YEAR 2002

ANNUAL REPORT
OF

NorthWestern Energy

GAS UTILITY

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

REVISED JULY 28, 1998

NATURAL GAS ANNUAL REPORT

TABLE OF CONTENTS

Sch. 1	IDENTIFICATION
Legal Name of Respondent:	NorthWestern Energy (formerly The Montana Power Company)
Name Under Which Respondent Does Business:	NorthWestern Energy
Date Utility Service First Offered in Montana:	Electricity - Dec 12, 1912 Natural Gas - Jan 01, 1933 Propane - Oct 13, 1995
Person Responsible for Report:	Ernie Kindt
Telephone Number for Report Inquiries:	(406) 497-2233
Address for Correspondence Concerning Report:	40 East Broadway Butte, Montana 59701

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

NorthWestern Energy is a 100% controlled division of:

NorthWestern Corporation
125 South Dakota Avenue
Sioux Falls, SD 57104-6403

Sch. 2	BOARD OF DIRECTORS	
	Director's Name & Address (City, State)	Remuneration
1		
2	NOT APPLICABLE	
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Sch. 3	OFFICERS		
	Title	Department Supervised	Name
1			
2	President	Executive	Michael J. Hanson
3			
4	Vice President,	Human Resources	Jana Quam
5	Human Resources		
6			
7	Vice President,	Financial Services	David A. Monaghan
8	Financial Planning and Analysis		
9			
10	Vice President,	Controller Services	Ernie Kindt
11	Chief Accounting Officer		
12			
13	Senior Vice President	Information Services	Bart Thielbar
14	Information Technology and		
15	Chief Information Officer		
16			
17	Senior Vice President	Administrative Services	Dennis Lopach
18	Administrative Services		
19			
20	Vice President,	Distribution Services	Glen Herr
21	Distribution Operations/MT		
22			
23	Vice President,	Transmission Services	David G. Gates
24	Transmission Operations		
25			
26	Vice President,	Regulatory Affairs	Patrick R. Corcoran
27	Regulatory Affairs		
28			
29	Vice President,	Asset Management	Greg Trandem
30	Asset Management		
31			
32	Vice President,	Distribution Services	Curt Pohl
33	Distribution Operations/SD& NE		
34			
35	Vice President,	Customer Care	Bobbi Schroeppel
36	Customer Care		
37			
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Sch. 4	CORPORATE STRUCTURE - 1/			
	Subsidiary/Company Name	Line of Business	Earnings (000)	% of Total
2	**NORTHWESTERN ENERGY**			
3	**Utility Operations**		($25,255)	95.26%
4	Electric Utility	Electric utility		
5	Natural Gas Utility	Natural gas utility		
6	Propane Utility	Propane utility		
7	Canadian-Montana Pipe Line Corporation	Natural gas transmission		
8	Colstrip Community Services Company	Inactive		
9	Montana Power Capital 1	Financing		
10	MPC Natural Gas Funding Trust	Bond transition financing		
12	**Nonutility Operations**		(1,258)	4.74%
13	Montana Power Services Company	Inactive		
14	Northwestern Energy Marketing	Supply energy to schools and public lighting		
15	One Call Locators, Ltd.	Underground facility locating		
16	Colstrip Unit 4 Lease Mgmt Division	Wholesale sales of electric power *		
17	Clark Fork and Blackfoot L.L.C.	Milltown Dam		
55	TOTAL		(26,513)	100.00%

1/ - This schedule is prepared as of the filing date of 6/13/03. The balance sheet is prepared as of 12/31/02, and thus discloses investments in subsidiary companies not reflected on this schedule.

* Colstrip Unit 4 Lease Management Division is an operating division of Northwestern Energy.

Sch. 5	CORPORATE ALLOCATIONS				
Departments Allocated	Description of Services	Allocation Method	$ to MT El & Gas Utilities	MT %	$ to Other
Corporate - 1/	Includes all of the Corporate Departments in NOR including Chariman; Vice Chairman; CFO; HR; Flight Services & Investor Services.	Direct Charge of a Fixed Monthly Amount from corporate	$4,529,097	79.09%	$1,197,658
Utility Administration - 2/					
Executive Department	Includes the following departments: CEO; T&D Executives; Asset Mgmt; Market Analysis & Planning.	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.	$1,926,682	71.08%	$817,806
Human Resources	Includes the following departments: Human Resources; Benefits Admin.; Compensation & Labor Relations; Employment; Organizational Development; Technology Training;	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.	1,926,682	78.32%	533,447
Finance / Accounting	Includes the following departments: VP of Finance; Audit Services; Risk Management; Treasury Services; Accounting; Tax & Financial Reporting Credit & Cash Management	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.	8,653,532	65.64%	4,529,629
MT Facilities	Includes the following departments: Facilities; Mailing Services & Printing Services	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.	2,519,719	93.67%	170,224

Sch. 5 cont.

CORPORATE ALLOCATIONS

Departments Allocated	Description of Services	Allocation Method	$ to MT El & Gas Utilities	MT %	$ to Other
Information Services	Includes the following departments: IT Sr; VP/CIO; IT Applications; Administrative Systems; Special Purpose Systems; Client Services; Infrastructure; Technical Services; Architecture and Key Accounts Rep	All overhead costs not charged directly are allocated to the Utility & Nonutilities based on %'s developed using formulas based on net plant, revenues and gross payroll.	8,022,425	83.30%	1,608,397
Administrative Services	Sr. VP of Administrative Service; Legal; Government Affairs; Records Control	All overhead costs not charged directly are allocated to the Utility & Nonutilities based on %'s developed using formulas based on net plant, revenues and gross payroll.	1,438,697	87.19%	211,311
Customer Service	Customer Service; Promotional Advertising	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.	10,974,348	66.16%	5,614,429
Communications	Communications; Advertising; Community Relations; Web Development; Video/Photo Services.	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.	1,096,070	58.97%	762,634
TOTAL			$36,558,154	71.96%	$14,247,877

1/ -Corporate Department are located in Huron and a set amount was charged to the utility companies for the year

2/ - Utility administration departments are in transition with many areas within N.W.E being combined.
Cost were charged direct to MT & SD/NE utilities and then allocated to the segments during most of the year.

SCHEDULE 6

AFFILIATE TRANSACTIONS - PRODUCTS & SERVICES PROVIDED TO UTILITY

Line No.	(a) Affiliate Name	(b) Products & Services	(c) Method to Determine Price	(d) Charges to Utility	(e) % Total Affil. Revs.	(f) Charges to MT Utility
1	Nonutility Subsidiaries					
2						
3	One Call Locators	Line location services	Market Rates	1,444,154	1.69%	1,444,154
4	Touch America, Inc	Communication Services (January 2002 only)	Market Rates	44,504	0.05%	44,504
5	Discovery Energy Solutions	Energy services consulting	Market Rates	1,513	0.00%	1,513
6	Colstrip Unit 4 - Lease Management Division	Purchased Power	Market Rates	167,679	0.20%	167,679
7						
8						
9						
10	**TOTAL Nonutility Subs**			1,657,849		1,657,849
11	**Total Nonutility Subs Revenues**			85,453,174	*	
12						
13	**Utility Subsidiaries**					
14	**Total Utility Subsidiaries**					
15	**Total Utility Sub Revenues**			4,325,891		
16	**TOTAL AFFILIATE TRANSACTIONS**			1,657,849		1,657,849

*Does not include TA's January 02 Revenues, as the data is no longer available to us.

Sch. 7	AFFILIATE TRANSACTIONS - PRODUCTS & SERVICES PROVIDED BY UTILITY					
	Affiliate Name	Products & Services	Method to Determine Price	Charges to Affiliate	% of Total Affil. Exp.	Revenues to MT Utility
1						
2	**Nonutility Subsidiaries**					
3	One Call Locators	Sales of Gas & Electricity	Tariff Schedules	$7,083	0.03%	$7,083
4						
5						
6						0
7						0
8						0
9	**Total Nonutility Subsidiaries**			7,083	0.03%	7,083
10	**Total Nonutility Subsidiaries Expenses**			21,290,588		
11						
12						
13	**Utility Subsidiaries**					
14						-
15	**Total Utility Subsidiaries**			-	0.00%	-
16	**Total Utility Subsidiaries Expenses**			68,057,395		
17	**TOTAL AFFILIATE TRANSACTIONS**			$7,083		$7,083

Sch. 8	MONTANA UTILITY INCOME STATEMENT - NATURAL GAS (INCLUDES CMP)					
	Account Number & Title	This Year Cons. Utility	Glacier Gas 1/	This Year Montana	Last Year Montana	% Change
1						
2	400 Operating Revenues	$118,316,794		$ 118,316,794	$ 138,935,331	-14.84%
3						
4	**Total Operating Revenues**	118,316,794	-	118,316,794	138,935,331	-14.84%
5						
6	**Operating Expenses**					
7						
8	401 Operation Expense	55,094,298		55,094,298	103,015,335	-46.52%
9	402 Maintenance Expense	5,015,368		5,015,368	4,310,719	16.35%
10	403 Depreciation Expense	9,897,476		9,897,476	9,796,160	1.03%
11	404-405 Amort. & Depletion of Gas Plant	989,920		989,920	1,160,428	-14.69%
12	408.1 Taxes Other Than Income Taxes	14,651,142		14,651,142	13,602,503	7.71%
13	409.1 Income Taxes-Federal	(1,208,306)		(1,208,306)	(2,098,249)	42.41%
14	-Other	(249,382)		(249,382)	46,645	-634.64%
15	410.1 Deferred Income Taxes-Dr.	15,468,289		15,468,289	21,139,186	-26.83%
16	411.1 Deferred Income Taxes-Cr.	(7,181,824)		(7,181,824)	(20,157,476)	64.37%
17	411.4 Investment Tax Credit Adj.	(122,038)		(122,038)	(124,796)	2.21%
18						
19	**Total Operating Expenses**	92,354,943	-	92,354,943	130,690,455	-29.33%
20	**NET OPERATING INCOME**	$ 25,961,851	$ -	$ 25,961,851	$ 8,244,876	214.88%
21						
22	1/ In July 2000, Glacier Gas Co.'s production assets were sold to the oil and natural gas operations of Entech					
23	and its pipeline assets were sold to a third party. In October 2000, Glacier Gas Co. was included in the sale of Entech's					
24	oil and natural businesses to PanCanadian.					
25						

Sch. 9	MONTANA REVENUES - NATURAL GAS (INCLUDES CMP)			
	Account Number & Title	This Year Cons. Utility	Last Year Cons. Utility	% Change
1				
2	**Core Distribution Business Units**			
3	**(DBUs)**			
4	440 Residential	$ 66,947,319	$82,369,068	-18.72%
5	442.1 Commercial	32,450,585	39,244,620	-17.31%
6	442.2 Industrial Firm	1,080,745	2,066,607	-47.70%
7	445 Public Authorities	96,983	216,710	-55.25%
8	448 Interdepartmental Sales	270,611	301,647	-10.29%
9	491.2 CNG Station	7,591	13,105	-42.08%
10				
11	**Total Sales to Core DBUs**	100,853,834	124,211,758	-18.80%
12				
13	447 Sales for Resale	735,162	881,436	-16.60%
14				
15	**Total Sales of Natural Gas**	735,162	881,436	-16.60%
16				
17	**Transportation**			
18				
19	489 Transportation (inc. CMP)	12,639,325	9,126,413	38.49%
20	495 Storage	1,246,273	2,432,834	-48.77%
21				
22	**Total Revenues From Transportation**	13,885,598	11,559,247	20.13%
23				
24	**Other Operating Revenue**			
25				
26	Montana Power Company	2,842,200	2,282,890	24.50%
27				
28	**Total Other Operating Revenue**	2,842,200	2,282,890	24.50%
29	**TOTAL OPERATING REVENUE**	118,316,794	138,935,331	-14.84%
30				
31				
32				
33				
34				

Sch. 10	MONTANA OPERATION & MAINTENANCE EXPENSES - NATURAL GAS (INCLUDES CMP)			
	Account Number & Title	This Year Montana	Last Year Montana	% Change
1	**Production Expenses**			
2	**Production & Gathering-Operation**			
3	750 Supervision & Engineering	$0	$0	-
4	751 Maps & Records	-	-	-
5	752 Gas Wells Expenses	-	-	-
6	753 Field Lines Expenses	-	-	-
7	754 Field Compressor Station Expense	-	-	-
8	755 Field Comp. Station Fuel & Power	-	-	-
9	756 Field Meas. & Reg. Station Expense	-	-	-
10	757 Dehydration Expense	-	-	-
11	758 Gas Well Royalties	-	-	-
12	759 Other Expenses	-	-	-
13	760 Rents	-	-	-
14	**Total Oper.-Production & Gathering**	-	-	-
15				
16	**Other Gas Supply Expense-Operation**			
17	800 NG Wellhead Purchases	49,566,256	57,946,493	-14.46%
18	800 NG Wellhead Purchases, Intraco.	-	-	-
19	803 NG Transmission Line Purchases	675,659	1,037,078	-34.85%
20	805 Other Gas Purchases	(8,115,661)	21,073,548	-138.51%
21	805 Purchased Gas Cost Adjustments	-	-	-
22	805 Incremental Gas Cost Adjustments			
23	805 Deferred Gas Cost Adjustments			
24	806 Exchange Gas			
25	807 Well Expenses-Purchased Gas	18,446	8,500	117.01%
26	807 Purch. Gas Meas. Stations-Oper.	-	-	-
27	807 Purch. Gas Meas. Stations-Maint.	-	-	-
28	807 Purch. Gas Calculations Expenses	-	-	-
29	808 Other Purchased Gas Expenses	-	-	-
30	808 Gas Withdrawn from Storage -Dr.	24,719,982	29,726,001	-16.84%
31	809 Gas Delivered to Storage -Cr.	(22,688,056)	(33,426,829)	32.13%
32	810 Gas Used-Comp. Station Fuel-Cr.			
33	811 Gas Used-Products Extraction-Cr.			
34	812 Gas Used-Other Utility Oper.-Cr.			
35	813 Other Gas Supply Expenses			-
36	**Total Other Gas Supply Expenses**	44,176,627	76,364,790	-42.15%
37	**Total Production Expenses**	44,176,627	76,364,790	#VALUE!

