$ 2,407 | \$ 243,623 | \$ 246,030 |
| 39 | | Irrigation Conservation | \$ - | \$ 243,623 | \$ 243,623 |
| 40 | | MPLLC Promotion | \$ 284 | \$ - | \$ 284 |
| 41 | | MPLLC Labor | \$ - | \$ - | \$ - |
| 42 | | MPLLC Admin. Non-labor | \$ 2,123 | \$ - | \$ 2,123 |
| 43 | | Renewable Resources Summary | \$ 2,407 | \$ 243,623 | \$ 246,030 |
| 44 | | Large Customer (d) | \$ 1,830,133 | \$ 639,774 | \$ 2,469,907 |
| 45 | | Self-Directed Energy Reduction | \$ 1,775,475 | \$ 537,932 | \$ 2,313,406 |
| 46 | | Self-Directed to Low Income | \$ 48,591 | \$ 5,809 | \$ 54,400 |
| 47 | | Unspent \$ Reallocated by MPLLC | \$ 102,100 | \$ - | \$ - |
| 48 | | -MPLLC Labor | \$ 5,555 | \$ - | \$ 5,555 |
| 49 | | -MPLLC Admin. Non-labor | \$ 513 | \$ - | \$ 513 |
| 50 | | -Bill Assistance | \$ - | \$ - | \$ - |
| 51 | | -Free Weatherization | \$ 48,016 | \$ 48,016 | \$ 48,016 |
| 52 | | -Energy Share | \$ 48,016 | \$ 48,016 | \$ 48,016 |
| 53 | | Large Customer Summary | \$ 1,830,133 | \$ 639,774 | \$ 2,469,907 |
| 54 | | Totals | \$ 5,448,887 | \$ 2,752,107 | \$ 8,200,994 |
| 55 | | Total 2001 USB Funds | | | \$ 8,200,994 |
| 56 | | | | | |
| 57 | | | | | |

| Sch. 35 | MONTANA CONSERVATION & DEMAND SIDE MANAGEMENT PROGRAMS | | | | | | | | | |
|---------|---|--|-----------------------------------|------------------------|-----------------------------|---|---------------------------------|--------------------------------|---------------------------------|--|
| 1 | 2001 USB EXPENDITURE SUMMARY | | | | | | | | | |
| 2 | USB Category | Total Spent in 2001 | Contracted - 2001 Complete - 2002 | Total 2001 USB Funding | % of Total 2001 USB Funding | Total With MPLLC Reallocations (b) | % of Total 2001 USB Funding (b) | TOTAL 2001 By USB Category (c) | % of TOTAL 2001 USB Funding (c) | |
| 3 | Local Conservation (a) | \$ 679,728 | \$ 980,673 | \$ 1,660,401 | 20% | \$ 1,660,401 | 20% | \$ 1,660,401 | 20% | |
| 4 | Market Transformation | \$ 742,391 | \$ 109,860 | \$ 852,251 | 10% | \$ 852,251 | 10% | \$ 852,251 | 10% | |
| 5 | Renewables | \$ 519,026 | \$ 594,519 | \$ 1,113,545 | 14% | \$ 1,113,545 | 14% | \$ 1,113,545 | 14% | |
| 6 | Research & Development | \$ 64,328 | \$ - | \$ 64,328 | 1% | \$ 64,328 | 1% | \$ 64,328 | 1% | |
| 7 | Low Income | \$ 1,610,875 | \$ 183,658 | \$ 1,794,533 | 22% | \$ 1,890,565 | 23% | \$ 1,944,965 | 24% | |
| 8 | Irrigation | \$ 2,407 | \$ 243,623 | \$ 246,030 | 3% | \$ 246,030 | 3% | \$ 246,030 | 3% | |
| 9 | Large Customer (d) | \$ 1,830,133 | \$ 639,774 | \$ 2,469,907 | 30% | \$ 2,373,874 | 29% | \$ 2,319,474 | 28% | |
| 10 | | \$ 5,448,887 | \$ 2,752,107 | \$ 8,200,994 | 100% | \$ 8,200,994 | 100% | \$ 8,200,994 | 100% | |
