

NATURAL GAS TARIFF

NorthWestern
Energy

Canceling ^{1st} Original Revised Revised

Sheet No. 2.1
Sheet No. 2.1

PRELIMINARY STATEMENT
PART A

GAS TRANSPORTATION ADJUSTMENT CLAUSE (GTAC)

APPLICABILITY: Applicable to sales to core and firm transportation customers under rate schedules subject to the jurisdiction of the Public Service Commission of Montana (Commission).

PURPOSE: The purpose of the Gas Transportation Adjustment Clause (GTAC) is to provide a mechanism by which the Utility can accurately reflect, in a timely manner, the effects of: Section 311 interruptible gas transportation and interruptible storage sales; on-system interruptible gas transportation sales; interruptible (and related firm, if applicable) transportation sales resulting from capital investments, recorded pursuant to the accounting treatment approved in Order No. 5667a; gas processing services; or on-system discounted firm transportation and firm storage services provided by the Utility.

RATES: The applicable rate schedules for core, on-system firm transportation and storage services that are subject to the jurisdiction of the Commission shall be adjusted in accordance with the following:

- A. Base Rates – The base rates are those jurisdictional base rates that are in effect at the time of the Adjustment Rates Computation of this Adjustment Clause.
- B. Adjustment Rates – The Adjustment Rates for Section 311 interruptible gas transportation and interruptible storage sales; on-system interruptible gas transportation sales; interruptible (and related firm, if applicable) transportation sales resulting from capital investments, recorded pursuant to the accounting treatment approved in Order No. 5667a; gas processing services; and on-system discounted firm transportation and firm storage services shall be included in the applicable classes' base rates and reflected as \$x.xx per Therm.
- C. Adjustment Rates Computation:
 - 1. Interruptible Gas Transportation: The monthly revenue differences between estimated and actual revenues shall be accumulated on an annual basis, as prescribed below under Accounting, and allocated to the applicable rate components of the Utility's core and firm transportation customers.
 - 2. Discounted Firm Transportation: The monthly revenue differences between actual revenues computed at maximum firm transportation rates and the revenues at discounted rates shall be accumulated on an annual basis, as prescribed below under Accounting, and allocated to the applicable rate components of the Utility's core and firm transportation customers.

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PUBLIC SERVICE COMMISSION
Aleisha Salem Secretary

PRELIMINARY STATEMENT
PART A

GAS TRANSPORTATION ADJUSTMENT CLAUSE (GTAC)

3. Interruptible and Discounted Firm Storage: The monthly revenue differences between estimated and actual Section 311 interruptible storage sales, and the monthly revenue differences between actual revenues computed at maximum firm storage rates and the revenues at discounted rates shall be accumulated on an annual basis, as prescribed below under accounting, and allocated to the applicable rate components of the utility's core and storage customers.
- A. The accumulated revenue differences shall be amortized over the succeeding period that the Adjustment Rates shall be in effect (normally 12 months).
1. For on-system discounted firm transportation service and for all interruptible gas transportation service at transmission level, the Adjustment Rates shall be computed by allocating the applicable net balances to the various classes based on the classes' proportionate share and dividing such allocated balances by the applicable billing determinants for the 12-month rate effective period.
 2. For all distribution-related transportation services, the Adjustment Rates shall be computed by allocating the applicable net balance to the appropriate classes based on the classes' proportionate share and dividing such allocated balances by the applicable billing determinants for the 12-month rate effective period.
 3. For interruptible storage service and discounted firm storage service, the adjustment rates shall be computed by allocating the applicable net balances to the various classes based on the classes' proportionate share and dividing such allocated balances by the applicable billing determinants for the 12-month rate effective periods.
- Rates developed under this Adjustment Clause shall be further adjusted as necessary to reflect any difference in what was proposed to be reflected in rates for the Record Period versus what was actually recovered in rates in the Record Period and any appropriate tax adjustment (MPSC Tax, etc.). The Adjustment Rates applicable to each rate schedule shall be set forth on that rate schedule.
- D. Adjustment Rates Effective Date -- The Adjustment Rates shall be effective for service on and after July 1 of each year or as soon thereafter as the Commission may authorize. The rate shall remain effective until subsequent Adjustment Rates become effective in accordance herewith.