Sch. 10	MONTANA OPERATION & MAINTENANCE EXPENSES - NATURAL GAS (INCLUDES CMP)			
	Account Number & Title	This Year Montana	Last Year Montana	% Change
1	**Storage Expenses**			
2				
3	**Underground Storage-Operation**			
4	814 Supervision & Engineering	51,366	129,275	-60.27%
5	815 Maps & Records	1,165	2,615	-55.46%
6	816 Wells	121,465	138,489	-12.29%
7	817 Lines	25,085	68,948	-63.62%
8	818 Compressor Station	245,495	221,913	10.63%
9	819 Compressor Station Fuel & Power	-	-	#DIV/0!
10	820 Measuring & Regulating Station	19,895	32,761	-39.27%
11	821 Purification	67,907	38,233	77.61%
12	824 Other Expenses	90,382	131,360	-31.20%
13	825 Storage Well Royalties	78,707	98,574	-20.15%
14	826 Rents	39	-	#DIV/0!
15	**Total Operation-Underground Storage**	701,506	862,168	-18.63%
16				
17	**Underground Storage-Maintenance**			
18	830 Supervision & Engineering	-	59	-100.00%
19	831 Structures & Improvements	19,103	23,118	-17.37%
20	832 Reservoirs & Wells	2,370	6,127	-61.33%
21	833 Lines	12,099	7,767	55.77%
22	834 Compressor Station Equipment	103,329	120,297	-14.10%
23	835 Meas. & Reg. Station Equipment	8,052	12,918	-37.67%
24	836 Purification Equipment	12,471	5,515	126.12%
25	837 Other Equipment	8,876	12,803	-30.67%
26	**Total Maintenance-Underground Storage**	166,299	188,604	-11.83%
27	**Total Underground Storage Expenses**	867,805	1,050,773	-17.41%
28	**Transmission Expenses**			
29	**Transmission-Operation**			
30	850 Supervision & Engineering	1,907,840	1,739,025	9.71%
31	851 System Control & Load Dispatching	417,410	435,430	-4.14%
32	853 Compressor Station Labor & Expense	454,380	517,932	-12.27%
33	855 Other Fuel & Power for Comp. Stat.	-	-	#DIV/0!
34	856 Mains	442,865	406,182	9.03%
35	857 Measuring & Regulating Station	505,482	604,524	-16.38%
36	858 Transmission & Comp.-By Others	115	-	#DIV/0!
37	859 Other Expenses	961,660	881,926	9.04%
38	860 Rents	30	-	#DIV/0!
39	**Total Operation-Transmission**	4,689,783	4,585,019	2.28%
40	**Transmission-Maintenance**			
41	861 Supervision & Engineering	-	394,767	-100.00%
42	862 Structures & Improvements	385,148	70,006	450.16%
43	863 Mains	516,919	532,514	-2.93%
44	864 Compressor Station Equipment	370,828	363,988	1.88%
45	865 Meas. & Reg. Station Equipment	336,177	297,606	12.96%
46	867 Other Equipment	29,628	7,296	306.06%
47	**Total Maintenance-Transmission**	1,638,699	1,666,177	-1.65%
48	**Total Transmission Expenses**	6,328,482	6,251,197	1.24%

Sch. 10	MONTANA OPERATION & MAINTENANCE EXPENSES - NATURAL GAS (INCLUDES CMP)			
	Account Number & Title	This Year Montana	Last Year Montana	% Change
1	**Distribution Expenses**			
2	**Distribution-Operation**			
3	870 Supervision & Engineering	-	611,238	-100.00%
4	871 Load Dispatching	515,690		
5	872 Compressor Station Labor & Expense	319	395	-19.05%
6	873 Compressor Station Fuel and Power	-	-	-
7	874 Mains and Services	782,880	1,362,893	-42.56%
8	875 Meas. & Reg. Station-General	12,713	18,492	-31.25%
9	876 Meas. & Reg. Station-Industrial	4,768	2,374	100.79%
10	877 Meas. & Reg. Station-City Gate	23,000	18,483	24.44%
11	878 Meter & House Regulator	633,025	668,227	-5.27%
12	879 Customer Installations	1,629,696	2,294,153	-28.96%
13	880 Other Expenses	1,597,303	858,946	85.96%
14	881 Rents	14,946	13,446	11.15%
15	**Total Operation-Distribution**	5,214,340	5,848,647	-10.85%
16	**Distribution-Maintenance**			
17	885 Supervision & Engineering	220,558	220,530	0.01%
18	886 Structures & Improvements	7,475	10,977	-31.90%
19	887 Mains	501,998	692,471	-27.51%
20	889 Meas. & Reg. Station Exp.-General	64,037	112,117	-42.88%
21	890 Meas. & Reg. Station Exp.-Industrial	2,060	2,327	-11.48%
22	891 Meas. & Reg. Station Exp.-City Gate	23,168	13,888	66.82%
23	892 Services	342,374	320,928	6.68%
24	893 Meters & House Regulators	170,121	331,384	-48.66%
25	894 Other Equipment	35,610	12,909	175.87%
26	**Total Maintenance-Distribution**	1,367,402	1,717,532	-20.39%
27	**Total Distribution Expenses**	6,581,742	7,566,179	-13.01%
28	**Customer Accounts Expenses**			
29	**Customer Accounts-Operation**			
30	901 Supervision	-	-	-
31	902 Meter Reading	336,157	408,812	-17.77%
32	903 Customer Records & Collection	2,149,050	2,502,948	-14.14%
33	904 Uncollectible Accounts	373,573	951,829	-60.75%
34	905 Miscellaneous Customer Accounts	39	247	-84.34%
35	**Total Customer Accounts Expenses**	2,858,819	3,863,835	-26.01%
36				
37	**Customer Service & Information Expenses**			
38	**Customer Service-Operation**			
39	907 Supervision	-	-	#DIV/0!
40	908 Customer Assistance	819,966	838,170	-2.17%
41	909 Inform. & Instructional Advertising	242,549	588,336	-58.77%
42	910 Misc. Customer Service & Inform.	475	322	47.27%
43	**Total Customer Service & Information Exp.**	1,062,989	1,426,828	-25.50%
44				
45	**Sales Expenses**			
46	**Sales-Operation**			
47	911 Supervision	85,630	44,458	92.61%
48	912 Demonstrating & Selling	310,353	316,064	-1.81%
49	913 Advertising	145,210	13,895	945.06%
50	916 Miscellaneous Sales	5,046	3,190	58.16%
51	**Total Sales Expenses**	546,238	377,607	44.66%

Sch. 10	MONTANA OPERATION & MAINTENANCE EXPENSES - NATURAL GAS (INCLUDES CMP)			
	Account Number & Title	This Year Montana	Last Year Montana	% Change
1	**Administrative & General Expenses**			
2	**Admin. & General - Operation**			
3	407 Amortization of Regulatory Asset	(19,757,496)	(7,394,901)	-167.18%
4	920 Administrative & General Salaries	8,594,249	8,936,927	-3.83%
5	921 Employee Travel	287,514	242,982	18.33%
6	921 Office Supplies & Expenses	1,480,475	1,244,239	18.99%
7	922 Administrative Exp. Transferred-Cr.	(2,180,236)	(905,947)	-140.66%
8	923 Outside Services Employed	1,966,550	1,332,325	47.60%
9	924 Property Insurance	233,493	198,271	17.76%
10	925 Legal & Claim Department	1,267,588	1,571,400	-19.33%
11	926 Employee Pensions & Benefits	1,662,913	1,046,285	58.94%
12	928 Regulatory Commission Expenses	2,438	41,199	-94.08%
13	930 General Advertising	1,202	1,828	-34.24%
14	930 Miscellaneous General Expenses	212,478	332,640	-36.12%
15	930 USBC Expenses	1,425,390	1,468,423	-2.93%
16	931 Rents	647,439	1,570,768	-58.78%
17	**Total Operation-Admin. & General**	(4,156,004)	9,686,441	-142.91%
18	**Admin. & General - Maintenance**			
19	935 General Plant	1,842,968	738,406	149.59%
20	**Total Admin. & General Expenses**	(2,313,035)	10,424,846	-122.19%
21	**TOTAL OPER. & MAINT. EXPENSES**	$60,109,666	107,326,054	-43.99%
22				
23				
24				
25				
26				

Sch. 11	MONTANA TAXES OTHER THAN INCOME - NATURAL GAS (INCLUDES CMP)				
		Description	This Year	Last Year	% Change
1					
2		**Federal Taxes**			
3	2521xx	Social Security, Medicare and Unemployment	1,333,551.88	$1,706,540	-21.86%
4					
5		**Montana Taxes**			
6	252410	Real Estate & Personal Property	12,567,990	12,942,865	-2.90%
7	252213	Crow Tribe RR and Utility Tax	18,074	15,823	14.23%
8	252214	Blackfoot Possessoray Tax	316,457		
9	252450	Consumer Counsel	113,944	110,486	3.13%
10	252450	Public Service Commission	304,786	363,816	-16.23%
11	252450	Production	0	0	0.00%
12		Other Miscellaneous	16,882	7,413	127.74%
13					
14		**District of Columbia Taxes**			
15	2521xx	Social Security, Medicare and Unemployment	0	48	-100.00%
16					
17		**Canadian Taxes**			
18		Ad Valorem	(20,542)	20,404	-200.68%
19					
20		**Other**			
21		Payroll Tax Credit	0	(1,564,893)	100.00%
22					
23	TOTAL TAXES OTHER THAN INCOME		$14,651,142	$13,602,502	7.71%

Sch. 12	PAYMENTS FOR SERVICES TO PERSONS OTHER THAN EMPLOYEES, 1/		
	Name of Recipient	Nature of Service	Total
1	Alme Construction, Inc.	Gas Pipeline Construction	251,612
2	Asplundh	Tree trimming	2,050,820
3	Automotive Rentals	Fleet Management	764,241
4	Bill Field Trucking, LLC	Equipment transportation	330,283
5	Burns International Security	Security service	267,908
6	Computer Associates	Maintenance	185,161
7	Crowley, Haughey,Hanson	Legal services	454,252
8	EES Consulting	Consulting service	110,373
9	Express Services, Inc.	Temporary service	407,083
10	First Data Ingegrated Systems	Customer Service	177,037
11	Graves Law Offices	Legal services	944,729
12	Harp Line Constructors Co.	Line construction & maintenance	559,278
13	Heath Consultants, Inc.	Gas leak detection	100,118
14	Independent Inspection Co	Electric line inspection	637,674
15	Itron, Inc.	Hardware/software maintenance	1,018,439
16	KPMG Consulting	Consulting service	165,188
17	Lewis Mfg. & Construction, Inc.	Contractor	115,005
18	Mtn.Utility Constr.& Design	Contractor	448,216
19	Nat'l Ctr. For Appropriate Technology	Lab Testing	746,593
20	Northwest Energy Efficiency	Energy serices	575,599
21	Omega Television Productions LLC	Advertising	129,603
22	Orcom Solutions	Programming & implementation	3,765,723
23	Power Resource Managers	Power scheduling and dispatch	183,748
24	PricewaterhouseCoopers	Auditing/ Consulting	289,285
25	Right Management Consultants	Consulting service	112,451
26	Rod Tabbert Construction, Inc.	Contractor	207,094
27	Schweitzer Engineering Labs	Lab contract	231,435
28	State Line Contractors	Contractor	142,744
29	Stoel Rivers LLP	Default supply services	168,774
30	Stone and Webster Consultants	Consulting service	133,214
31	Thelen Reid & Priest, LLC	Legal services	145,789
32	Towers Perrin	Consulting/Actuary	251,154
33	Trademark Electric Inc.	Electrical services	125,505
34	Utility Consulting Services	Contractor	185,180
35	Utility Solutions Inc.	Software services	294,365
36	Varsity Contractors	Janitorial services	186,708
37	Washington Infastructure	Milltown Dam	235,724
38	XENERGY, Inc.	Contract services	1,346,859
39			
40	**Total Payments for Services**		18,444,963
42	1/ Due to the multiple % allocations, it is not practical to separately identify amounts charged to the electric or gas utility.		

Sch. 13	POLITICAL ACTION COMMITTEES / POLITICAL CONTRIBUTIONS

Northwestern Energy does not make any contributions to Political Action Committees (PACs) or candidates.

There is an employee PAC - Citizens for Responsible Government / Employees of Northwestern Energy (CRG). CRG is an organization of employees and shareholders of Northwestern Energy. All of the money contributed by members goes to support political candidates. No company funds may be spent in support of a political candidate. Nominal administrative costs for such things as duplicating and postage are paid by the Company. These costs are charged to shareholder expense.

Sch. 14 PENSION COSTS

Line	Description	Last Year	This Year	% Change
1	Plan Name: Retirement Plan for Employees			
2	of the Montana Power Company			
3	Defined Benefit Plan	Yes	Yes	
4	Defined Contribution Plan (See Schedule 14A)			
5	Is the Plan overfunded?	Yes - 2/	No - 3/	
6				
7				
8	Actuarial Cost Method	Projected Unit Credit Method		
9	IRS Code			
10	Annual Contribution by Employer	0	30,466	
11				
12	Accumulated Benefit Obligation	241,360,765	240,529,878	-0.34%
13	Projected Benefit Obligation	229,830,140	275,899,175	20.04%
14	Fair Value of Plan Assets	191,046,243	163,468,246	-14.44%
15				
16	Discount Rate for Benefit Obligations	7.00%	6.50%	
17	Expected Long-Term Return on Assets	9.00%	8.50%	
18				
19	Net Periodic Pension Cost:			
20	Service Cost	3,675,916	4,143,675	12.72%
21	Interest Cost	15,612,221	17,344,669	11.10%
22	Return on Plan Assets *(Expected)*	(17,921,050)	(16,474,650)	-8.07%
23	Net Amortization	1,900,249	1,919,570	1.02%
	Special Termination Benefit Charge	0	4,191,451	100.00%
	Curtailment Charge	0	910,439	100.00%
	Settlement Charge	0	3,744,292	100.00%
24	Total Net Periodic Pension Cost	3,267,336	15,779,446	382.95%
25				
26	Minimum Required Contribution			
27	Actual Contribution	0	4,000,000	#DIV/0!
28	Maximum Amount Deductible	0	20,535,023	#DIV/0!
29	Benefit Payments	15,219,835	14,453,492	-5.04%
30				
31	Montana Intrastate Costs:			
32	Pension Costs	NOT AVAILABLE		
33	Pension Costs Capitalized			
34	Accumulated Pension Asset (Liability) at Year End			
35				
36	Number of Company Employees : 1/			
37	Covered by the Plan			
38	Active	1,152	1,147	-0.43%
39	Retired	1,160	1,179	1.64%
40	Vested Former Employees (Deferred Inactive)	873	867	-0.69%
41	Total Covered by the Plan	3,185	3,193	0.25%
42	Total Not Covered by the Plan			
43				

44 1/ Obtained from The Actuarial Valuation Report of the Retirement Plan for Employees of The
45 Montana Power Company, prepared as of January 1, 2001 and 2002 respectively.
46
47 2/ As of December 31, 2001, the fair value of assets was $191.0 million and the projected benefit obligation
48 was $229.8 million. However, there was an unrecognized net loss of $20.6 million that has not been
49 fully amortized pursuant to SFAS Statement No. 87. There is a pension liability of $600,000
50 as of December 31, 2001.
51
52 3/ As of December 31, 2002, the fair value of assets was $163.5 million and the projected benefit obligation
53 was $275.9 million. However, there was an unrecognized net loss of $77.9 million that has not been
54 fully amortized pursuant to SFAS Statement No. 87. There is a pension liability of $7.3 million
55 as of December 31, 2002.
56

Sch. 14A PENSION COSTS

	Description	Last Year	This Year	% Change
1	Plan Name: Retirement Savings Plan			
2				
3	Defined Benefit Plan (See Schedule 14)			
4	Defined Contribution Plan	Yes	Yes	
5	Is the Plan overfunded?			
6				
7				
8	Actuarial Cost Method			
9	IRS Code			
10	Annual Contribution by Employer			
11				
12	Accumulated Benefit Obligation			
13	Projected Benefit Obligation			
14	Fair Value of Plan Assets	109,333,678	85,938,422	-21.40%
15				
16	Discount Rate for Benefit Obligations			
17	Expected Long-Term Return on Assets			
18				
19	Net Periodic Pension Cost:			
20	Service Cost			
21	Interest Cost	NOT APPLICABLE		
22	Return on Plan Assets (Actual)			
23	Net Amortization			
24	Total Net Periodic Pension Cost			
25				
26	Minimum Required Contribution			
27	Actual Contribution	NOT APPLICABLE		
28	Maximum Amount Deductible			
29	Benefit Payments			
30				
31	Montana Intrastate Costs:			
32	Pension Costs	NOT APPLICABLE		
33	Pension Costs Capitalized			
34	Accumulated Pension Asset (Liability) at Year End			
35				
36	Number of Company Employees :			
37	Covered by the Plan -- Eligible	1,313	1,141	-13.10%
38	Not Covered by the Plan	0	0	
39	Active -- Participating	955	1,029	7.75%
40	Retired			
41	Vested Former Employees, Retirees and	358	377	5.31%
42	Active-Noncontributing			
43	Total Covered by the Plan	1,313	1,406	7.08%
44	Total Not Covered by the Plan	0	0	
45				
46				
47				
48				
49				
50				
51				
52				
53				
54				
55				

Sch 15 OTHER POST EMPLOYMENT BENEFITS (OPEBS)

	Description	Last Year	This Year	% Change
1	General Information	1/	2/	
2	Discount Rate for Benefit Obligations	7.00%	6.50%	-7.14%
3	Expected Long-Term Return on Assets	9.00%	8.50%	-5.56%
4	Medical Cost Inflation Rate 3/	9.0%,5.50%:7	12.0%,5.0%:9	
5	Actuarial Cost Method	Projected Unit Credit Actuarial		
6		Cost Method allocated from date of hire to		
7		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)	26,454,217	32,263,151	21.96%
17	Fair Value of Plan Assets	5,871,614	4,869,343	-17.07%
18				
19	List the amount funded through each funding method:			
20	VEBA - 6/	461,137	1,073,647	132.83%
21	401(h) - 6/	1,293,925	3,436,840	165.61%
22	Other: Cash	811,379	1,071,468	32.06%
23	Total Amount Funded	2,566,441	5,581,955	117.50%
24				
25	List amount that was tax deductible for each type of funding:			
26	VEBA	461,137	1,073,647	132.83%
27	401(h)	1,293,925	3,436,840	165.61%
28	Other: Cash	811,379	1,071,468	32.06%
29	Total Amount Tax Deductible	2,566,441	5,581,955	117.50%
30				
31	Net Periodic Post Retirement Benefit Cost:			
32	Service Cost	419,695	549,846	31.01%
33	Interest Cost	1,851,224	2,196,959	18.68%
34	Return on Plan Assets *(Expected)*	(705,817)	(399,122)	-43.45%
35	Amort. of Transition Oblig. & Regulatory Asset	791,706	788,960	-0.35%
36	Amortization of Prior Service Cost	138,644	28,210	-96.44%
37	Amortization of Gains or Losses	0	471,952	#DIV/0!
	Curtailment charge		804,397	
			167,837	
38	Total Net Periodic Post Retirement Benefit Cost	2,495,452	4,609,039	84.70%
39	Benefit Cost Expensed	1,976,398	3,650,359	-65.02%
40	Benefit Cost Capitalized	374,318	691,356	-28.58%
41	Benefit Cost Charged to MPC Subs & Colstrip Owners - 5/	144,736	267,324	84.70%
42	Total Benefit Costs	2,495,452	4,609,039	84.70%
43	Benefit Payments	811,379	1,071,468	32.06%
44				
45	Number of Company Employees :			
46	Covered by the Plans			
47	Active	1,156	1,147	-0.78%
48	Retired	1,025	986	-3.80%
49	Retired Spouse/Dependents	44	68	54.55%
50	Total Covered by the Plans	2,225	2,201	-1.08%
51	Total Not Covered by the Plans	210	217	3.33%

52 1/ Obtained from MPC's 2001 FASB 106 Valuation. Assumptions and data are as of December 31, 2001.

