TITLE: NorthWestern Energy Antitrust Policy					
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I. Statement of Policy:

It is Company policy to enforce strict compliance with and to avoid activities that may result in liability under the antitrust laws.

II. Objective:

The Company holds each and every employee strictly accountable for taking measures necessary to maintain strict compliance with this policy. Employees are required to report promptly to the legal department or a member of management any misconduct with Antitrust implications of which they become aware. Anyone who intentionally violates this policy will be subject to severe disciplinary action.

III. Scope:

This antitrust policy applies to all members of the Board of Directors and employees of the Company and all employees of any subsidiary or joint venture for which the Company has management responsibility. Any employee with questions about whether this policy applies to him/her should assume it does unless and until told otherwise by the Legal Department.

IV. Definitions:

None

V. Provisions:

I. INTRODUCTION

Antitrust laws preserve a competitive economy and free enterprise. NorthWestern Corporation (the "Company") insists upon full compliance with antitrust laws because we believe that the preservation of a free competitive economy is essential and compliance is consistent with the ideals we uphold as a responsible corporate entity and in our Code of Business Conduct and Ethics.

Broadly stated, the antitrust laws prohibit the restraint of free competition by means of collusion, coercion or abuse of economic power. Under the antitrust laws, certain conduct is unlawful "per se," meaning that it is prohibited absolutely, regardless of any claimed justification and without proof of any actual effect on competition. Other conduct is judged under the "rule of reason," which determines a restraint of trade to be "reasonable" if, overall, it enhances competition to the ultimate benefit of consumers. Due to the complexity associated with antitrust law, this policy, while comprehensive, cannot answer every question. All questions arising in the antitrust field should be referred to the Legal Department.

Many people ask how antitrust laws could apply to regulated utilities. It is true that antitrust laws do not apply to activity that a state completely regulates. In some very narrow business areas, such as our local distribution networks, our operations may still be immune from antitrust laws. However, for the Company's other operations, such as transmission, power marketing and retail sales, antitrust laws cover all those activities. As a result, you should always assume that antitrust laws apply to your activities unless the Legal Department has confirmed to you that immunity applies.

The federal government enforces antitrust laws in the United States through the Department of Justice, the Federal Trade Commission, State Attorneys General and private parties. The federal government can impose severe penalties for violations of the antitrust laws. In the recent past, numerous corporate officers and employees have been convicted as felons and sentenced to imprisonment. In addition, fines of tens or even hundreds of millions of dollars may be imposed on a corporation for a criminal offense, and very substantial fines may be imposed on any individual who participates in an offense. Finally, any private party directly injured in their business or property by an antitrust violation may recover in a civil action up to three times the amount of damages actually suffered.

This antitrust policy applies to all members of the Board of Directors and employees of the Company and all employees of any subsidiary or joint venture for which the Company has management responsibility. Any employee with questions about whether this policy applies to him/her should assume it does unless and until told otherwise by the Legal Department.

IT IS COMPANY POLICY TO ENFORCE STRICT COMPLIANCE WITH AND TO AVOID ACTIVITIES THAT MAY RESULT IN LIABILITY UNDER THE ANTITRUST LAWS. THE COMPANY HOLDS EACH AND EVERY EMPLOYEE STRICTLY ACCOUNTABLE FOR TAKING MEASURES NECESSARY TO MAINTAIN STRICT COMPLIANCE WITH THIS POLICY. EMPLOYEES ARE REQUIRED TO REPORT PROMPTLY TO THE LEGAL DEPARTMENT OR A MEMBER OF MANAGEMENT ANY MISCONDUCT WITH ANTITRUST IMPLICATIONS OF WHICH THEY BECOME AWARE. ANYONE WHO INTENTIONALLY VIOLATES THIS POLICY WILL BE SUBJECT TO SEVERE DISCIPLINARY ACTION.

II. RELATIONS WITH COMPETITORS

The most frequent antitrust violations involve relations between competitors. A fundamental principle underlying the antitrust laws is that competition functions best when each business entity makes its decisions independently. Thus, the antitrust laws prohibit agreements between competitors that could have an anti-competitive effect in the United States. For purposes of the antitrust laws, the meaning of "agreement" is broad. It extends to all forms of agreements, whether written or verbal. It even includes tacit understandings reached through a course of conduct, as well as other forms of communication. The existence of an agreement may be inferred from a minimal amount of circumstantial evidence, such as a casual discussion between employees of competitors or a few

carelessly written words. It is critical that you always keep in mind that your communications with competitors may risk misinterpretation.