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PUBLIC SERVICE COMMISSION

Barbara Effing
Secretary

PRELIMINARY STATEMENT
PART A

GAS TRANSPORTATION ADJUSTMENT CLAUSE (GTAC)

ACCOUNTING: Accounting entries shall be made on a monthly basis as follows:

- A. 1. Account No. 186.815 – Deferred Revenue: For the difference between estimated and actual Section 311 interruptible gas transportation sales; on-system interruptible gas transportation sales; and interruptible (and related firm, if applicable) transportation sales resulting from capital investments, recorded pursuant to the accounting treatment approved in Order No. 5667a, during the actual period to such Customers served by the Utility.
2. Account No. 2489.270 – In conjunction with Account 186.815 (A.1), contra entries will be made so that the balance in this account will be amortized accordingly.
- B. 1. Account No. 186.813 – Deferred Revenue: For gas processing service during the actual period provided by the Utility.
2. Account No. 2489.160 – In conjunction with Account 186.813 (B.1), contra entries will be made so that the balance in this account will be amortized accordingly.
- C. 1. Account No. 186.816 – Deferred Revenue: For the difference between on-system firm transportation sales at maximum and discounted rates during the actual period to such Customers served by the Utility.
2. Account No. 2489.165 – In conjunction with Account 186.816 (C.1), contra entries will be made so that the balance in this account will be amortized accordingly.
- D. 1. Account No. 186.817 – Deferred Revenue: For the difference between estimated and actual Section 311 interruptible storage sales, and firm storage sales at maximum and discounted rates during the actual period to such Customers served by the utility.
2. Account No. 2489.170 – In conjunction with Account 186.817 (D.1), contra entries will be made so that the balance in this account will be amortized accordingly.

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Barbara Effing
Secretary

PRELIMINARY STATEMENT
PART A

GAS TRANSPORTATION ADJUSTMENT CLAUSE (GTAC)

REPORTING AND FILING:

- A. Monthly Reporting – On a monthly basis, the Utility shall provide the Commission with a report of the Section 311 interruptible gas transportation and interruptible storage sales; on-system interruptible gas transportation sales; interruptible (and related firm, if applicable) transportation sales resulting from capital investments, recorded pursuant to the accounting treatment approved in Order No. 5667a; gas processing revenue accounting transactions; and on-system discounted firm gas transportation and firm storage services and the resulting balances.
- B. The Section 311 interruptible gas transportation and interruptible storage sales; on-system interruptible gas transportation sales; interruptible (and related firm, if applicable) transportation sales resulting from capital investments, recorded pursuant to the accounting treatment approved in order no. 5667a; gas processing services; and on-system discounted firm gas transportation and firm storage service revenues to be used hereunder for the record period are the actual data reported and available for the 12-month period July 1 to June 30 each year.
- C. Annual Filing – On an annual basis, the Utility shall submit to the Commission, a filing reflecting the Section 311 interruptible gas transportation and interruptible storage sales; on-system interruptible gas transportation sales; interruptible (and related firm, if applicable) transportation sales resulting from capital investments, recorded pursuant to the accounting treatment approved in Order No. 5667a; gas processing services; and on-system discounted firm gas transportation and firm storage sales activities of the Record Period, and the necessary calculations and rates in support of the upcoming period's rate adjustments.

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PUBLIC SERVICE COMMISSION

Barbara Effing
Secretary

PRELIMINARY STATEMENT
PART B

GAS COST AND DEFERRED ACCOUNTING ADJUSTMENT CLAUSE

APPLICABILITY: Applicable to Total Gas Costs and Total Gas Cost Revenues for all natural gas default supply utility service provided to Core Distribution Business Unit (DBU) and Firm Utility Gas Contract (FUGC) Customers whose rates are subject to the jurisdiction of the Public Service Commission of Montana.

PURPOSE: The purpose of this Adjustment Clause is to permit the Utility to reflect current Total Gas Costs in rates on a monthly basis and track these costs compared to actual Total Gas Cost Revenues. The Gas Supply Deferred Cost Account (Account 191) shall reflect the net of costs and revenues, as described below, as they are charged to Gas Supply Cost Adjustment (Account 2805). Each Accounting Period's charges and revenues shall be separately detailed in the accounts.