53 2/ Obtained from MPC's 2002 FASB 106 Valuation. Assumptions and data are as of December 31, 2002.

54 3/ First Year, Ultimate, Years to Reach Ultimate.

Sch 15A OTHER POST EMPLOYMENT BENEFITS (OPEBS)

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

51 4/ Substantially all of the amounts are subject to the MPSC jurisdiction. Actual amounts that will be
52 expensed, will reflect reductions for amounts billed to others or allocated to Yellowstone National Park.
53 5/ Due to the sale of our generating assets, there is no longer billing to Colstrip owners from 2000 forward.

6/ 2001 Trust funding was made on January 11, 2002 in the amounts of: $1,293,925 for 401(h) and $461,137 for VEBA.

TOP TEN MONTANA COMPENSATED EMPLOYEES (ASSIGNED OR ALLOCATED)

Line No.	Name/Title	Base Salary 1/	Bonuses 2/	Other	Total Compensation	Total Compensation Last Year	% Increase Total Compensation	
1	Michael J. Hanson President and CEO of Northwestern Energy division	312,814	50,000 K> 460,514 A> 125,400 B>	4,677 E> 100,000 J> 4,200 L>	1,057,605	N/A	N/A	*
2	Glen Herr Vice President, Distribution Operations Montana	185,550	234,421 A> 46,200 B>	187 D> 1,770 E> 32,635 F>	500,762	N/A	N/A	*
3	Dave Monaghan Vice President, Financial Planning and Analysis	173,264	194,271 A> 44,640 B>	18,318 C> 162 D> 6,600 E> 22,961 F>	460,217	N/A	N/A	*
4	Greg Trandem Vice President, Asset Management	127,619	150,436 A> 34,375 B>	310 D> 3,896 E> 23,752 F>	340,387	N/A	N/A	*
5	Jack Haffey Executive Vice President and Chief Operating Officer	83,105	1,584,195 G>	34,984 I> 99,836 J> 2,138 E>	1,802,120	303,043	N/A	**
6	Pamela Merrell Vice President, Human Resources	76,795	738,006 G>	11,827 I> 53,275 J>	879,903	183,060	N/A	**
7	David Johnson Vice President, Distribution Services	125,057	614,248 G>	5,037 I> 52,084 J> 665 M>	797,091	234,064	N/A	**
8	Ellen Senechal Treasurer	94,078	513,679 G>	41,045 I> 45,322 J>	648,802	176,945	N/A	**
9	David S. Smith Controller	19,662	420,300 G>	31,782 I>	471,744	140,483	N/A	**
10	Eugene Braun Executive Director, Electric Transmission	76,766	188,751 G>	2,803 I> 18,460 J>	286,780		N/A	**

* - Not included as officers in 2001.
** - N/A due to change of control payments.

TOP TEN MONTANA COMPENSATED EMPLOYEES (ASSIGNED OR ALLOCATED)

Line No.	Name/Title	Base Salary 1/	Bonuses 2/	Other	Total Compensation	Total Compensation Last Year	% Increase Total Compensation

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

2/ Bonuses consist of the following:

A> NSG Bonus award.

B> North Star award.

G> Change in control payment paid to officers leaving the company.

K> NOR Pref Plan Bonus.

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

C> Phantom stock taxable

D> Imputed income.

E> Car Allowance fringe benefit.

F> Imputed Income Moving Expense.

H> Company paid physicals.

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

J> Incentive Compensation Plan which were earned under the 2001 Incentive Compensation Plan.

L> Country club dues.

M> Company paid physical exams.

SCHEDULE 17

TOP FIVE MONTANA COMPENSATED EMPLOYEES (ASSIGNED OR ALLOCATED)

Line No.	Name/Title	Base Salary 1/	Bonuses 2/	Other	Total Compensation	Total Compensation Last Year	% Increase Total Compensation	
1	Michael J. Hanson President and CEO of Northwestern Energy division	312,814	50,000 K> 460,514 A> 125,400 B>	4,677 E> 100,000 J> 4,200 L>	1,057,605	N/A	N/A	*
2	Glen Herr Vice President, Distribution Operations Montana	185,550	234,421 A> 46,200 B>	187 D> 1,770 E> 32,635 F>	500,762	N/A	N/A	*
3	Dave Monaghan Vice President, Financial Planning and Analysis	173,264	194,271 A> 44,640 B>	18,318 C> 162 D> 6,600 E> 22,961 F>	460,217	N/A	N/A	*
4	Greg Trandem Vice President, Asset Management	127,619	150,436 A> 34,375 B>	310 D> 3,896 E> 23,752 F>	340,387	N/A	N/A	*
5	Jack Haffey Executive Vice President and Chief Operating Officer	83,105	1,584,195 G>	34,984 I> 99,836 J> 2,138 E>	1,802,120	303,043	N/A	**

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

2/ Bonuses consist of the following:

A> NSG Bonus award.

B> North Star award.

G> Change in control payment paid to officers leaving the company.

K> NOR Pref Plan Bonus.

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

C> Phantom stock taxable

D> Imputed income.

E> Car Allowance fringe benefit.

F> Imputed Income Moving Expense.

H> Company paid physicals.

Sch. 18	BALANCE SHEET 1/			
	Account Title	This Year	Last Year	% Change
1	**Assets and Other Debits**			
2	**Utility Plant**			
3	101 Plant in Service	$1,567,594,565	$1,545,871,892	1.41%
4	105 Plant Held for Future Use	8,984	8,984	0.00%
5	107 Construction Work in Progress	13,265,884	10,447,595	26.98%
6	108 Accumulated Depreciation Reserve	(566,830,288)	(539,286,806)	5.11%
7	111 Accumulated Amortization & Depletion Reserves 2/	(14,838,488)	(12,169,750)	21.93%
8	114 Electric Plant Acquisition Adjustments	3,106,285	3,106,285	0.00%
9	115 Accumulated Amortization-Electric Plant Acq. Adj.	(2,441,885)	(2,346,971)	4.04%
10	117 Gas Stored Underground-Noncurrent	40,368,617	42,397,528	-4.79%
11	**Total Utility Plant**	1,040,233,675	1,048,028,757	-0.74%
12	**Other Property and Investments**			
13	121 Nonutility Property	2,301,916	2,061,961	11.64%
14	122 Accumulated Depr. & Amort.-Nonutililty Property	(114,730)	(87,849)	30.60%
15	123.1 Investments in Subsidiary Companies 2/	12,402,929	807,438,353	-98.46%
16	123 Investments in Colstrip Unit 4 & YNP	42,480,052	44,835,353	-5.25%
17	124 Other Investments	22,974,086	21,447,804	7.12%
18	128 Miscellaneous Special Funds	1,497,098	1,429,900	4.70%
19	**Total Other Property & Investments**	81,541,351	877,125,522	-90.70%
20	**Current and Accrued Assets**			
21	131 Cash	27,914,771	(3,630,377)	-868.92%
22	135 Working Funds	47,780	52,365	-8.76%
23	136 Temporary Cash Investments	-	7,000,000	-100.00%
24	141 Notes Receivable	-	181,476	-100.00%
25	142 Customer Accounts Receivable	30,506,362	43,310,904	-29.56%
26	143 Other Accounts Receivable 2/	7,597,704	5,093,295	49.17%
27	144 Accumulated Provision for Uncollectible Accounts	(1,283,900)	(1,223,900)	4.90%
28	145 Notes Receivable-Associated Companies	-	-	0.00%
29	146 Accounts Receivable-Associated Companies 2/	137,119,038	34,656,551	295.65%
30	151 Fuel Stock	-	-	0.00%
31	154 Plant Materials and Operating Supplies	7,928,691	9,111,610	-12.98%
32	165 Prepayments	8,701,117	16,272,659	-46.53%
33	171 Interest and Dividends Receivable	-	12,114	-100.00%
34	172 Rents Receivable	214,063	97,443	119.68%
35	173 Accrued Utility Revenues	30,537,915	22,696,131	34.55%
36	174 Miscellaneous Current & Accrued Assets	182,577	127,893	42.76%
36	**Total Current & Accrued Assets**	249,466,119	133,758,164	86.51%
37	**Deferred Debits**			
38	181 Unamortized Debt Expense	3,467,877	3,763,307	-7.85%
39	182 Regulatory Assets 2/	121,727,799	209,378,179	-41.86%
40	183 Preliminary Survey and Investigation Charges	-	625,340	-100.00%
41	184 Clearing Accounts	(78)	(78)	0.00%
42	185 Temporary Facilities	78	78	0.00%
43	186 Miscellaneous Deferred Debits 2/	43,658,205	37,476,788	16.49%
44	189 Unamortized Loss on Reacquired Debt	3,300,790	3,607,678	-8.51%
45	190 Accumulated Deferred Income Taxes 2/	126,939,849	175,932,149	-27.85%
46	191 Unrecovered Purchased Gas Costs	2,459,019	(6,659,440)	-136.93%
47	**Total Deferred Debits**	301,553,539	424,124,001	-28.90%
48	**TOTAL ASSETS and OTHER DEBITS**	$ 1,672,794,684	$2,483,036,444	-32.63%

Sch. 18 cont.	BALANCE SHEET 1/			
	Account Title	This Year	Last Year	% Change
1	**Liabilities and Other Credits**			
2	**Proprietary Capital 2/**			
3	201 Common Stock Issued 2/	$0	$706,100,642	-100.00%
4	204 Preferred Stock Issued 2/	-	58,063,500	-100.00%
5	207 Premium on capital stock	-	-	0.00%
6	211 Miscellaneous Paid-In Capital 2/	447,700,766	2,347,399	18972.21%
7	213 Discount on Capital Stock 2/	-	(815,700)	-100.00%
8	214 Capital Stock Expense 2/	-	(93,888)	-100.00%
9	215 Appropriated Retained Earnings 2/	-	6,238,312	-100.00%
10	216 Unappropriated Retained Earnings 2/	(32,573,111)	610,411,500	-105.34%
11	217 Reacquired capital stock 2/	-	(205,656,384)	-100.00%
12	**Total Proprietary Capital**	415,127,655	1,176,595,381	-64.72%
13	**Long Term Debt**			
14	221 Bonds	327,402,000	327,402,000	0.00%
15	224 Other Long Term Debt	133,000,000	145,666,000	-8.70%
16	226 Unamortized Discount on Long Term Debt-Debit	(2,886,069)	(3,210,502)	-10.11%
17	**Total Long Term Debt**	457,515,931	469,857,498	-2.63%
18	**Other Noncurrent Liabilities**			
19	227 Obligations Under Capital Leases-Noncurrent	6,022,866	-	100.00%
20	228.1 Accumulated Provision for Property Insurance	(117,388)	410,424	-128.60%
21	228.2 Accumulated Provision for Injuries and Damages	(8,288,509)	3,314,632	-350.06%
22	228.3 Accumulated Provision for Pensions and Benefits 2/	16,480,443	8,169,359	101.73%
23	228.4 Accumulated Miscellaneous Operating Provisions 2/	148,237,462	5,155,912	2775.10%
24	**Total Other Noncurrent Liabilities**	162,334,875	17,050,327	852.09%
25	**Current and Accrued Liabilities**			
25	231 Notes Payable	-	-	0.00%
26	232 Accounts Payable 2/	25,709,770	23,509,160	9.36%
27	233 Notes Payable to Associated Companies 2/	-	24,810,881	-100.00%
28	234 Accounts Payable to Associated Companies 2/	121,387,163	75,088,194	61.66%
29	235 Customer Deposits	2,472,985	1,398,414	76.84%
30	236 Taxes Accrued	37,149,738	(623,365)	-6059.55%
31	237 Interest Accrued	4,438,793	6,572,178	-32.46%
32	238 Dividends Declared	-	776,264	-100.00%
33	241 Tax Collections Payable	(118,384)	(142,569)	-16.96%
34	242 Miscellaneous Current and Accrued Liabilities	39,567,932	31,537,543	25.46%
35	243 Obligations Under Capital Leases-Current	2,303,475	10,962	20912.57%
36	**Total Current and Accrued Liabilities**	232,911,472	162,937,662	42.95%
37	**Deferred Credits**			
38	252 Customer Advances for Construction	21,993,097	21,030,639	4.58%
39	253 Other Deferred Credits	65,886,426	58,246,304	13.12%
40	254 Regulatory Liabilities 2/	54,486,123	329,414,254	-83.46%
41	255 Accumulated Deferred Investment Tax Credits	12,277,948	12,718,195	-3.46%
42	257 Unamortized Gain on Reacquired Debt	3,867	13,149	-70.59%
43	281-283 Accumulated Deferred Income Taxes 2/	250,257,291	235,173,035	6.41%
44	**Total Deferred Credits**	404,904,752	656,595,576	-38.33%
45	**TOTAL LIABILITIES and OTHER CREDITS**	$1,672,794,684	$2,483,036,444	-32.63%
46	1/ Includes CMP and Montana Power Capital I; excludes Colstrip Unit 4 and Yellowstone National Park.			
47				
48	2/ There were changes in the 2002 balance sheet related to our corporate reorganization and subsequent			
49	divestiture and acquisition resetting equity under new ownership by NorthWestern Corporation. Additionally,			
50	there were significant changes in regulatory asset and liability and other accounts for compliance with terms			
51	in the stipulation agreement/TierII settlement. The cash flow presentation in Sch. 23 for 2002 is net of these			
52	non-cash changes.			
53				

NOTES TO THE FINANCIAL STATEMENTS

1. Nature of Operations and Recent Developments

NorthWestern Corporation (the "Company" or "we") is one of the largest providers of electricity and natural gas in the Upper Midwest and Northwest, serving more than 598,000 customers in Montana, South Dakota and Nebraska. We have generated and distributed electricity in South Dakota and distributed natural gas in South Dakota and Nebraska since 1923 through our energy division, NorthWestern Energy, formerly NorthWestern Public Service. On February 15, 2002, we completed the acquisition of the electric and natural gas transmission and distribution business of The Montana Power Company, or Montana Power. As a result of the acquisition, from February 15, 2002 through November 15, 2002, we distributed electricity and natural gas in Montana through our wholly owned subsidiary, NorthWestern Energy LLC. Effective November 15, 2002, we transferred the energy and natural gas transmission and distribution operations of NorthWestern Energy LLC to NorthWestern Corporation and since that date, we have operated its business as part of our NorthWestern Energy division. We are operating our utility business under the common name "NorthWestern Energy" in all our service territories. The former NorthWestern Energy LLC has been renamed "Clark Fork and Blackfoot, L.L.C."

2. Significant Accounting Policies

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America required the Company to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Estimates are used for such items as long-lived asset values and impairment charges, long-lived asset useful lives, tax provisions, uncollectible accounts, billing adjustments, environmental costs, unbilled revenues and actuarially determined benefit costs. We revise the recorded estimates when we get better information or when we can determine actual amounts. Those revisions can affect operating results. Each year we also review the depreciable lives of certain plant assets and revise them if appropriate.