| 11 | 2001 ENERGY SAVINGS & RENEWABLE RESOURCES SUMMARY | | | | | | | | | |
| 12 | USB Category | Projects Completed with 2001 USB \$ | | | | Projects To Complete in 2002 w/ 2001 USB \$ | | | | |
| 13 | Local Conservation | aMW | MWH | MW | | aMW | MWH | MW | | |
| 14 | Market Transformation (1) | 0.2856 | 2,502 | 0.428 | | 0.5124 | 4,489 | 1.037 | | |
| 15 | Renewables (2) | 2.6480 | 23,197 | 0.587 | | 0.1993 | 1,746 | 0.395 | | |
| 16 | Research & Development | 0.0370 | 324 | 0.075 | | 0.4480 | 3,924 | 1.160 | | |
| 17 | Low Income | NA | NA | NA | | NA | NA | NA | | |
| 18 | Large Cust - Low Income | 0.0406 | 356 | 0.130 | | 0.0172 | 151 | 0.060 | | |
| 19 | Large Customer (3) | NA | NA | NA | | 0.0057 | 50 | 0.018 | | |
| 20 | | 3.011 | 26379 | 1.220 | | 1.183 | 10360 | 2.670 | | |
| 21 | Total 2001 USB Energy Savings & Renewable Resources: | | | | | | | | | |
| 22 | | aMW | MWH | MW | | aMW | MWH | MW | | |
| 23 | | | | | | 4.194 | 36,739 | 3.890 | | |
| 24 | 2001 LOW-INCOME FUNDING SUMMARY | | | | | | | | | |
| 25 | Low-Income Category | Total 2001 USB Energy Savings & Renewable Resources: | | | | 2001 CUSTOMER / PROJECT SUMMARY | | | | |
| 26 | Bill Assistance | | | | | USB Category | | | | |
| 27 | Free Weatherization (b) | | | | | Local Conservation | | | | |
| 28 | Energy Share (b) | | | | | Market Transformation | | | | |
| 29 | Low-Income Renewables | | | | | Renewables | | | | |
| 30 | MPLLC Promotion | | | | | Research & Development | | | | |
| 31 | MPLLC Labor | | | | | Low Income | | | | |
| 32 | MPLLC Admin, Non-labor | | | | | Large Customer | | | | |
| 33 | Large Customer Dollars Self-Directed to Low-Income Activities (d) | | | | | Customers / Projects (d) | | | | |
| 34 | | | | | | 5,496 | | | | |
| 35 | | | | | | 2,787 | | | | |
| 36 | | | | | | 17 | | | | |
| 37 | | | | | | NA | | | | |
| 38 | | | | | | 10,141 | | | | |
| 39 | | | | | | 18,442 | | | | |
| 40 | | | | | | | | | | |
| 41 | | | | | | | | | | |
| 42 | | | | | | | | | | |
| 43 | | | | | | | | | | |
| 44 | | | | | | | | | | |
| 45 | | | | | | | | | | |

MONTANA CONSERVATION & DEMAND SIDE MANAGEMENT PROGRAMS

- (a) 2001 Renewable category funds allocated include \$500,000 toward a renewable wind generation project planned to come on line in the future. DOR granted extension of funding for this project.
- (b) These columns show the reallocation by MPLLC of unspent 2001 Large Customer USB dollars to low-income activities [see (d)]. MPLLC reallocated \$96,032 unspent Large Customer funds to low-income activities per PSC Order D97.7.90 Order 5986i, and with advice of the MPLLC USB Advisory Committee, dividing the amount equally between Free Weatherization and Energy Share -- \$48,016 for each activity.