RATE DEVELOPMENT: The rates determined under this Adjustment Provision shall be incorporated and filed as a revision of all applicable rate schedules as follows:

- A. Monthly Gas Supply Costs: Monthly Gas Cost shall reflect the current Utility average annual cost of gas.
- B. Monthly Gas Cost Supply Rate: Supply Rates shall be based initially on the 12-month annual forecast of default supply costs divided by the 12-month forecasted load on a normalized basis. The 12-month annual forecast is the period July 1 thru June 30 of the tracking year. Subsequent monthly calculations will be based on the balance of the tracking year forecasts.
- C. Monthly Gas Cost Supply Rate Effective Date: Unless otherwise ordered by the Commission, the effective dates of the monthly gas cost adjustment shall be for service on and after the first day of each month.
- D. Current Year Deferred Account Balance: The net monthly difference between Total Gas Costs and Total Gas Cost Revenues shall be accumulated as prescribed below under Accounting Period. The deferred balance at the end of the 12-month period shall be accumulated with any prior year balance and amortized over the succeeding 12-month period. This Amortization Rate shall be determined by dividing the Accounting Period Balance in Account No.191 by the forecasted 12-month gas supply load to produce the unit rate.
- E. Prior Year Deferred Account Amortization: The deferred account balance remaining at the end of the tracker year shall be amortized over the succeeding period (normally 12 months). The Rate shall be determined by dividing the deferred account balance in Account No. 191 by the forecasted

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GAS COST AND DEFERRED ACCOUNTING ADJUSTMENT CLAUSE

- F. 12-month gas supply load to produce the unit amortization rate. The balance is designed to be amortized on an expected 12-month period. Any balance remaining at the end of the 12-month amortization period is rolled into the current year deferred balance for amortization over the next 12-month period.
- G. Gas Supply Deferred Account Annual Rate: The Deferred Supply Account Annual Rate shall be included on bills as a separate \$x.xx per Therm charge.

ACCOUNTING:

- A. Accounts Used: Account 191 - Gas Supply Deferred Costs
Account 2805.1 - Gas Supply Cost Adjustment
- B. Account Entries: Accounting entries shall be made on a monthly basis commencing on July 1 for each Accounting Period, as follows:

Current Year Deferred:

Account 191:

- Revenues: For gas sold during the Account Period, the Total Gas Cost Revenues shall be recorded by rate schedule and customer class for Utility gas supply Core DBU and FUGC customers.
- Gas Costs: Net consolidated Actual Total Gas Costs for the Montana jurisdictional gas supply sales to Core DBU and FUGC customers shall be recorded monthly.
- Balance: The net monthly difference between Total Gas Costs and Total Gas Cost Revenues shall be accumulated for each Accounting Period for disposition under this Mechanism.

Prior Year Deferred

The prior year deferred account balance is amortized monthly based on actual revenues pertaining to this account.

Account 2805:

The monthly balance determined for Account 191 shall be charged to this account.

Entries to the above accounts shall reflect proper accounting of Debits and Credits

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PRELIMINARY STATEMENT
PART B

GAS COST AND DEFERRED ACCOUNTING ADJUSTMENT CLAUSE

- C. Account Period: The Accounting Period to be used hereunder shall be the 12-month period, July 1 through June 30, of each gas tracking year.

REPORTING AND FILING:

- A. Monthly Reporting: On a monthly basis, the Utility shall provide the Commission with a report of the accounting transactions reflected in the above accounts. The Utility shall also provide revised tariff sheets reflecting the change in the current gas supply rate accompanied by detailed computations, which clearly show the derivation of the relevant amount.
- B. Annual Filing: On an annual basis, the Utility shall submit to the Commission, a filing reflecting the accounting transactions reflected in the above accounts for the 12-month Accounting Period, and the necessary calculations and rates in support of the upcoming period's Current and Deferred Rates.

SERVICE AND RATES SUBJECT TO COMMISSION JURISDICTION: All rates and service conditions under this Rate Schedule are governed by the rules and regulations of the Public Service Commission of Montana and are subject to revision as the Commission may duly authorize in the exercise of its jurisdiction.

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PUBLIC SERVICE COMMISSION
Barbara Effing
Secretary

NATURAL GAS TARIFF



Canceling

Original

Revised
Revised

Sheet No. 2.8
Sheet No. 2.8

PRELIMINARY STATEMENT
PART C

RECOVERY MECHANISM LOCAL GOVERNMENT FEES

APPLICABILITY: Applicable to all customers within the corporate limits of the municipality or other taxing unit imposing the tax, fee or rental.

PURPOSE: To provide a mechanism by which the Utility may pass through the full amount of any excise taxes, fee or rental, whether they be designated as license, right-of-way, business, franchise, or privilege taxes, fees or rentals or otherwise, levied against or imposed upon the Company by any municipality or taxing unit for the privilege of conducting its utility operations therein.