Revenue Recognition

For our Montana operations, as prescribed by the MPSC, operating revenues are recorded monthly on the basis of consumption or services rendered. Customers are billed monthly on a cycle basis.

Cash Equivalents

We consider all highly liquid investments with maturities of three months or less at the time of purchase to be cash equivalents.

Restricted Cash

Restricted cash consists primarily of funds held in trust accounts to satisfy the requirements of certain stipulation agreements and insurance reserve requirements.

Inventories

Natural gas inventories for the regulated energy business are stated at the lower of cost or market, using the first-in, first-out ("FIFO") method. Materials and supplies for the regulated energy business are stated at the lower of cost or market, with cost determined using the average cost method. Inventory at December 31 is as follows (in thousands):

	2002	2001
Utility	$7,929	$9,112

Regulatory Assets and Liabilities

Our regulated operations are subject to the provisions of Statement of Financial Accounting Standards No. 71, *Accounting for the Effects of Certain Types of Regulations* (SFAS No. 71). Regulatory assets represent probable future revenue associated with certain costs, which will be recovered from customers through the ratemaking process. Regulatory liabilities represent probable future reductions in revenues associated with amounts that are to be credited to customers through the ratemaking process.

If all or a separable portion of our operations becomes no longer subject to the provisions of SFAS No. 71, an evaluation of future recovery of the related regulatory assets and liabilities would be necessary. In addition, we would determine any impairment to the carrying costs of deregulated plant and inventory assets.

Investments

Investments consist primarily of life insurance contracts. In addition, we have investments in various money market accounts and other items. Life insurance contracts are carried at their cash surrender value. Investments in life insurance contracts of $22.2 million are held in trust and restricted for postretirement benefits.

Investments consisted of the following at December 31 (in thousands):

December 31, 2002	
Life insurance contracts & other investments	$22,974
	$22,974
December 31, 2001	
Life insurance contracts & other investments	$21,448
	$21,448

Derivative Financial Instruments

We manage risk using derivative financial instruments for changes in electric and natural gas supply prices and interest rate fluctuations.

We periodically use commodity futures contracts to reduce the risk of future price fluctuations for electric and natural gas contracts. Increases or decreases in contract values are reported as gains and losses in our Consolidated Statements of Income unless the commodities are specifically subject to supply tracking mechanisms within the regulatory environment.

The fair value of fixed-price commodity contracts were estimated based on market prices of commodities covered by the contracts. The net differential between the prices in each contract and market prices for future periods has been applied to the volumes stipulated in each contract to arrive at an estimated future value. Two contracts at December 31, 2002 existed with estimated future benefits of $0.2 million.

Property, Plant and Equipment

Property, plant and equipment are stated at cost. Depreciation is computed using the straight-line method based on the estimated useful lives of the various classes of property, ranging from 3 to 40 years.

All expenditures for maintenance and repairs of utility property, plant and equipment are charged to the appropriate maintenance expense accounts. A betterment or replacement of a unit of property is accounted for as an addition and retirement of utility plant. At the time of such a retirement, the accumulated provision for depreciation is charged with the original cost of the property retired and also for the net cost of removal.

Property, plant and equipment at December 31 consisted of the following (in thousands):

	2002	2001
Land and improvements	$29,344	$33,223
Building and improvements	62,870	58,073
Storage, distribution, transmission and generation	1,374,965	1,454,205
Construction work in process	13,266	10,321
Other equipment	143,900	46,010
	1,624,345	1,601,832
Less accumulated depreciation	(584,111)	(553,803)
	$1,040,234	$1,048,029

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 the Federal Energy Regulatory Commission, or FERC. This rate averaged 8.7%, 6.1% and 8.6% for 2002, 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%, 3.4% and 3.5% for 2002, 2001 and 2000 respectively.

Income Taxes

Deferred income taxes relate primarily to the difference between book and tax methods of depreciating property, amortizing tax deductible goodwill, the difference in the recognition of revenues and expenses for book and tax purposes, certain natural gas costs, which are deferred for book purposes but expensed currently for tax purposes, and net operating loss carryforwards.

Environmental Costs

We record environmental costs when it is probable we are liable for the costs and we can reasonably estimate the liability. We may defer costs as a regulatory asset based on our expectation that we will recover these costs from customers in future rates. Otherwise, we expense the costs. If an environmental expense is related to facilities we currently use, such as pollution-control equipment, we capitalize and depreciate the costs over the life of the plant, assuming the costs are recoverable in future rates or future cash flow.

We record estimated remediation costs, excluding inflationary increases and probable reductions for insurance coverage and rate recovery. The estimates are based on our experience, our assessment of the current situation and the technology currently available for use in the remediation. We regularly adjust the recorded costs as we revise estimates and as remediation proceeds. If we are one of several designated responsible parties, we estimate and record only our share of the cost. We treat any future costs of restoring sites where operation may extend indefinitely as a capitalized cost of plant retirement. The depreciation expense levels we can recover in rates include a provision for these estimated removal costs.

Accounting for Business Combinations

In July 2001, the FASB issued Statements of Financial Accounting Standards No. 141, *Business Combinations*, and No. 142, *Goodwill and Other Intangible Assets* (SFAS No. 142). These standards change the accounting for business combinations by, among other things, prohibiting the prospective use of pooling-of-interests accounting and requiring companies to stop amortizing goodwill and certain intangible assets with an indefinite useful life. Instead, goodwill and intangible assets deemed to have an indefinite useful life will be subject to an annual review for impairment. The new standards generally were effective for us in the first quarter of 2002 and for purchase business combinations consummated after June 30, 2001.

New Accounting Standards

In June 2001, the Financial Accounting Standards Board issued SFAS No. 143, *Accounting for Asset Retirement Obligations,* which was effective January 1, 2003. The statement provides accounting and disclosure requirements for retirement obligations associated with long-lived assets. The statement requires the present value of future retirement costs for which the Company has a legal obligation be recorded as liabilities with an equivalent amount added to the asset cost and depreciated over the asset life.

We have completed an assessment of the specific applicability and implications of SFAS No. 143. We have identified, but have not recognized, asset retirement obligation, or ARO, liabilities related to our electric and natural gas transmission and distribution assets. Many of these assets are installed on easements over property not owned by the Company. The easements are generally perpetual and only require retirement action upon abandonment or cessation of use of the property for the specified purpose. The ARO liability is not estimable for such easements as we intend to utilize these properties indefinitely. In the event we decide to abandon or cease the use of a particular easement, an ARO liability would be recorded at that time.

Our regulated utility operations have, however, previously recognized removal costs of transmission and distribution assets as a component of depreciation in accordance with regulatory treatment. To the extent these amounts do not represent SFAS No. 143 legal retirement obligations, they are to be disclosed as regulatory liabilities upon adoption of the statement. As of December 31, 2002, we have estimated accrued removal costs related to our Montana transmission and distribution operations in the amount of $109.6 million, all of which are included in accumulated depreciation.

SFAS No. 144, *Accounting for the Impairment or Disposal of Long-Lived Assets,* was issued in October 2001 and establishes a single accounting model for long-lived assets to be disposed of by sale. SFAS No. 144 requires that long-lived assets to be disposed of by sale be measured at the lower of the carrying amount or fair value less cost to sell, whether reported in continuing operations or discontinued operations. SFAS No. 144 also expands the reporting of discontinued operations to include components of an entity that have been or will be disposed of rather than limiting such discontinuance to a segment of a business. We adopted SFAS No. 144 effective

January 1, 2002. The adoption of SFAS No. 144 did not have a material impact on our results of operations, financial position, or cash flows as the long-lived asset impairment provisions of SFAS No. 144 effectively carried over the provisions of SFAS No. 121.

SFAS No. 145, *Rescission of FASB Statements No. 4, 44, and 64, Amendment of FASB Statement No. 13, and Technical Corrections*, was issued in April 2002. SFAS No. 145 eliminates the requirement that gains and losses from the extinguishments of debt be aggregated and classified as extraordinary items, net of the related income tax. It also requires sale-leaseback treatment for certain modifications of a capital lease that result in the lease being classified as an operating lease. We will adopt SFAS No. 145 on January 1, 2003.

SFAS No. 146, *Accounting for Costs Associated with Exit or Disposal Activities*, was issued in June 2002. SFAS No. 146 requires companies to recognize costs associated with exit or disposal activities when they are incurred rather than at the date of a commitment to an exit or disposal plan, including lease termination costs and certain employee termination benefits that are associated with a restructuring, discontinued operation, plant closing or other exit or disposal activity. SFAS No. 146 will be applied prospectively and is effective for exit or disposal activities that are initiated after December 31, 2002. We will adopt SFAS No. 146 on January 1, 2003.

FASB Interpretation No. 45, *Guarantor's Accounting and Disclosure Requirements for Guarantees, Including Indirect Guarantees of Indebtedness of Others* (FIN 45), was issued in November 2002. FIN 45 elaborates on the existing disclosure requirements for most guarantees. It also clarifies that at the time a company issues a guarantee, the company must recognize an initial liability for the fair market value of the obligations it assumes under that guarantee and must disclose that information in its interim and annual financial statements. The initial recognition and measurement provisions of the FIN 45 apply on a prospective basis to guarantees issued or modified after December 31, 2002. The disclosure requirements of FIN 45 have been included in Note 12, Guarantees, Commitments and Contingencies.

SFAS No. 148, *Accounting for Stock-Based Compensation—Transition and Disclosure—an Amendment of FASB Statement No. 123*, was issued in December 2002. It provides alternative methods of transition for a voluntary change to the fair value based method of accounting for stock-based employee compensation. SFAS No. 148 is effective for fiscal years beginning after December 15, 2003. The impact of the statement on our results of operations and financial position is currently under review by management.

FASB Interpretation No. 46, *Consolidation of Variable Interest Entities* (FIN 46), was issued in January 2003. This interpretation changes the method of determining whether certain entities, including securitization entities, should be included in a company's Consolidated Financial Statements. An entity is subject to FIN 46 and is called a variable interest entity, or VIE, if it has equity that is insufficient to permit the entity to finance its activities without additional subordinated financial support from other parties, or equity investors that cannot make significant decisions about the entity's operations, or that do not absorb the expected losses or receive the expected returns of the entity. All other entities are evaluated for consolidation in accordance with SFAS No. 94, *Consolidation of All Majority-Owned Subsidiaries*. A VIE is consolidated by its primary beneficiary, which is the party involved with the VIE that has a majority of the expected losses or a majority of the expected residual returns or both. The provisions of the interpretation are to be applied immediately to VIEs created after January 31, 2003, and to VIEs in which an enterprise obtains an interest after that date. For VIEs in which an enterprise holds a variable interest that it acquired before February 1, 2003, FIN 46 applies in the first fiscal period beginning after June 15, 2003. For any VIEs that must be consolidated under FIN 46 that were created before February 1, 2003, the assets, liabilities and non-controlling interest of the VIE would be initially measured at their carrying amounts with any difference between the net amount added to the balance sheet and any previously recognized interest being recognized as the cumulative effect of an accounting change. If determining the carrying amounts is not practicable, fair value at the date FIN 46 first applies may be used to measure the assets, liabilities and non-controlling interest of the VIE. FIN 46 also mandates new disclosures about VIEs, some of which are required to be presented in financial statements issued after January 31, 2003. We have evaluated the impact of FIN 46 to determine if we have any investments qualifying as VIEs and do not believe we have any VIEs. The rules are recent and, accordingly, they contain provisions that the accounting profession continues to analyze.

Reclassifications

Certain 2000 and 2001 amounts have been reclassified to conform to the 2002 presentation. Such reclassifications had no impact on net income or shareholders' equity as previously reported.

3. Acquisitions

The Montana Power, L.L.C.

On February 15, 2002, we completed the asset acquisition of Montana Power's energy transmission and distribution business for $478.0 million in cash and the assumption of $511.1 million in existing debt and mandatorily redeemable preferred securities of subsidiary trusts (net of cash received). Acquisition costs were approximately $24.8 million. We completed this acquisition to expand our presence in the energy market. As a result of the acquisition, we are now a provider of natural gas and electricity to approximately 598,000 customers in Montana, South Dakota, and Nebraska and have the capacity to provide service to wider regions of the country. For accounting convenience, due to the burden of a mid-month closing, both parties agreed to an effective date for the sale of January 31, 2002.

4. Long-Term Debt

Long-term debt at December 31 consisted of the following (in thousands):

	Due	2002	2001
Mortgage bonds—			
Montana—7.30%	2006	150,000	150,000
Montana—8.25%	2007	365	365
Montana—8.95%	2022	1,446	1,446
Montana—7.00%	2005	5,386	5,386
Pollution control obligations—			
Montana—6.125%	2023	90,205	90,205
Montana—5.90%	2023	80,000	80,000
Secured medium term notes—			
7.23%	2003	15,000	15,000
7.25%	2008	13,000	13,000
Unsecured medium term notes—			
7.07%	2006	15,000	15,000
7.875%	2026	20,000	20,000
7.96%	2026	5,000	5,000
Quips – 8.45%		65,000	65,000
ESOP Notes Payable – 9.2%		—	12,666
Discount on Notes and Bonds		(2,886)	(3,211)
		$457,516	$469,857

In December 2002, we entered into a commitment for a $390 million senior secured term loan. We received net proceeds after payment of financing costs and fees of $366.0 million under this term loan in February 2003. Our new senior secured term loan bears interest at a variable rate tied to the Eurodollar rate, with a minimum floor of 3.0%, plus a spread of 5.75% or at the greater of the prime rate and 4.00% plus a spread of 4.75%. Our new senior secured term loan expires on December 1, 2006, although we must make quarterly amortization payments equal to $975,000 commencing on March 31, 2003. The credit agreement with respect to our senior secured term loan contains a number of representations and warranties and imposes a number of restrictive covenants that, among other things, limit our ability to incur indebtedness and make guarantees, create liens, make capital expenditures, pay dividends and make investments in other entities. In addition, we are required to maintain certain financial ratios, including:

- net worth (as defined) on the last day of each fiscal quarter of at least $616.0 million plus 50% of cumulative net income (but not losses and excluding net income or losses of CornerStone, Blue Dot and Expanets) from each quarter commencing with the quarter ending March 31, 2003;
- a funded debt to total capital (as defined) ratio on the last day of each fiscal quarter of no greater than 72.5% (69.1% at December 31, 2002);
- a ratio of utility business earnings before interest, taxes, depreciation and amortization, or EBITDA(1), to consolidated recourse interest expense (which excludes non-cash interest expense) for the prior four fiscal quarters of at least 1.40 to 1.00 (2.25 at December 31, 2002);
- a ratio of Montana utility business EBITDA to interest expense on the Montana First Mortgage Bonds for the trailing four fiscal quarters of at least 3.00 to 1.00 (7.52 at December 31, 2002);
- a ratio of South Dakota utility business EBITDA to interest expense on the South Dakota First Mortgage Bonds for the trailing four fiscal quarters of at least 2.50 to 1.00 (6.11 at December 31, 2002);

(1) EBITDA is a non-GAAP financial measure and as such, we have not used it in describing our results of operations. We have used EBITDA in this section specifically to show compliance with our debt covenants and we do not refer to EBITDA for any other purpose herein

- a ratio of funded debt outstanding on the last day of each fiscal quarter to utility business EBITDA for the trailing four fiscal quarters of less than 8.75 to 1.00 prior to January 1, 2004, less than 8.25 to 1.00 during 2004 and less than 7.50 to 1.00 thereafter (7.68 at December 31, 2002);

- a ratio of the aggregate amount of Montana First Mortgage Bonds outstanding on the last day of each fiscal quarter to Montana utility business EBITDA for the trailing four fiscal quarters of less than 4.25 to 1.00 prior to January 1, 2005 and at least 3.75 to 1.00 thereafter (1.99 at December 31, 2002); and

- a ratio of the aggregate amount of South Dakota First Mortgage Bonds outstanding on the last day of each fiscal quarter to South Dakota utility business EBITDA for the trailing four fiscal quarters of less than 4.75 to 1.00 prior to January 1, 2005 and at least 4.25 to 1.00 thereafter (2.32 at December 31, 2002);

For purposes of determining compliance with these covenants, "net worth" is defined as the sum of shareholders' equity and preferred stock (including mandatorily redeemable preferred securities of subsidiary trusts), preference stock and preferred securities of NorthWestern and its subsidiaries on September 30, 2002, with said total specified as $770 million, plus any gain in (or minus any loss in) the sum of shareholders' equity and preferred stock (including mandatorily redeemable preferred securities of subsidiary trusts), preference stock and preferred securities of NorthWestern and its subsidiaries (excluding Blue Dot, CornerStone and Expanets) after September 30, 2002. Total capital is defined as funded debt on any such date plus net worth (as defined) as of the end of the most recent fiscal quarter.