- (c) These columns show the TOTAL allocated to each public purpose category. The Low Income total includes (b) and \$54,400 Large Customer self-directed to Low Income funds. The Large Customer total shows only the Large Customer self-directed to non-low income purposes and the MPLLC costs associated with administering Large Customer USB activities.
- (d) Large Customers may self-direct their USB dollars to energy saving and renewable activities in their qualified facilities, or may self-direct their USB dollars to low-income activities. Large customers report their activities separate of Montana Power's report. A total of \$102,100 unspent Large Customer funds were reallocated by MPLLC in 2001. \$6,068 was re-directed to offset MPLLC's Large Customer USB administration costs, and \$96,032 was reallocated to low-income purposes [see (b)].
- (1) Market Transformation includes conservation resource estimates provided by the Northwest Energy Efficiency Alliance. MPLLC has adjusted some measures reported by the Alliance to account for natural gas space and water heating. The Alliance also performs research and development for market transformation for which no energy savings are quantified, but contribute to the transformation of the marketplace for energy efficiency.
- (2) Renewable resource numbers include 1 MW associated with project funds allocated from 2001 planned to come on line in the future. The DOR granted extension of funding for this project.
- (3) Large customer resource numbers for are reported by individual large customers and are not available in this report.
- (4) The 2001 Customer/Project Summary counts energy-saving and renewable projects for individual customers, projects which affect more than one customer, and the number of customers reached through efforts like the MPLLC Low-Income Discount, which does not provide energy-savings or renewable resources, but serves a significant number of MPLLC customers. The number of MPLLC customers served by Northwest Energy Efficiency Alliance include commercial projects and customers purchasing Energy Star washers, dishwashers, and refrigerators. The Alliance also reported the sale of 275,590 Energy Star compact fluorescent lamps and 91,174 square feet of Energy Star-rated windows installed in MPLLC's service territory.

| Sch. 36 | | MONTANA CONSUMPTION AND REVENUES - ELECTRIC (EXCLUDES UNIT 4 & YNP) | | | | | |
|---------|--|---|----------------------|------------------|------------------|-------------------|----------------|
| | | Operating Revenues | | MWH Sold | | Average Customers | |
| | | Current Year | Previous Year | Current Year | Previous Year 2/ | Current Year | Previous Year |
| 1 | Sales of Electricity | | | | | | |
| 2 | | | | | | | |
| 3 | Residential | \$133,278,079 | \$128,288,474 | 1,974,529 | 1,985,295 | 237,429 | 235,785 |
| 4 | Commercial & Industrial | 204,103,936 | 206,810,913 | 5,274,634 | 5,765,551 | 52,232 | 51,366 |
| 5 | Public Street, Highway Lighting | | | | | | |
| 6 | & Other Sales to Public Authorities 1/ | 9,006,654 | 6,907,178 | 41,817 | 39,198 | 3,704 | 3,656 |
| 7 | Sales to Cooperatives | 699,491 | 9,042,724 | 34,752 | 278,669 | 1 | 55 |
| 8 | Sales to Other Utilities | 61,797,754 | 65,831,927 | 325,188 | 658,669 | 3 | 6 |
| 9 | Interdepartmental | 746,589 | 771,982 | - | - | - | - |
| 10 | TOTAL SALES | \$409,632,503 | \$417,653,198 | 7,650,920 | 8,727,382 | 293,369 | 290,868 |
| 11 | | | | | | | |
| 12 | 1/ The customer classes "Public Street" and "Highway Lighting" are combined with "Other Sales to Public Authorities" in our customer | | | | | | |
| 13 | accounting system. | | | | | | |
| 14 | | | | | | | |
| 15 | 2/ Prior year MWH sold has been adjusted to remove Colstrip Unit 4 sales from "Sales to Other Utilities" and to reclass irrigation | | | | | | |
| 16 | from "Public Street, Highway Lighting & Other Sales to Public Authorities" to "Commercial & Industrial". | | | | | | |
| 17 | | | | | | | |