RATES: A surcharge equivalent to the charge imposed upon the Company will be added to the customers' gas service bills. The surcharge will be included in customers' monthly bills and collected in the same manner as levied against the Company (i.e. revenue, consumption etc.).

FILING: The Company will notify the Commission, by letter, of the implementation of the surcharge.

SERVICE AND RATES SUBJECT TO COMMISSION JURISDICTION: All rates and service conditions under this Rate Schedule are governed by the rules and regulations of the Public Service Commission of Montana and are subject to revision as the Commission may duly authorize in the exercise of its jurisdiction.

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Docket No. D2001.7.95 (Order 6376)
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October 28, 2002
PUBLIC SERVICE COMMISSION

Rhonda Simmons
Secretary

PRELIMINARY STATEMENT
PART D

NATURAL GAS PROCUREMENT GUIDELINES (NGPG)

GUIDELINE 1 INTRODUCTION AND APPLICABILITY

1. These tariff guidelines provide guidance to the utility regarding natural gas default supply resource planning and procurement. These tariff guidelines do not impose specific resource procurement processes and do not mandate particular resource acquisitions. These tariff guidelines provide a framework for considering resource needs, obtaining input on planned actions prior to finalization of procurement arrangements, and the recovery of prudently incurred natural gas default supply costs.
2. The utility should document its natural gas default supply portfolio planning processes, resource procurement processes, and management decision-making so that the utility can fully demonstrate to the utility's retail customers, the Commission, and other stakeholders that natural gas default supply costs have been prudently incurred.
3. These tariff guidelines provide the basis for Commission review and consideration of the prudence of the utility's natural gas default supply resource planning and procurement actions. As a result, the tariff guidelines should assist the utility in making prudent decisions and in fully recovering prudently incurred natural gas default supply costs. Successful application of the tariff guidelines requires a commitment from the Commission, the utility, and other stakeholders to honor the spirit and intent of the tariff guidelines.

GUIDELINE 2 DEFINITIONS

1. "Commission" means the Montana Public Service Commission.
2. "Default supply costs" means the actual supply costs of providing natural gas default supply service including, but not limited to, planning and administrative costs and any other costs directly related to the purchase of natural gas, management of natural gas supply costs, storage costs, hedging costs, and provision of natural gas default supply and related services including demand-side management planning, program, and administrative costs.
3. "Default supply resources" means a portfolio of wholesale natural gas transactions and acquisitions including, but not limited to, bilateral contracts, however structured, and spot market purchases of natural gas.

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PUBLIC SERVICE COMMISSION

Conrad J. Jones Secretary

PRELIMINARY STATEMENT
PART D

NATURAL GAS PROCUREMENT GUIDELINES (NGPG)

4. "Hedging" means, in part, activities entered into for the primary purpose of reducing the potential impact of price volatility on customers and includes the use of: natural gas storage and the monetization of natural gas storage; fixed-price contracts that may vary in duration; layering of fixed-price contracts; contracts for the future physical delivery of natural gas; and financial swap agreements that allow settlement reflecting the difference between agreed upon fixed-price and index price contracts. The Commission explicitly excludes all other financial and derivative hedging activities.
5. "Planning horizon" means the longer of:
 - a) the longest remaining contract term in the utility's current natural gas default supply portfolio;
 - b) the longest contract term being considered for a new resource acquisition; or
 - c) at least three years.
6. "Rate stability" means reduced price volatility, both month-to-month and year-to-year.
7. "Stakeholder" means a member of the public (e.g., retail customer, individual, corporation, organization, group) who may have a special interest or expertise in, or may be directly affected by, the acquisition of natural gas default supply resources under these tariff guidelines.
8. "Utility" means NorthWestern Energy.

GUIDELINE 3 GOALS

1. The goals of these natural gas default supply resource planning and procurement tariff guidelines are:
 - a) to provide guidance to the utility for the prudent acquisition and provision of adequate and reliable natural gas default supply service that is stably and reasonably priced over time;
 - b) to facilitate the utility's ongoing financial health;
 - c) to facilitate a process through which the utility identifies and cost effectively manages and mitigates its risks related to its obligation to provide natural gas default supply service in a retail choice environment; and
 - d) to mitigate price volatility associated with index pricing through the effective management of storage and, where justified, other hedging actions.