In January 2003, in connection with executing the new senior secured term loan facility, we applied to the MPSC for authorization to issue up to $280 million aggregate principal amount of First Mortgage Bonds secured by Montana utility assets as security for our new senior secured term loan facility. In granting its approval, the MPSC placed the following conditions on the approval of the First Mortgage Bonds:

- We must apply all proceeds from the sale of non-utility assets, specifically including Blue Dot and Expanets, to debt reduction;

- We must commit to fully funding the operation, maintenance, repair and replacement of our public utility infrastructure in Montana and we were required to file a maintenance plan and budget with the MPSC by March 13, 2003;

- We may not provide more than an additional $10 million in aggregate in capital to any non-utility entity without the prior approval of the MPSC;

- We must report all advances to non-utility companies to the MPSC within 5 business days of such advance; and

- if the existing credit agreements for Blue Dot or Expanets are terminated, we may file an application with the MPSC seeking approval to provide secured loans of up to $20 million to Blue Dot and up to $30 million to Expanets.

The Montana First Mortgage Bonds are four series of bonds that The Montana Power Company issued. The Montana Pollution Control Obligations are obligations that The Montana Power Company issued that mature in 2023. The Montana Secured Medium Term Notes are obligations that The Montana Power Company issued. All of these obligations are secured by substantially all of our Montana electric and natural gas assets. The series of Montana Secured Medium Term Notes that matured in January 2003 bore interest at 7.23% per annum and were repaid at their maturity on January 27-28, 2003.

The Montana Unsecured Medium Term Notes are general obligations issued by The Montana Power Company.

Annual scheduled retirements of long-term debt during the next five years are $15.0 million in 2003, none in 2004, $5.4 million in 2005, $165.0 million in 2006 and $0.4 million in 2007.

5. Comprehensive Income (Loss)

Comprehensive income (loss) is the sum of net income as reported and other comprehensive income (loss). Our other comprehensive income (loss) primarily resulted from gains and losses on derivative instruments qualifying as hedges, a minimum pension liability adjustment and unrealized gains and losses on available-for-sale investment securities.

The components of other comprehensive income (loss) for the years ended December 31, 2002 and 2001 were as follows (in thousands):

	2002	2001

Other comprehensive income:		
—Foreign currency translation adjustment	122	410
—Total other comprehensive income (loss)	$122	$410

The accumulated balance of other comprehensive income (loss) at December 31, 2002 and 2001 was $2,208,000 and $2,086,000, respectively.

6. Financial Instruments

The following disclosure of the estimated fair value of financial instruments is made in accordance with the requirements of SFAS No. 107, "Disclosures About Fair Value of Financial Instruments." The estimated fair-value amounts have been determined using available market information and appropriate valuation methodologies. However, considerable judgment is necessarily required in interpreting market data to develop estimates of fair value. Accordingly, the estimates presented herein are not necessarily indicative of the amounts that we would realize in a current market exchange.

The following methods and assumptions were used to estimate the fair value of each class of financial instruments for which it is practicable to estimate that value:

- The carrying amounts of cash and cash equivalents, restricted cash and investments approximate fair value due to the short maturity of the instruments. The fair value of life insurance contracts is based on cash surrender value.
- Fair values for debt were determined based on interest rates that are currently available to us for issuance of debt with similar terms and remaining maturities, except for publicly traded debt, which is based on market prices.
- The fair value of preferred securities of subsidiary trusts is based on current market prices.
- The fair-value estimates presented herein are based on pertinent information available to us as of December 31, 2002. Although we are not aware of any factors that would significantly affect the estimated fair-value amounts, such amounts have not been comprehensively revalued for purposes of these financial statements since that date, and current estimates of fair value may differ significantly from the amounts presented herein.

The estimated fair value of financial instruments at December 31 is summarized as follows (in thousands):

	2002		2001	
	Carrying Amount	Fair Value	Carrying Amount	Fair Value
Assets:				
Cash and cash equivalents	$9,898	$9,898	$3,422	$3,422
Restricted Cash	18,070	18,070	—	—
Investments	22,974	22,974	21,448	21,448
Liabilities:				
Long-term debt (including due within one year)	457,516	426,553	469,857	458,861

7. Income Taxes

Income tax expense (benefit) applicable to continuing operations before minority interests for the years ended December 31 is comprised of the following (in thousands):

	2002	2001
Federal		
Current	$12,681	$(16,063)
Deferred	(25,275)	7,298
State	(695)	4,450
	$(13,289)	$(4,315)

The following table reconciles our effective income tax rate to the federal statutory rate:

	2002	2001
Federal statutory rate	35.0%	35.0%
State income, net of federal provisions	(4.0)	(9.7)
Amortization of investment tax credit	1.1	0.9
Reversal of utility book/tax depreciation	6.6	(9.5)
Other, net	(4.7)	(7.6)
	34.0%	9.1%

The components of the deferred income tax asset (liability) recognized in our Consolidated Balance Sheets are related to the following temporary differences at December 31 (in thousands):

	2002	2001
Amortization of gain on sale/leaseback	$3,379	$3,801
Unamortized investment tax credit	7,979	8,265
Other	115,582	163,866
	$126,940	$175,932
Plant related	$(249,781)	$(198,104)
Other, net	(12,754)	(37,070)
	$(262,535)	$(235,174)
	$(135,595)	$(59,242)

8. Operating Leases and Sale-Leaseback Transactions

The Company, Expanets and Blue Dot lease vehicles, office equipment and office and warehouse facilities under various long-term operating leases. In connection with the purchase of Montana Power, we have eight years remaining under an operating lease agreement to lease generation facilities. At December 31, 2002, future minimum lease payments under noncancelable lease agreements are as follows (in thousands):

2003	$34,574
2004	34,820
2005	33,499
2006	33,351
2007	32,934
Thereafter	97,052

Lease and rental expense incurred were $3.4 million, $9.7 million and $6.8 million in 2002, 2001 and 2000, respectively.

9. Team Member Benefit Plans

We sponsor and/or contribute to pension and postretirement health care and life insurance benefit plans for team members of the corporate and regulated utility division. In addition, we also sponsor nonqualified, unfunded defined benefit pension plans for certain officers and other employees. With the acquisition of Montana Power, we assumed their pension and postretirement health care plans. These plans are reflected in the 2002 columns of the tables below.

Net periodic cost for our pension and other post-retirement plans consists of the following (in thousands):

	Pension Benefits		Other Postretirement Benefits	
	2002	2001	2002	2001
Components of Net Periodic Benefit Cost (Income)				
Service cost	$4,144	$4,731	$550	$526
Interest cost	17,345	18,028	3,555	3,398
Expected return on plan assets	(16,475)	(20,547)	(399)	(706)

Amortization of transitional obligation	(41)	(20)	789	862
Amortization of prior service cost	1,960	2,094	28	156
Recognized actuarial (gain) loss	—	—	633	67
	$6,933	$4,286	$5,156	$4,303
Additional (income) or loss recognized:				
Curtailment	$910	$(2,315)	804	(514)
Special termination benefits	4,191	—	168	
Settlement cost	3,744	(770)	—	—
Net Periodic Benefit Cost (Income)	$15,778	$1,201	$978	$3,789

The prior service costs are amortized on a straight-line basis over the average remaining service period of active participants. Gains and losses in excess of 10% of the greater of the benefit obligation or the market-related value of assets are amortized over the average remaining service period of active participants.

Following is a reconciliation of the changes in plan benefit obligations and fair value and a statement of the funded status as of December 31 (in thousands):

	Pension Benefits		Other Postretirement Benefits	
	2002	2001	2002	2001
Reconciliation of Benefit Obligation				
Obligation at January 1	$259,971	$243,094	$46,537	$44,987
Service cost	4,144	4,731	550	526
Interest cost	17,345	18,028	3,555	3,398
Actuarial loss	16,537	25,798	17,422	5,179
Plan amendments	—	1,748	(983)	—
Acquisition/Divestitures	(11,835)	—	(1,201)	(868)
Curtailments	—	(4,191)	—	—
Settlement cost	—	(14,017)	—	—
Special termination benefits	4,191	—	168	—
Gross benefits paid	(14,454)	(15,220)	(7,757)	(6,685)
Benefit obligation at end of year	$275,899	$259,971	$58,291	$46,537
Reconciliation of Fair Value of Plan Assets				
Fair value of plan assets at January 1	$215,144	$252,312	$5,872	$9,707
Actual gain (loss) on plan assets	(21,290)	(6,106)	(767)	106
Acquisitions/Divestitures	(15,932)	(15,842)		—
Employer contributions	—	—	7,521	2,744
Settlements	—	—		—
Gross benefits paid	(14,454)	(15,220)	(7,757)	(6,685)
Fair value of plan assets at end of year	$163,468	$215,144	$4,869	$5,872

The total projected benefit obligation and fair value of plan assets for the pension plan with a projected benefit obligation in excess of plan assets was $275.9 million and $163.5 million, respectively as of December 31, 2002.

The accrued pension and other post-retirement benefit obligations recognized in the accompanying Consolidated Balance Sheets are computed as follows (in thousands):

	Pension Benefits		Other Postretirement Benefits	
	2002	2001	2002	2001
Funded Status	$(112,431)	$(44,828)	$(53,422)	$(40,665)
Unrecognized transition amount	(82)	(126)	7,932	9,443
Unrecognized net actuarial loss (gain)	77,976	23,329	17,822	3,104

Unrecognized prior service cost	18,499	21,367	237	1,386
(Accrued) Prepaid benefit cost	$(16,038)	$(258)	$(27,431)	$(26,732)
Prepaid benefit cost	$—	$—	$—	$—
Accrued benefit cost	(16,038)	(258)	(27,431)	(26,732)
Additional minimum liability	88,813	36,357	—	—
Intangible asset	(18,499)	(21,367)	—	—
Regulatory asset	—	—	—	—
Accumulated other comprehensive income	(70,314)	(14,990)	—	—
Net amount recognized	$(16,038)	$(258)	$(27,431)	$(26,732)

The weighted-average assumptions used in calculating the preceding information are as follows:

	Pension Benefits		Other Postretirement Benefits	
	2002	2001	2002	2001
Discount rate	7.0%	7.0%	6.0-6.5%	7.0%
Expected rate of return on assets	8.50%	9.0%	8.50%	9.0%
Long-term rate of increase in compensation levels	3.97%	4.40%	—	—

The rate of increase in per capita costs of covered health care benefits is assumed to be 12 percent in 2003, decreasing gradually to 5 percent by the year 2009. The following table sets forth the sensitivity of retiree welfare results (in thousands):

Effect of a one percentage point increase in assumed health care cost trend	
on total service and interest cost components	$154
on postretirement benefit obligation	1,351
Effect of a one percentage point decrease in assumed health care cost trend	
on total service and interest cost components	$(133)
on postretirement benefit obligation	(1,194)

Pension costs in Montana are included in rates on a pay as you go basis for regulatory purposes. Other postretirement benefit costs in Montana are included in rates on an accrual basis for regulatory purposes. (See Note 10, "Regulatory Assets and Liabilities", for the regulatory assets related to our pension and other post-retirement benefit plans.)

During 2002 and 2000, we made available to select team members an early retirement program. The impact of that reduction in participants resulted in the Settlement Costs and Special Termination Benefits presented in the above table.

10. Regulatory Assets and Liabilities

Our regulated business prepares their financial statements in accordance with the provisions of SFAS No. 71, as discussed in Note 2 to the Financial Statements. 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. Accordingly, we have recorded the following major classifications of regulatory assets and liabilities that will be recognized in expenses and revenues in future periods when the matching revenues are collected or refunded.

	2002	2001
Pension	$42,696	$—
Colstrip Unit 3 carrying charge	—	38,337
SFAS No. 106 purchase obligation	4,174	—
Conservation programs	—	27,956
Income taxes	62,908	61,375
Other	11,950	81,710
Total regulatory assets	$121,728	$209,378
Utility sale stipulation agreement	$16,254	$—
Gas storage sales	15,456	—

Proceeds from oil & gas sale	15,982	33,426
Proceeds from electric generation asset sale	—	257,519
Other	6,794	38,469
Total regulatory liabilities	$54,486	$329,414

Pension costs in Montana are recovered in rates on a cash basis. Competitive transition charges relate to natural gas properties and earn a rate of return sufficient to meet the debt service requirements of the Montana natural gas transition bonds. No other significant regulatory assets earn a return. A regulatory asset has been recognized for the SFAS No. 106 purchase obligation upon the purchase of Montana Power. The MPSC allows recovery of SFAS No. 106 costs on an annual basis. Tax assets and liabilities primarily reflect the effects of plant related temporary differences such as removal costs, capitalized interest and contributions in aid of construction that we will recover or refund in future rates. During 2000 and 2001 Montana Power made sales of natural gas from its storage field at prices in excess of its original cost, creating a regulatory liability. This gain is being flowed to customers over a period that matches the depreciable life of surface facilities that were added to maintain deliverability from the field after the withdrawal of the gas. Montana Power also has a regulatory liability related to oil and gas proceeds, that is being credited to customer bills on a monthly basis. In connection with the acquisition of Montana Power, a stipulation agreement was signed that required a contribution by the previous owner and the Company, which will fund credits to Montana electric distribution customers. The account is being applied on a kilowatt hour basis beginning July 1, 2002 for one year.

11. Deregulation and Regulatory Matters

Deregulation

The electric and natural gas utility businesses in Montana are operating in 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 June 30, 2007, with our electric utility acting as default supplier. 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.

In its 2001 session, the Montana Legislature passed House Bill 474, which, among other things, reaffirmed full cost recovery for the default supplier by mandating that the MPSC use an electric cost recovery mechanism providing for full recovery of prudently incurred electric energy supply costs. In November 2002, Initiative 117 was passed, repealing HB 474 and allowing a transition period through June 30, 2007. Because of the language that remains from the previous law, we believe we have adequate assurances of recovering our costs of acquiring electric supply.

On October 29, 2001, Montana Power, the former owner of the utility, filed with the PSC the default supply portfolio. That portfolio contained a mix of long and short-term contracts that were negotiated in order to provide electricity to default supply customers. This filing sought 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.

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. The Tier II filing related to the deregulation of electric supply in Montana. On December 28, 2001, together with NorthWestern, the Montana Consumer Counsel, Commercial Energy and the Large Customer Group, 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 called for Montana Power, through Touch America, and NorthWestern to establish a $30 million account that will be used to provide a credit for our electric distribution customers. As of December 31, 2002 this is a regulatory liability of $16.3 million, see Note 10, "Regulatory Assets and Liabilities". The credit is being 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 expired. The stipulation also states that customers will have no obligation to pay any transition costs accrued under or relating to the accounting orders issued by the PSC.

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. We are also the default supplier for the remaining natural gas customers.

Regulatory Matters

The Montana, South Dakota and Nebraska PSCs 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. There have been no regulatory issues in South Dakota or Nebraska during the past 3 years. Current regulatory issues are discussed below.

Montana

Electric Rates

On June 20, the Montana PSC directed the company to file new rates effective July 1, 2002 that recover estimated electric supply costs for the period July 1, 2002 through June 30, 2003. The rates are approved on an interim basis pending a prudence review that will be conducted after July 1, 2003. This includes implementation of rates to begin recovery of the out-of-market transition costs from the Tier II proceeding / order.

Natural Gas Rates

On October 10, 2002 the Commission issued an order authorizing the revenue changes outlined in a stipulation submitted by Northwestern Energy and the Montana Consumer Counsel that resolved two outstanding dockets. The stipulation finalized the calculation of the amounts that the company would be allowed to include for recovery in its natural gas tracker for purchases under a contract originally entered into with a related party. The issues resolved included the annual quantity of gas subject to purchase under the contract and the periods covered by the contract. We filed our 2002/2003 natural gas tracking filing with the Commission on November 13, 2002. Interim rates were effective December 15, 2002, with a final order still pending.

FERC

Through a filing with FERC in April 2000, we are seeking recovery of transition costs associated with serving two wholesale electric cooperatives. On July 15, 2002, a FERC administrative judge issued a summary judgment dismissing the company's claim primarily on the grounds that the filing did not use FERC methodology. On December 2, 2002 we filed a "Brief on Exceptions to the Initial Decision" aimed at reversing the initial decision. A decision by FERC is still pending.

12. Guarantees, Commitments and Contingencies

Qualifying Facilities Liability

With the acquisition of our Montana Operations, we assumed a liability for expenses associated with certain Qualifying Facilities Contracts, or QFs. The QFs require us to purchase minimum amounts of energy at prices ranging from $65 to $138 per megawatt hour through 2029. Our gross contractual obligation related to the QFs is approximately $1.9 billion through 2029. A portion of the costs incurred to purchase this energy is recoverable through rates and payments from the MPSC, totaling approximately $1.5 billion through 2029. Upon completion of the purchase price allocation related to our acquisition of the electric and natural gas transmission and distribution business of The Montana Power Company, we established a liability of $134.3 million, based on the net present value (using an 8.75% discount factor) of the difference between our obligations under the QFs and the related amount recoverable. At December 31, 2002 the liability was $143.1 million.

The following summarizes the contractual estimated payments, net of recoveries allowed in rates (in thousands):

2003	$11,100
2004	9,500
2005	10,200
2006	3,900
2007	5,800
Thereafter	398,800
Total	$439,300

Long Term Power Purchase Obligations

We have entered into various commitments, largely purchased power, coal and natural gas supply, electric generation construction and natural gas transportation contracts. These commitments range from one to thirty years. The commitments under these contracts as of December 31, 2002 were $195.0 million in 2003, $181.3 million in 2004, $163.3 million in 2005, $124.5 million in 2006, $58.5 million in 2007 and $77.4 million thereafter. These commitments are not reflected in our Consolidated Financial Statements.

Letters of Credit

We have various letter of credit requirements and other collateral obligations related to our Montana operations of approximately $4.0 million at December 31, 2002.

Environmental Liabilities

We are subject to numerous state and federal environmental regulations. The Clean Air Act Amendments of 1990 (the Act) stipulate limitations on sulfur dioxide and nitrogen oxide emissions from coal-fired power plants. We believe we can comply with such sulfur dioxide emission requirements at our generating plants and that we are in compliance with all presently applicable environmental protection requirements and regulations. We are also subject to other environmental statutes and regulations including matters related to former manufactured gas plant sites. We have an environmental reserve of $5.2 million at December 31, 2002, related to our Montana operations. When losses from costs of environmental remediation obligations from our utility operations are probable and reasonably estimable, we charge these costs against the established reserve.

Legal Proceedings

Prior to 1999, Montana Power Company was the principal, vertically integrated electric utility in the state of Montana, owning and operating generation, transmission and distribution facilities as well as operating a telecommunication business and other non-regulated assets such as oil and gas, coal, and independent power businesses. In 1999, Montana Power sold its power generating assets to PP&L Montana, LLC. Thereafter, Montana Power's subsidiary Entech, Inc. undertook a series of sales of Montana Power's non-regulated energy businesses (i.e., its coal, oil and natural gas businesses), and its out-of-state independent power-production business, to several third parties (collectively, the "Entech Sales"). The sale of the power generating assets and the Entech Sales took place over a period of time from December 1999 to April 2001.

On August 16, 2001, eight individuals filed a lawsuit in Montana State District Court, entitled McGreevey, et al. v. Montana Power Company, et al., DV-01-141, 2nd Judicial District, Butte-Silver Bow County, MT, naming The Montana Power Company, all of its outside directors and certain officers, PPL Montana, and Goldman Sachs as defendants (the "Litigation"), alleging that Montana Power and its directors and officers and investment bankers had a legal obligation and/or a fiduciary duty to obtain shareholder approval before consummating the sale of the electric generation assets to PPL Montana. The plaintiffs further allege that because the Montana Power shareholders did not vote to approve the sale, 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 objecting shareholders should have been given dissenters' rights. The plaintiffs have amended the complaint to add Milbank Tweed (legal advisors to Montana Power and Touch America), The Montana Power, L.L.C., Touch America Holdings, Inc. and the purchasers of the energy-related assets and have claimed that Montana Power and the other defendants engaged in a series of integrated transactions to sell all or substantially all of its assets and deprive the shareholders of a vote.

After denying the original defendants' motions to dismiss the complaint, upon plaintiffs' motion, the court certified a class consisting of shareholders of record as of December 1999. The court has also, upon plaintiffs' motion, added Clark Fork and Blackfoot LLC as a successor to The Montana Power Company and NorthWestern as an additional defendant as a result of the transfer of substantially all of the assets and liabilities from NorthWestern Energy LLC to NorthWestern. Recently, the case has been removed to federal court in Montana upon a petition by Milbank Tweed. Plaintiffs filed a motion to remand the action to state court. The parties are briefing the remand motion and the federal court after a hearing will decide whether or not the case remains in federal court. It is the position of all defendants that The Montana Power Company and its former directors and officers have fully complied with their statutory and fiduciary duties and no shareholder vote was required. Accordingly, all defendants are defending the suit vigorously. We also believe that we have both substantive and procedural defenses to this action and accordingly, we will vigorously defend against any assertion to the effect that NorthWestern Energy LLC or NorthWestern has any liability in this matter.

In September 2000, Montana Power established Touch America Holdings, Inc. as a new holding company with four subsidiaries, The Montana Power, L.L.C., Touch America, Inc., Tetragenics Company and Entech LLC (referred to as the "Restructuring"). Entech Inc. was merged into Entech LLC and the ownership of Entech LLC was distributed by The Montana Power, L.L.C. to Touch America Holdings, Inc. Montana Power was merged into The Montana Power, L.L.C. and an exchange of Montana Power common stock for Touch America Holdings, Inc. common stock on a one-for-one basis occurred. Certain assets and liabilities of Montana Power subsequently were transferred to Touch America Holdings, Inc. Pursuant to a Unit Purchase Agreement signed on or about September 29, 2000, NorthWestern acquired the former electric and gas transmission and distribution business of Montana Power by purchasing the sole unit membership interest in The Montana Power, L.L.C. Subsequently, the Company renamed The Montana Power, L.L.C. as Northwestern Energy LLC. In November 2002, NorthWestern and NorthWestern Energy LLC entered into an Asset and Stock Transfer Agreement whereby NorthWestern acquired substantially all of NorthWestern Energy LLC's assets. Finally, NorthWestern Energy LLC was renamed again on November 20, 2002 to become Clark Fork and Blackfoot, L.L.C.

Clark Fork and Blackfoot, L.L.C. and NorthWestern believe that no shareholder vote was required for any of the transactions in question and that the shareholders had an opportunity to vote on the Touch America restructuring and NorthWestern's acquisition, which was fully approved by a supermajority of The Montana Power Company's shareholders in September 2001. In the event that Clark Fork and Blackfoot, L.L.C. or NorthWestern faces liability, we believe that we have an indemnification claim against Touch America for adverse consequences resulting from that liability. In light of the financial difficulties experienced by the telecommunications industry, we are uncertain as to the ability of Touch America to satisfy its contractual indemnification claim arising from this litigation. 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.

In 1999, Montana Power entered into an Asset Purchase Agreement with PPL Montana pursuant to which Montana Power agreed to sell, among other assets, its portion of the 500-kilovolt transmission system associated with Colstrip Units 1, 2, and 3 for $97.1 million, subject to the receipt of required regulatory approvals. As part of the Touch America reorganization described above, The Montana Power, L.L.C. acquired Montana Power's rights under the Asset Purchase Agreement. In September 2002, Clark Fork and Blackfoot, L.L.C. brought suit in Montana State District Court to compel PPL Montana to perform its obligations under the Asset Purchase Agreement and to recover damages. The case has been removed to the Federal District Court in Butte, Montana. We have filed a motion for partial summary judgment on the issue of specific performance of PPL Montana's obligation to complete the purchase. That motion has been fully briefed and is awaiting decision. NorthWestern believes its claims are meritorious and we intend to vigorously prosecute this litigation. At this early stage of the litigation, however, we cannot predict the ultimate outcome of this matter or how it may affect our financial position, results of operations, or cash flows.

On or about March 7, 2003, plaintiff Dana Ross, individually and on behalf of a class of all others similarly situated, filed a complaint alleging breach of fiduciary duty and violations of federal securities fraud laws (including Sections 10(b) and 20(a) of the Securities Exchange Act of 1934 and Rule 10b-5 thereunder) against Merle D. Lewis (the former Chairman and Chief Executive Officer of the Company), Kipp D. Orme (the Company's Vice President-Finance and Chief Financial Officer), and the Company. The lawsuit is entitled *Dana Ross, et al. v. Merle D. Lewis, et al.*; Case No. CIV03-4049, In the United States District Court of South Dakota, Southern Division. The putative class consists of all public investors who purchased common stock of NorthWestern from August 2, 2000 to December 13, 2002. Plaintiffs allege that defendants misrepresented NorthWestern's business operations and financial performance, overstated NorthWestern's revenue and earnings, among other things, by maintaining insufficient reserves for accounts receivables at Expanets, failed to disclose billing problems and lapses and data conversion problems, and failed to make full disclosures of problems (including the billing and data conversion issues) arising from the implementation of Expanets' EXPERT system. Plaintiffs' complaint alleges that NorthWestern's public statements, omissions, and failures to maintain adequate accounts receivables reserves artificially inflated NorthWestern's earnings and stock price, and that the class has been damaged as a result. The action seeks unspecified compensatory damages, rescission, and attorneys fees and costs as well as accountants and experts fees. The lawsuit has not yet been served. Given that it was only recently filed, we are not able to assess the likely outcome or risk of an adverse decision in this matter.

We and our partner entities are parties to various other pending proceedings and lawsuits, but in the judgment of our management, the nature of such proceedings and suits and the amounts involved do not depart from the routine litigation and proceedings incident to the kinds of business we conduct, and management believes that such proceedings will not result in any material adverse impact on us.

13. Company Obligated Mandatorily Redeemable Preferred Securities of Subsidiary Trusts

Series	Par Value	Shares	2002	2001
			(in thousands)	
8.45% Montana Power	$25	2,600,000	65,000	65,000
		2,600,000	$65,000	$65,000

Montana Power had 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. Outstanding at December 31, 2002 were $2.6 million units of 8.45 percent Cumulative Quarterly Income Preferred Securities, Series A (QUIPS), which are due in 2036. 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 Trust will use interest payments received on the Subordinated Debentures that it holds to make the quarterly cash distributions on the QUIPS.

We can wholly redeem the Subordinated Debentures at any time, or partially redeem the Subordinated Debentures from time to time. We also can wholly redeem the Subordinated Debentures if certain events occur before that 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.

Sch. 19	MONTANA PLANT IN SERVICE - NATURAL GAS (INCLUDES CMP)			
	Account Number & Title	This Year Montana	Last Year Montana	% Change
1	**Intangible Plant**			
2	2301 Organization	$12,873	$12,873	0.00%
3	2302 Franchises and Consents	114,169	114,169	-
4	2303 Miscellaneous Intangible Plant	387,091	378,912	2.16%
5	**Total Intangible Plant**	514,133	505,954	1.62%
6				
7	**Underground Storage Plant**			
8	2350 Land and Land Rights	3,995,388	3,945,566	1.26%
9	2351 Structures and Improvements	2,725,874	2,545,210	7.10%
10	2352 Wells	7,750,184	7,689,329	0.79%
11	2353 Lines	6,360,120	5,895,936	7.87%
12	2354 Compressor Station Equipment	7,315,999	7,315,999	0.00%
13	2355 Measuring & Regulating Equip.	1,762,740	1,762,740	0.00%
14	2356 Purification Equipment	223,171	223,171	0.00%
15	2357 Other Equipment	831,994	831,995	0.00%
16	**Total Underground Storage Plant**	30,965,470	30,209,946	2.50%
17				
18	**Transmission Plant**			
19	2365 Rights of Way	5,445,028	5,360,470	1.58%
20	2366 Structures and Improvements	9,116,481	8,921,913	2.18%
21	2367 Mains	132,307,660	131,495,013	0.62%
22	2368 Compressor Station Equipment	17,560,600	18,088,263	-2.92%
23	2369 Meas. & Reg. Station Equipment	10,001,536	9,742,609	2.66%
24	2370 Communication Equipment	-	66,875	-100.00%
24	2371 Other Equipment	75,670	75,670	0.00%
25	**Total Transmission Plant**	174,506,975	173,750,813	0.44%
26				
27	**Distribution Plant**			
28	2374 Land and Land Rights	874,556	874,556	0.00%
29	2375 Structures and Improvements	71,404	71,404	0.00%
30	2376 Mains	74,017,212	71,020,275	4.22%
31	2377 Compressor Station Equipment			
32	2378 M&R Station Equip.-General	2,008,999	2,013,139	-0.21%
33	2379 M&R Station Equip.-City Gate		-	#DIV/0!
34	2380 Services	52,626,128	52,122,462	0.97%
35	2381 Customers Meters and Regulators	18,987,886	17,286,010	9.85%
36	2382 Meter Installations	9,767,697	9,657,320	1.14%
37	2383 House Regulators			
38	2384 House Regulator Installations			
39	2385 M&R Station Equip.-Industrial	56,334	56,334	0.00%
40	2386 Other Prop. on Customers' Premises			
41	2387 Other Equipment	-	-	#DIV/0!
42	**Total Distribution Plant**	158,410,216	153,101,500	3.47%

Sch. 19 cont.	**MONTANA PLANT IN SERVICE - NATURAL GAS (INCLUDES CMP)**			
	Account Number & Title	This Year Montana	Last Year Montana	% Change
1				
2	**General Plant**			
3	2389 Land and Land Rights	101,675	101,675	-
4	2390 Structures and Improvements	684,305	684,305	0.00%
5	2391 Office Furniture and Equipment	1,273,902	1,531,842	-16.84%
6	2392 Transportation Equipment	4,717,141	6,188,831	-23.78%
7	2393 Stores Equipment	9,898	10,804	-8.39%
8	2394 Tools, Shop & Garage Equipment	3,905,733	3,847,714	1.51%
9	2395 Laboratory Equipment	797,659	803,996	-0.79%
10	2396 Power Operated Equipment	1,621,166	1,615,214	0.37%
11	2397 Communication Equipment	1,236,794	1,338,384	-7.59%
12	2398 Miscellaneous Equipment	44,974	40,258	11.71%
13	2399 Other Tangible Property		-	-
14	**Total General Plant**	14,393,247	16,163,023	-10.95%
15	**Total Gas Plant in Service**	378,790,041	373,731,236	1.35%
16				
17	4101 Gas Plant Allocated from Common	26,165,336	26,963,375	-2.96%
18	2105 Gas Plant Held for Future Use	8,984	8,984	-
19	2107 Gas Construction Work in Progress	3,483,979	2,312,031	50.69%
20	2117 Gas in Underground Storage	40,347,982	42,379,908	-4.79%
21				
22				
23	**Total Gas Plant**	$448,796,322	$445,395,534	0.76%

Sch. 20	MONTANA DEPRECIATION SUMMARY - NATURAL GAS (INCLUDES CMP)				
	Functional Plant Class	Montana Plant Cost	This Year Montana	Last Year Montana	Current Avg. Rate
1	**Accumulated Depreciation**				
2					
3	Production and Gathering	$0	$0	$0	0.00%
4					
5					
6	Underground Storage	30,209,946	14,617,078	13,820,819	2.67%
7					
8	Other Storage				
9					
10	Transmission	173,543,626	60,128,398	58,159,560	1.78%
11					
12	Distribution	153,101,500	60,281,289	55,798,034	3.08%
13					
14	General and Intangible	16,469,406	7,567,331	9,052,945	5.62%
15					
16	Common	25,931,448	5,882,442	7,737,725	5.85%
17					
18	**TOTAL DEPRECIATION**	$399,255,926	$148,476,538	$144,569,083	2.55%
19					
20					
21					
22					
23					

Sch. 21	MONTANA MATERIALS & SUPPLIES (ASSIGNED & ALLOCATED) - NATURAL GAS			
	Account Number & Title	This Year Cons. Utility	Last Year Montana	%Change
1				
2	151 Fuel Stock			
3				
4	152 Fuel Stock Expenses Undistributed			
5				
6	153 Residuals			
7				
8	154 Plant Materials & Operating Supplies			
9	Assigned and Allocated to:			
10	Operation & Maintenance			
11	Construction			
12	Storage Plant	$ 131,596	$ 164,071	-19.79%
13	Transmission Plant	739,648	943,646	-21.62%
14	Distribution Plant	681,683	831,499	-18.02%
15				
16	155 Merchandise			
17				
18	156 Other Materials & Supplies			
19				
20	157 Nuclear Materials Held for Sale			
21				
22	163 Stores Expense Undistributed			
23				
24	**TOTAL MATERIALS & SUPPLIES**	$1,552,927	$1,939,216	-19.92%
25				
26				
27				
28				
29				

Sch. 22

MONTANA REGULATORY CAPITAL STRUCTURE & COSTS - GAS

Commission Accepted - Most Recent 1/

Docket Number: 2000.8.113
Order Number : 6271c

	% Capital Structure	% Cost Rate	Weighted Cost
Common Equity	45.00%	10.75%	4.84%
Preferred Stock	6.97%	6.40%	0.45%
QUIPs Preferred	7.86%	8.54%	0.67%
Long Term Debt	40.17%	7.13%	2.86%
TOTAL	100.00%		8.82%

1/ Docket 2000.8.113, Order 627c specifies the authorized capital structure and associated costs for the regulated gas utility effective May 8, 2001.