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NATURAL GAS PROCUREMENT GUIDELINES (NGPG)

GUIDELINE 4 OBJECTIVES

1. In order to satisfy its natural gas default supply responsibilities, the utility should pursue the following objectives in assembling and managing a natural gas default supply portfolio:
 - a) provide natural gas default supply customers adequate, reliable, and stably and reasonably priced natural gas default supply service;
 - b) provide natural gas default supply service to natural gas default supply customers over the planning horizon;
 - c) incorporate, where cost effective and appropriate, demand-side management measures;
 - d) maintain a mix of supply contracts with staggered start and expiration dates; and
 - e) maintain a mix of contracts, stored gas supply, and other hedging mechanisms that mitigate price risk.

GUIDELINE 5 RESOURCE NEEDS ASSESSMENT

1. Before seeking new resources for inclusion in the natural gas default supply portfolio, the utility should evaluate its existing natural gas default supply resource portfolio and analyze future resource needs in the context of the goals and objectives of these tariff guidelines and the planning horizon.
2. The utility's natural gas default supply portfolio resource needs assessment should include:
 - a) analyses of natural gas default supply customer loads including base load and peak demand requirements, seasonal and daily load shapes and variability, the number and type of natural gas default supply customers, load growth, trends in customer choice and retail markets, and identification of cost effective demand-side management measures;
 - b) an assessment of the types of natural gas default supply resources that could efficiently contribute to meeting portfolio goals and objectives including indexed, fixed-price, convertible, full requirements, the purchase of developed natural gas fields, and others;
 - c) an assessment of the source mix of the existing natural gas default supply portfolio with respect to contract types in the context of the goals and objectives of these tariff guidelines; and
 - d) a discussion of the experience and practices of a sample of other local distribution companies.

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PRELIMINARY STATEMENT
PART D

NATURAL GAS PROCUREMENT GUIDELINES (NGPG)

GUIDELINE 7 MODELING AND ANALYSIS

1. The utility's natural gas default supply portfolio planning and resource procurement and decision-making processes should incorporate cost effective computer modeling and analyses.
2. The modeling employed by the utility should contribute to prudent and informed judgments in the portfolio planning and resource acquisition process.

GUIDELINE 8 RISK MANAGEMENT AND MITIGATION

1. Prudent natural gas default supply resource planning and procurement practices include evaluating, managing, and mitigating risks associated with the inherent price uncertainty of natural gas supply markets and natural gas default supply load characteristics. The utility should identify and analyze sources of risk using its own techniques, market intelligence, risk management policies, and judgment. The utility should document its decisions in regard to procurement strategy and use of hedges. The utility should monitor the ongoing appropriateness of its strategy, including the use of hedges.

GUIDELINE 9 TRANSPARENCY AND DOCUMENTATION

1. The utility should document the exercise of its judgment in implementing all aspects of these tariff guidelines.
2. The utility must procure and manage a portfolio of natural gas default supply contracts to serve the full load requirements of the utility's natural gas default supply customers. To justify the prudence of the utility's resource procurement decisions the utility shall document its natural gas default supply portfolio planning, management, and procurement activities.

GUIDELINE 10 DEFAULT SUPPLY PORTFOLIO RESOURCE PLAN

1. The utility must file a biennial natural gas default supply portfolio resource plan by December 15 of each even numbered year.
2. The plan should include the information, analyses, and documentation recommended in these tariff guidelines, specifically including: the resource needs assessment; a discussion of resource

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PART DNATURAL GAS PROCUREMENT GUIDELINES (NGPG)

acquisition actions and strategies; a general discussion of storage refill strategies; a description of the modeling tools employed by the utility; and a discussion of the risk mitigation strategies and tools considered and employed by the utility, including a discussion of hedging as a risk mitigation strategy.

3. The plan shall include information from third parties regarding the projected cost of natural gas deliveries in relevant trading areas for the period covered by the plan.
4. The plan should separately identify the utility's strategy, if any, for the hedging of natural gas default supply costs, and shall include the cost of any measures that the utility believes are appropriate to accomplish the hedging of natural gas default supply costs. The plan shall include the utility's analysis and rationale for any proposed hedging strategies.
5. The Commission may provide comments regarding the plan within 60 days of the utility filing of a plan.

PRELIMINARY STATEMENT
PART E

STATE AND LOCAL TAXES AND FEES COST RECOVERY,
TRACKING AND DEFERRED ACCOUNTING MECHANISM

APPLICABILITY: Applicable to Montana state and local taxes and fees, except state income taxes, paid by the Utility, which are included in the rates subject to the jurisdiction of the Public Service Commission of Montana.