Sch. 23 STATEMENT OF CASH FLOWS (LAST YEAR INCLUDES UNIT 4 & EXCLUDES CMP) 1/& 2/

	Description	This year	Last year	% Change
1	Increase/(decrease) in Cash & Cash Equivalents:			
2	**Cash Flows from Operating Activities:**			
3	Net Income	($30,737,063)	$15,393,683	-299.67%
4	Depreciation	50,460,461	55,281,111	-8.72%
5	Amortization	3,224,892	94,914	3297.70%
6	Amortization of Discount on LT Debt	324,433	-	
7	Deferred Income Taxes - Net	(34,166,168)	(19,429,078)	-75.85%
8	Investment Tax Credit Adjustments - Net	(439,982)	(444,673)	1.05%
9	Writedown for Utility Stipulation Agreement - Net	99,881,116	-	
10	Writedown of Investments	412,500	-	
11	Change in Operating Receivables - Net	(97,082,946)	231,253,843	-141.98%
12	Change in Materials, Supplies & Inventories - Net	1,182,919	599,764	97.23%
13	Change in Operating Payables & Accrued Liabilities - Net	106,614,029	(196,263,958)	154.32%
14	Allowance for Funds Used During Construction (AFUDC)	(509,119)	(36,530)	-1293.70%
15	Change in Other Current Assets & Liabilities - Net	26,640,322	-	-
16	Other Operating Activities:			
17	Undistributed Earnings from Subsidiary Companies	5,471,549	(59,388,353)	109.21%
18	Other (net)	36,943,104	(241,219,431)	115.32%
19	Change in Regulatory Assets	(53,870,294)	(3,089,595)	-1643.60%
20	Change in Regulatory Liabilities	(28,125,814)	269,133,676	-110.45%
21	**Net Cash Provided by/(Used in) Operating Activities**	86,223,940	51,885,373	66.18%
22	**Cash Inflows/Outflows From Investment Activities:**			
23	Construction/Acquisition of Property, Plant and Equipment	(49,095,805)	(58,505,790)	16.08%
24	(net of AFUDC & Capital Lease Related Acquisitions)			
25	Proceeds from Sale of Property, Plant and Equipment	8,312,695	-	
26	Contributions In and Advances to Affiliates	317,613	-	
27	Other Investing Activities:			
28	Proceeds from Investments	145,676	-	
29	Additional Investments	(884,185)	-	
30	Miscellaneous Special Funds	(67,197)	(36,806)	-82.57%
31	**Net Cash Provided by/(Used in) Investing Activities**	(41,271,202)	(58,542,596)	29.50%
32	**Cash Flows from Financing Activities:**			
33	Proceeds from Issuance of:			
34	Long-Term Debt		150,000,000	-100.00%
35	Members Capital Contribution in MP LLC	$500	467,115	-99.89%
36	Other: Manditorily Redeem. Pref. Securities of Sub. Trust			
37	Dividends from Subsidiaries	-	-	
38	Capital Financing	1,970,000	-	
39	Net Increase in Short-Term Debt	-	-	-
40	Other: Return of Subsidiary Capital			
41	Payment for Retirement of:			
42	Long-Term Debt	(13,003,479)	(64,297,988)	79.78%
43	Preferred Stock	-	-	-
44	Capital Lease Obligations	(1,285,821)	-	
45	Net Decrease in Short-Term Debt		(75,000,000)	100.00%
46	Dividends on Preferred Stock	(922,508)	(3,769,784)	-
47	Dividends on Common Stock	-	-	
48	Other Financing Activities	-	-	
49	**Net Cash Provided by (Used in) Financing Activities**	(13,241,308)	7,399,343	-278.95%
50	**Net Increase/(Decrease) in Cash and Cash Equivalents**	31,711,430	742,120	4173.09%
51	**Cash and Cash Equivalents at Beginning of Year**	($3,796,659)	(4,538,779)	16.35%
52	**Cash and Cash Equivalents at End of Year**	$27,914,771	($3,796,659)	835.25%
53	1/ The cash balances on the 2001 balance sheets include CMP, whereas the statement of cash flows			
54	does not. Additionally the 2001 cash flows includes CU4, whereas the 2002 cash flows does not.			
55	2/ There were significant non-cash changes in the 2002 balance sheet related to our corporate reorganization and subsequent			
56	divestiture and acquisition resetting equity under new ownership by NorthWestern Corporation. Additionally,			
57	there were significant non-cash changes in regulatory asset and liability and other accounts for compliance with terms			
58	in the stipulation agreement/TierII settlement. The cash flow presentation for 2002 is net of these non-cash changes.			

Sch. 24

LONG TERM DEBT 1/

Description	Issue Date	Maturity Date	Principal Amount	Net Proceeds	Outstanding Per Balance Sheet	Yield to Maturity	Annual Net Cost Inc. Prem./Disc.	Total Cost %
First Mortgage Bonds								
8.25% Series, Due 2007	12/05/91	02/01/07	55,000,000	54,550,100	364,972	8.260%	30,167	8.27%
8.95% Series, Due 2022	12/05/91	02/01/22	50,000,000	49,536,500	1,437,602	8.957%	129,979	9.04%
7.00% Series, Due 2005	03/01/93	03/01/05	50,000,000	49,375,000	5,375,295	7.075%	383,032	7.13%
7.30% Series, Due 2006	11/27/01	12/01/06	150,000,000	148,670,240	149,333,958	7.426%	11,289,243	7.56%
Total First Mortgage Bonds			$305,000,000	$302,131,840	$156,511,827		$11,832,421	7.56%
Pollution Control Bonds								
6-1/8% Series, Due 2023	06/30/93	05/01/23	$90,205,000	$88,199,743	$88,838,289	5.841%	$5,620,635	6.33%
5.90% Series, Due 2023	12/30/93	12/01/23	80,000,000	79,040,800	79,326,387	6.428%	4,834,215	6.09%
Total Pollution Control Bonds			$170,205,000	$167,240,543	$168,164,676		$10,454,850	6.22%
Other Long Term Debt								
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%
Medium Term Notes-Secured Series	Various	Various	128,000,000	126,807,269	13,000,000		968,984	7.45%
Medium Term Notes-Unsecured Series B	Various	Various	115,000,000	113,851,197	39,839,427		3,068,358	7.70%
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	$117,839,427		$9,791,883	8.31%
TOTAL LONG TERM DEBT			$783,205,000	$772,598,234	$442,515,930		$32,079,154	7.25%

1/ Total Long-Term Debt does not include amounts due within 1 year - $15,000,000 at December 31, 2002.

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.

SCHEDULE 25

PREFERRED STOCK

	Series	Issue Date Mo./Yr.	Shares Issued	Par Value	Call Price	Net Proceeds	Cost of Money	Principal Outstanding	Annual Cost	Embed. Cost %
1										
2										
3										
4										
5										
6										
7	NOT APPLICABLE									
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	TOTAL									

Sch. 26

COMMON STOCK

	Avg. Number of Shares Outstanding 1/	Book Value Per Share 2/	Earnings Per Share	Dividends Per Share (Declared)	Retention Ratio	Market Price High	Market Price Low	Price/ Earnings Ratio
January	27,396,762	$14.79				$22.14	$20.38	
February	27,396,762	36.12				22.05	20.35	
March	27,396,762	12.51	($1.91)			23.64	21.45	
April	27,396,762	12.49				22.30	18.46	
May	27,396,762	12.16				21.10	15.65	
June	27,396,762	11.41	(0.79)			17.80	14.20	
July	27,396,762	11.38				16.90	8.40	
August	27,396,762	11.17				16.48	9.97	
September	27,396,762	8.76	(2.30)			13.95	9.35	
October	37,396,762	8.86				9.79	6.15	
November	37,396,762	9.59				8.92	7.24	
December	37,396,762	12.25	(20.64)			7.95	4.30	
TOTAL Year End	29,896,762	$12.25	($25.64)	$0.00	100.00%	$5.08	$4.30	(0.2)

1/ Monthly shares are actual shares outstanding at month-end. Total year-end shares are average shares for 2002.

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

Sch. 27

MONTANA EARNED RATE OF RETURN - GAS

Description		This Year	Last Year	% Change
Rate Base				
101	Plant in Service	$400,622,418	$394,421,856	1.57%
108	Accumulated Depreciation	(146,762,046)	(141,464,868)	-3.74%
Net Plant in Service		$253,860,372	$252,956,988	0.36%
	Additions:			
154, 156	Materials & Supplies	$3,184,918	$3,753,108	-15.14%
165	Prepayments	0	0	0.00%
	Other Additions	45,906,878	47,765,921	-3.89%
Total Additions		$49,091,796	$51,519,029	-4.71%
	Deductions:			
190	Accumulated Deferred Income Taxes 1/	$46,115,235	$42,853,585	7.61%
252	Customer Advances for Construction	4,205,672	3,963,639	6.11%
255	Accumulated Def. Investment Tax Credits	0	0	0.00%
	Other Deductions	32,758,433	26,392,039	24.12%
Total Deductions		$83,079,340	$73,209,263	13.48%
Total Rate Base		$219,872,828	$231,266,754	-4.93%
Net Earnings		$25,961,851	$8,244,875	214.88%
Rate of Return on Average Rate Base		11.808%	3.565%	231.20%
Rate of Return on Average Equity 2/		13.632%	-4.449%	406.41%
Major Normalizing and Commission Ratemaking Adjustments				
	Rate Schedule Revenues	($1,478,815)	$1,699,621	-187.01%
	Regulatory Asset Adjustments	0	(3,034,076)	0.00%
	Gain sharing on sale of Oil & Gas	-	23,750,872	-100.00%
	Non-Allowables:			
	Advertising	145,210	195,785	-25.83%
	Benefit Restoration Plan	396,977	461,374	-13.96%
	Dues, Contributions, Other	4,224	5,370	-21.34%
	Divestiture Related Expense	67,631	0	-100.00%
	Associated Income Taxes	340,612	(9,090,220)	103.75%
Total Adjustments		($524,161)	$13,988,726	-103.75%
Revised Net Earnings		$25,437,690	$22,233,601	14.41%
Adjusted Rate of Return on Average Rate Base		11.569%	9.614%	20.34%
Adjusted Rate of Return on Average Equity 2/		13.173%	11.943%	10.30%

1/ Includes adjustments related to FAS 109.

2/ Return on Equity calculated using the capital structure approved in Docket D2000.8.113.

Schedule calculated on a regulated basis only and does not include any Purchase Accounting adjustments.

Sch. 27 cont.

MONTANA EARNED RATE OF RETURN - GAS

Line	Description	This Year	Last Year	% Change
1				
2	**Detail - Other Additions**			
3	FAS 109 Regulatory Asset	$9,652,763	$10,746,874	-10.18%
4	Gas Stored Underground	33,393,972	33,652,078	-0.77%
5	Cost of Refinancing Debt	719,217	1,476,903	-51.30%
6	1995 and 1996 Severance Plans	0	144,736	0.00%
7	1997 and 1998 Severance Plans	41,884	41,884	0.00%
8	1999 Severance Plan	59,151	59,151	0.00%
9	Division Centralization	0	16,721	#DIV/0!
10	ORCOM Development Costs	298,706	298,706	0.00%
11	SAP Development Costs	1,741,185	1,328,868	23.68%
12				
13				
14	**Total Other Additions**	$45,906,878	$47,765,921	-3.89%
15				
16	**Detail - Other Deductions**			
17	Personal Injury and Property Damage	($1,227,107)	$1,005,101	-222.09%
18	Storage Gas Sales 2000 & 2001	9,495,874	2,957,062	100.00%
19	Gross Cash Requirements	6,043,980	3,928,429	53.85%
20	Met Life Refund	68,106	68,106	100.00%
21	Bond Refinancing CTC - GP	4,298,064	4,327,819	-0.69%
22	Bond Refinancing CTC - RA	13,689,232	13,776,242	-0.63%
23	USBC Gas	144,233	83,229	100.00%
24	Deferred Storage Gas Sales	246,051	246,051	0.00%
25	**Total Other Deductions**	$32,758,433	$26,392,039	24.12%

Sch. 28	MONTANA COMPOSITE STATISTICS - NATURAL GAS (INCLUDES CMP)		
	Description		Amount
1			
2		**Plant (Intrastate Only)**	
3			
4	101	Plant in Service (Includes Allocation from Common)	404,955,377
5	105	Plant Held for Future Use	8,984
6	107	Construction Work in Progress	3,483,979
7	117	Gas in Underground Storage	40,347,982
8	151-163	Materials & Supplies	1,552,927
9		(Less):	
10	108, 111	Depreciation & Amortization Reserves	$148,476,538
11	252	Contributions in Aid of Construction	4,427,181
12	**NET BOOK COSTS**		297,445,531
13			
14		**Revenues & Expenses**	
15			
16	400	Operating Revenues	118,316,794
17			
18	**Total Operating Revenues**		118,316,794
19			
20	401-402	Other Operating Expenses	60,109,666
21	403-407	Depreciation & Amortization Expenses	10,887,397
22	408.1	Taxes Other than Income Taxes	14,651,142
23	409-411	Federal & State Income Taxes	6,706,739
24			
25	**Total Operating Expenses**		92,354,943
26	**Net Operating Income**		25,961,851
27			
28	415-421.1	Other Income	1,309,646
29	421.2-426.5	Other Deductions	591,132
30	**NET INCOME BEFORE INTEREST EXPENSE**		$26,680,365
31			
32		**Average Customers (Intrastate Only)**	
33		Residential	137,410
34		Commercial	19,651
35		Industrial	155
36		Other	86
37	**TOTAL AVERAGE NUMBER OF CUSTOMERS**		157,302
38			
39		**Other Statistics (Intrastate Only)**	
40		Average Annual Residential Use (Dkt)	96.7
41		Average Annual Residential Cost per (Dkt)	$5.03
42		Average Residential Monthly Bill	$40.53
43			
44		Plant in Service (Gross) per Customer	$2,574

Sch. 29	Montana Customer Information- Natural Gas, 1/					
	City	Population Census 2000	Residential	Commercial	Industrial & Other	Total
1	Absarokee	1,234	456	79		536
2	Amsterdam	727				-
3	Anaconda	9,417	3,352	330	7	3,689
4	Augusta	284	192	44	1	238
5	Barber		3			3
6	Belfry	219	5			5
7	Belgrade	5,728	3,415	439	4	3,858
8	Big Mountain		114	25		139
9	Big Sandy	703	301	75		375
10	Big Sky	1,221	1			1
11	Big Timber	1,650	875	182		1,058
12	Bigfork	1,421	815	142		957
13	Billings	89,847	9	5	3	17
14	Bonner	1,693	79	4		83
15	Boulder	1,300	474	80	1	555
16	Bozeman	27,509	14,514	2,189	21	16,725
17	Browning	3,877	1,073	162	2	1,237
18	Buffalo		5			5
19	Butte	33,892	12,607	1,378	23	14,008
20	Cardwell	40	17	5		22
21	Carter	62	30	10		39
22	Chester	871	375	126	1	501
23	Chinook	1,386	730	148		877
24	Choteau	1,802	845	177	4	1,026
25	Churchill		10	3		13
26	Clancy	1,406	1,181	81	2	1,264
27	Clinton		363	18		380
28	Columbia Falls	3,645	2,832	318	7	3,157
29	Columbus	1,748	997	155	4	1,157
30	Conrad	2,753	1,146	220	2	1,368
31	Coram	337	110	19		130
32	Corvallis	443	839	86		925
33	Cut Bank	3,105	45	16	5	67
34	Deer Lodge	3,421	1,586	208	6	1,800
35	Dillon	3,752	1,950	346	5	2,301
36	Drummond	318	204	65		269
37	East Glacier	396	122	45	1	168
38	East Helena	1,642	1,798	109	2	1,908
39	Elliston	225	94	13		107
40	Essex		61	14		75
41	Fairfield	659	401	86	1	489
42	Florence	901	987	70		1,057
43	Floweree		46	8		54
44	Fort Belknap	1,262	27	13		40
45	Fort Benton	1,594	622	152	1	775
46	Fort Harrison			57	1	58
47	Fort Shaw	274	107	13		120
48	Galata		3			3
49	Gallatin Gateway		153	29		182
50	Garneill		9	1		10
51	Garrison	112	24	4		28
52	Gildford	185	78	31		109

Sch. 29	Montana Customer Information- Natural Gas, 1/					
	City	Population Census 2000	Residential	Commercial	Industrial & Other	Total
1	Gransdale		21	2		23
2	Great Falls	56,690	947	49	2	998
3	Greycliff	56	46	5		51
4	Hall		58	14		72
5	Hamilton	3,705	3,397	597	5	3,999
6	Harlem	848	663	117	1	781
7	Harlowtown	1,062	536	97	3	636
8	Havre	9,621	4,553	631	7	5,191
9	Helena	45,819	15,020	2,171	31	17,221
10	Hingham	157	85	28		113
11	Hungry Horse	934	257	35		292
12	Inverness	103	39	14		53
13	Jefferson City	295	117	12	2	131
14	Joplin	210	98	28		126
15	Judith Gap	164	67	15		82
16	Kalispell	14,223	9,467	1,734	15	11,216
17	Kremlin	126	49	16		65
18	Laurel	6,255	10		2	12
19	Ledger		6	1		7
20	Lewistown	6,178	2,861	468	6	3,335
21	Livingston	7,348	3,693	527	7	4,227
22	Logan		2			2
23	Lohman		2	1		3
24	Lolo	3,388	1,344	83		1,427
25	Loma	92	40	20		60
26	Manhattan	1,396	1,088	134		1,223
27	Martin City	331	115	15		130
28	Milltown		76	8		84
29	Missoula	57,053	25,873	3,336	33	29,242
30	Moore	186	2	1		3
31	Philipsburg	914	422	70		492
32	Ramsay		37	7		44
33	Red Lodge	2,177	1,541	259	1	1,801
34	Reedpoint	185	100	16		116
35	Roberts		147	21		168
36	Rocker		10	3		13
37	Rudyard	275	135	31	1	167
38	Shawmut		24	4		28
39	Shelby	3,216	9	2	2	13
40	Sheridan	659	377	62		439
41	Silver Star		22	5		26
42	Silver Bow		4	2		6
43	Simms	373	157	16		173
44	Somers	556	233	21		254
45	Springdale		2			2
46	Stevensville	1,553	1,364	219	1	1,584
47	Sun River	131	110	21		130
48	Three Forks	1,728	752	119	7	878
49	Townsend	1,867	1			1
50	Trident		2			2
51	Turah		81			81
52	Twin Bridges	400	213	52		265

Sch. 29	Montana Customer Information- Natural Gas, 1/					
	City	Population Census 2000	Residential	Commercial	Industrial & Other	Total
1	Valier	498	303	71	1	375
2	Vaughn	701	331	24		355
3	Victor	859	444	66		510
4	Warm Springs				1	1
5	West Glacier		106	39		145
6	Whitefish	5,032	3,059	433	6	3,499
7	Whitehall	1,044	668	114	3	785
8	Whitlash		2			2
9	Willow Creek	209	95	11		106
10	Williamsburg		1			1
11	Wolf Creek		50	27		77
12	**Total**	451,678	137,410	19,651	241	157,302

1/ Customer populations represent an average of the 12 month period from 01/01/02 through 12/31/02.

Sch. 30	MONTANA EMPLOYEE COUNTS			
	Department	Year Beginning 1/	Year End 1/	Average
1				
2	**Utility Operations**			
3	Executive - 2/	3	2	3
4	Financial, Risk Mgmt. & Information Services - 2/	98	94	96
5	Human Resources & Administration - 2/	38	36	37
6	Utility Services & Division Administration	665	699	682
7	Business Development & Regulatory Affairs	14	25	20
8	Transmission	188	192	190
9	Legal - 2/	8	5	7
10				
11				
12				
13				
14				
15				
16				
17	**TOTAL EMPLOYEES**	1,014	1,053	1,034
18				
19	1/ Part time employees have been converted to full time equivalents.			
20				
21	2/ The total number of employees is for Northwestern Energy Montana only.			
22				
23				
24				

Sch. 31	MONTANA CONSTRUCTION BUDGET (ASSIGNED & ALLOCATED)		
	Project Description	Total Company	Total Montana
1			
2	**Electric Operations**		
3			
4	Rainbow-Canyon Ferry 100kv	$2,000,000	$2,000,000
5	Bozeman Westside Substation	1,900,000	1,900,000
6			
7			
8			
9	All Other Projects < $1 Million Each	35,005,308	35,005,308
10			
11	**Total Electric Utility Construction Budget**	38,905,308	38,905,308
12			
13	**Natural Gas Operations**		
14			
15			-
16			-
17			
18	All Other Projects < $1 Million Each	8,749,324	8,749,324
19			
20	**Total Natural Gas Utility Construction Budget**	8,749,324	8,749,324
21			
22	**Common**		
23			
24	All Other Projects < $1 Million Each	2,943,159	2,943,159
25	(Includes IS, Communications, Facillities, Cust Serv)		
26			
27			
28	**Total Common Utility Construction Budget**	2,943,159	2,943,159
29			
30	**Colstrip Unit 4**	2,410,192	2,410,192
31			
32			
33			
34			
35			
36	**Total Colstrip Unit 4 Construction Budget**	2,410,192	2,410,192
37	TOTAL CONSTRUCTION BUDGET	$53,007,983	$53,007,983

Sch. 32	TRANSMISSION, DISTRIBUTION and STORAGE SYSTEMS -NATURAL GAS						
	Transmission System-Sales and Transportation						
		Peak Day of Month		Peak Day Volume (MMBTU's)		Monthly Volumes (MMBTU's)	
	Month	Total Company	Montana	Total Company	Montana	Total Company, 2/	Montana, 3/
1	January					4,973,491	4,110,538
2	February					4,255,008	3,976,984
3	March					5,024,034	3,450,187
4	April		NOT AVAILABLE			3,212,733	3,369,355
5	May					2,624,277	2,825,938
6	June					2,048,291	2,945,076
7	July					1,600,004	3,125,054
8	August					1,984,674	2,596,780
9	September					2,567,757	2,917,725
10	October					4,420,249	3,188,327
11	November					5,088,025	3,685,907
12	December					6,050,638	3,560,930
13	TOTAL					43,849,181	39,752,801
14							
15							

16	Distribution System-Sales and Transportation						
17		Sales Volumes		Transportation Volumes		Monthly Volumes (MMBTU's)	
18	Month	Total Company	Montana, 1/	Total Company	Montana, 1/	Total Company, 4/	Montana, 5/
19	January	3,044,921		391,559		3,436,480	3,044,921
20	February	2,708,504		388,660		3,097,164	2,708,504
21	March	2,901,418		246,261		3,147,679	2,901,418
22	April	2,060,412		280,067		2,340,479	2,060,412
23	May	1,440,364		200,227		1,640,591	1,440,364
24	June	861,688		153,849		1,015,537	861,688
25	July	510,169		103,969		614,138	510,169
26	August	420,266		84,148		504,414	420,266
27	September	499,235		89,659		588,894	499,235
28	October	1,004,057		109,136		1,113,193	1,004,057
29	November	2,075,640		203,626		2,279,266	2,075,640
30	December	2,529,456		227,421		2,756,877	2,529,456
31	TOTAL	20,056,130		2,478,582		22,534,712	20,056,130
32							
33							

34	Storage System-Sales and Transportation						
35		Peak Day & Peak Day Vol.		Total Monthly Volumes (MMBTU's)			
36		Total Company	Montana	Total Company 4/		Montana 5/	
37	Month	1/	1/	Injection	Withdrawal	Injection	Withdrawal
38	January			2,685	1,905,911	-	856,749
39	February			10,731	1,415,243	-	716,503
40	March			54,385	1,948,232	-	1,181,568
41	April			400,153	524,214	-	408,540
42	May			917,523	192,314	265,203	-
43	June			2,337,976	50,704	505,727	-
44	July			3,876,696	43,404	1,663,573	-
45	August			2,791,291	38,121	984,735	-
46	September			1,221,842	51,644	601,604	-
47	October			749,829	898,742	70,745	-
48	November			7,597	1,806,090	-	45,979
49	December			789	2,698,096	-	815,697
50	TOTAL			12,371,497	11,572,715	4,091,587	4,025,036

51 1/ Data is not accumulated on a daily basis, therefore the peak day and peak day volumes are not available.
52 2/ Includes intrastate and interstate deliveries.
53 3/ Includes intrastate deliveries only.
54 4/ Includes sales and transportation volumes. Losses of gas are not available.
55 5/ Includes sales volumes only. Losses of gas are not available.

Sch. 33	SOURCES OF CORE NATURAL GAS SUPPLY				
	Name of Supplier	Last Year Volumes Mcf	This Year Volumes MMBTU	Last Year Avg. Commodity Cost	This Year Avg. Commodity Cost
1					
2	Montana Purchase	6,938,189		$3.5180	
3	MP Gas	9,300,643		1.4950	
4	Stor Trans	657,964		4.9450	
5	Blaine #3	533,500		3.3550	
6	Rosza	713,998		3.5700	
7	Carway	314,402		2.8970	
8	**TOTAL CORE SUPPLY LAST YEAR**	18,458,696	0	$2.5363	
9					
10	Canadian Pipeline		201,000		$1.6555
11	Harve Pipeline		1,622,212		$3.0561
12	Pan Canadian Pipeline		9,609,274		$2.3248
13	Colorado Interstate Pipeline		1,265,490		$2.4041
14	Williston Basin Interstate Pipeline		0		$0.0000
15	Intra Montana Purchase		7,635,678		$2.5684
16	**TOTAL CORE SUPPLY THIS YEAR**		20,333,654		$2.4729
17					
18					
19					
20					

Sch. 34	MONTANA CONSERVATION & DEMAND SIDE MANAGEMENT PROGRAMS - NATURAL GAS 1/ & 2/				
	Program Description	Current Year Expenditures	Last Year Expenditures	% Change	Achieved Savings dkt
	E+ Free Weatherization 3/	$599,085	$598,324	0.13%	11,530
	E+ Audit Program - Residential	325,667	320,236	1.70%	11,985
	TOTAL	$924,752	$918,560	0.67%	23,515

1/ NorthWestern Energy program administrative costs are included here.

2/ Natural gas USB dollars also fund NorthWestern Energy's 15% Low-Income Discount. Participation in the Discount rose in 2002.

3/ Free Weatherization Program natural gas USB expenditures include gas appliance tune-up, repairs and replacement of condemned appliances, for which no conservation estimates are available.

Sch. 35		MONTANA CONSUMPTION AND REVENUES - NATURAL GAS					
		Operating Revenues 1/		Dkt Sold		Average Customers	
		Current	Previous	Current	Previous	Current	Previous
	Description	Year	Year	Year	Year	Year	Year
1	Sales of Natural Gas						
2							
3	Residential	$ 66,849,740	$ 81,501,554	13,292,960	12,476,448	137,410	134,705
4	Commercial	32,482,211	38,786,598	6,454,687	5,983,327	19,651	18,805
5	Industrial Firm	1,108,269	2,077,222	237,116	235,867	155	384
6	Public Authorities	96,983	216,710	13,399	12,865	17	17
7	Interdepartmental	270,611	301,647	57,691	49,130	51	51
8	CNG Station	7,591	13,105	0	1,468	-	-
9	Sales to Other Utilities	735,162	881,436	246,354	235,600	18	3
10	TOTAL SALES	101,550,566	123,778,272	20,302,206	18,994,704	157,302	153,965
11		Operating Revenues		Dkt Transported		Average Customers	
12		Current	Previous	Current	Previous	Current	Previous
13		Year	Year	Year	Year	Year	Year
14	Transportation of Gas						
15						2002	2001
16	Firm - DBU	$ 1,830,123	$ (1,155,454)	3,277,484	2,974,196	210	222
17	Firm - TBU	8,427,993	8,530,680	11,893,841	11,338,192	17	16
18							
19	Interruptible - DBU	14,174	21,637	337,938	222,817	8	8
20	Interruptible - TBU	1,040,382	883,726	3,909,884	3,743,161	2	2
21	Interruptible - Off System	934,107	1,235,384	6,959,129	8,003,006	13	
22							
23							
24							
25							
26							
27							
28	Storage	1,246,273	2,507,240	-	-		
29							
30	**TOTAL TRANSPORTATION**	$ 13,493,053	12,023,213	26,378,276	26,281,372	250	248
31							
32	1/ Does not included unbilled or Canadian Montana Pipeline Corporation revenues.						
33							
34							

TOP TEN CORPORATE COMPENSATED EMPLOYEES (ASSIGNED OR ALLOCATED)

Line No.	Name/Title	Base Salary 1/	Bonuses 2/	Other	Total Compensation	Total Compensation Last Year	% Increase Total Compensation	
1	Merle Lewis President and CEO of Northwestern Corporation	652,283	150,000 K>	1,573 E> 321,712 C> 8,718 D>	1,134,286	N/A	N/A	*
2	Michael J. Hanson President and CEO of Northwestern Energy division	312,459	50,000 K> 460,514 A> 125,400 B>	4,677 E> 100,000 J> 4,200 L> 355 D>	1,057,605	N/A	N/A	*
3	Richard Hylland President and Chief Operating Officer	506,995	100,000 K>	130,562 C> 7,081 D> 3,331 E>	747,968	N/A	N/A	*
4	Eric Jacobsen Senior Vice President, General Counsel and Chief Legal Officer	257,562	150,000 K>	459 D> 3,848 E> 930 F> 150,000 J> 4,200 L>	566,999	N/A	N/A	*
5	Glen Herr Vice President, Distribution Operations Montana	185,550	234,421 A> 46,200 B>	187 D> 1,770 E> 32,635 F>	500,762	N/A	N/A	*
6	Dave Monaghan Vice President, Financial Planning and Analysis	173,264	194,271 A> 44,640 B>	18,318 C> 162 D> 6,600 E> 22,961 F>	460,217	N/A	N/A	*
7	Greg Trandem Vice President, Asset Management	127,619	150,436 A> 34,375 B>	310 D> 3,896 E> 23,752 F>	340,387	N/A	N/A	*
8	Paul Wyche Vice President and Chief Communications Officer, Northwestern Corporation	173,843	7,500 K>	80,000 G> 4,200 L> 766 D> 64,981 F>	331,290	N/A	N/A	*
9	Kip Orme Vice President and Chief Financial Officer Northwestern Corporation	235,890	80,000 K>	259 D> 6,600 E> 4,200 L>	326,949	N/A	N/A	*
10	Kurt Whitesel Vice President, Controller and Treasurer Northwestern Corporation	167,309	2,000 N>	184 D> 135,482 F>	304,975	N/A	N/A	*

* - Not included as officers in 2001 due to the effective sale date of February 15, 2002.

TOP TEN CORPORATE COMPENSATED EMPLOYEES (ASSIGNED OR ALLOCATED)

Line No.	Name/Title	Base Salary 1/	Bonuses 2/	Other	Total Compensation	Total Compensation Last Year	% Increase Total Compensation

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

2/ Bonuses consist of the following:

A> NSG Bonus award.

B> North Star award.

G> Change in control payment paid to officers leaving the company.

K> NOR Pref Plan Bonus.

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

C> Phantom stock taxable

D> Imputed income.

E> Car Allowance fringe benefit.

F> Imputed Income Moving Expense.

H> Company paid physicals.

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

J> Incentive Compensation Plan which were earned under the 2001 Incentive Compensation Plan.

L> Country club dues.

M> Company paid physical exams.

N> Discretionary bonus.