PURPOSE: The purpose of this Adjustment Clause is to provide the Utility with an annual rate adjustment to recover costs associated with changes in Montana state and local taxes and fees (except state income taxes), including the tracking and recovery of any subsequent under/over collections. The portion of Utility rates representing the taxes and fees paid by Customers shall equal the amount paid by the Utility. Any difference between the amount billed to Customers and the amount paid by the Utility shall be accumulated as a deferred balance and reflected as an adjustment to rates in the following year.

RATE DEVELOPMENT: The rates under this Adjustment Mechanism are defined and shall be adjusted in accordance with the following:

- A. Current Rates: Current rates are the applicable retail distribution and transmission rates that are in effect at the time of the Adjustment Rate Computation.
- B. Taxes and Fees Rate Component Change: The tax component is the portion of Current Rates attributable to the Montana state and local taxes and fees paid by the Utility. Montana Statutes, MCA §69-3-308, allows the Utility to adjust the Tax Component of Current Rates, on an annual basis to include the incremental change in taxes and fees estimated to be paid during the upcoming tracker year compared to the level in Current Rates, which reflect adjustments for load growth. The resulting rate adjustment can be either an increase or decrease. The current year taxes and fees paid are used as the basis for estimating the following tracker year taxes. The Tax Component shall also be adjusted for any prior period adjustments related to the resolution of taxes and fees paid under protest or any other material adjustments.
- C. Deferred Balance Rate Component Change: Current rates shall also be adjusted for any difference between the amount billed to Customers and the amount paid by the Utility during the tracker year and accumulated as a deferred balance. This over or under recovery exists because of the difference between estimated and actual tax expenses, and estimated and actual customer loads.
- D. Deferred Balance Amortization: The current year deferred balance shall be amortized at one-twelve of the deferred balance per month over the following 12-month period.
- E. Total Rate Change: The total annual rate change is the combination of the Taxes and Fees Rate Component Change and the Deferred Balance Rate Component Change:

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PRELIMINARY STATEMENT
PART E

STATE AND LOCAL TAXES AND FEES COST RECOVERY,
TRACKING AND DEFERRED ACCOUNTING MECHANISM

COST TRACKING AND DEFERRED ACCOUNTING: The Utility shall track and account for any difference between the amount billed to Customers and the amount paid by the Utility. Such difference shall be accumulated as a deferred balance according to the following, and reflected as an adjustment to rates as describe in the RATE COMPUTATION section above:

- A. Accounts Used: Account 182 – Regulatory Asset – Deferred Taxes & Fees
Account 407 – Taxes & Fees Tracker Adjustment
- B. Account Entries: Accounting entries shall be made on a monthly basis commencing on January 1 for each Accounting Period, as follows:

Account 182 Deferred Taxes and Fees Tracker: The difference between the electric distribution and transmission revenues related to the tax component and the actual state and local taxes and fees paid by the Utility.

Account 407 The contra entry will be made to taxes other than income Account 407. This account offsets the change in state and local taxes and fees paid by the Utility. An annual true up will take place in November of each year based on the actual taxes paid. The change in the deferred balance will be part of the revenues billed in the following year. The balance remaining in the deferred account will be amortized one-twelve per month in the following calendar year.

Entries to the above accounts shall reflect proper accounting of Debits and Credits.

- C. Account Period: The Accounting Period to be used hereunder shall be the 12-month period, January 1 through December 31, of each tracking year.

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PRELIMINARY STATEMENT
PART E

STATE AND LOCAL TAXES AND FEES COST RECOVERY,
TRACKING AND DEFERRED ACCOUNTING MECHANISM

REPORTING AND FILING:

- A. Annual Filing: On an annual basis, the Utility shall submit to the Commission, a filing reflecting the accounting transactions reflected in the above accounts for the 12-month Accounting Period, and the necessary calculations and rates in support of the upcoming period's rate adjustments.

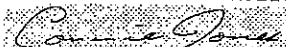
SERVICE AND RATES SUBJECT TO COMMISSION JURISDICTION: All rates and service conditions under this Rate Schedule are governed by the rules and regulations of the Public Service Commission of Montana and are subject to revision as the Commission may duly authorize in the exercise of its jurisdiction.

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PUBLIC SERVICE COMMISSION

 Secretary