The most commonly prosecuted offenses are based on agreements providing for (A) horizontal price-fixing, (B) market allocation, or (C) boycotts.

A. Horizontal Price-Fixing

"Horizontal price-fixing" is the process of competitors agreeing among themselves, directly or indirectly, about the prices they will charge. The most serious antitrust penalties are reserved for this kind of conduct, including lengthy terms of imprisonment, large monetary fines for the company involved and individuals, and large monetary damage awards in private cases. Price-fixing covers a broader range of conduct than agreements to charge a final price to customers. It includes any agreement with a competitor that affects prices, including agreements about components of price, agreements about the process by which prices are set, and agreements not to bid against someone else for business.

It is Company policy that the Company's prices must be determined independently, based on costs, market conditions and competition. There is to be no exchange of information with competitors.

B. Market Allocation

Agreement amongst competitors, without applicable governmental and regulatory oversight and approval, to allocate product markets, product lines, business opportunities, territories or customers among competitors is always unlawful, regardless of competitive effect or alleged justifications. For example, competitors may not agree upon geographic areas in which each will or will not sell, or agree on particular customers or classes of customers that each will or will not serve. Violations in this area are prosecuted vigorously and can result in personal liability.

C. Boycotts

A company, acting alone, generally has the right to select the persons with whom it will do business. However, when two or more companies agree not to do business with another, that agreement may violate the antitrust laws. The decision whether to deal with a particular company must be made independently by the Company without any agreement or understanding with a competitor.

THERE MUST NEVER BE ANY AGREEMENT, EXPRESS OR IMPLIED, WITH A COMPETITOR CONCERNING ANY SUBJECT, WITHOUT REVIEW BY THE LEGAL DEPARTMENT. THIS INCLUDES TACIT UNDERSTANDINGS AND "OFF THE RECORD" CONVERSATIONS. IT IS AGAINST COMPANY POLICY TO COMMUNICATE WITH A COMPETITOR CONCERNING PRESENT OR FUTURE PRICING, BIDS, DISCOUNTS, REBATES, PROMOTIONS, OR ANY OTHER TERMS OR CONDITIONS OF SALE. IT IS AGAINST COMPANY POLICY TO COMMUNICATE WITH A COMPETITOR CONCERNING PRODUCTION, ALLOCATING SALES ACCORDING TO CUSTOMERS, TERRITORIES OR PRODUCTS, OR BOYCOTTING CUSTOMERS OR SUPPLIERS.

D. Legitimate Communications with Competitors

Although any contact or communication with competitors may give the appearance of collusion between the Company and one of its competitors, communication with a competitor in

connection with the following activities may be permissible, provided it serves a legitimate purpose and need:

- Trade Associations and Professional Societies.
- Standardization Activities.
- Joint Activities to Influence Government Action.
- Acquisitions and Joint Ventures.
- Teaming Arrangements and Joint Research and Development.

Employees who communicate with competitors in the context of any of these activities should work with the Legal Department to ensure that business contacts and communications are limited to proper subjects and that appropriate procedures are followed to record the nature and scope of these activities.

For instance, trade association meetings and similar activities, when properly conducted, are perfectly lawful. However, such meetings pose substantial antitrust risks for the simple reason that they bring competitors together. Indeed, trade associations are viewed by antitrust authorities as providing prime opportunities for unlawful agreements between competitors. If such gatherings are followed by suspicious behavior, an inference of an agreement may arise. In such case, any discussion of prices, costs or other sensitive subjects will be scrutinized closely by government investigators or adverse private parties to determine whether the meeting participants may have reached an understanding.

When participating in association meetings, Company employees must take special care not to initiate or participate in improper discussions concerning prices, costs or other sensitive subjects. Anyone who was present during such discussions may be found guilty of a violation, even if he or she remains silent throughout. For this reason, any employee of the Company who is present when a discussion begins to stray into a dangerous area should immediately state his objection to such discussion. If the discussion continues despite the objection, the Company employee should withdraw immediately and conspicuously from the meeting (in other words, make a "noisy withdrawal"). Any inappropriate conduct or discussions at an association meeting should be immediately reported to the Legal Department.

The Legal Department should review submissions of statistics or other information to trade associations or committees of trade associations, which have not been made public previously.

III. MONOPOLIZATION

The antitrust laws encourage vigorous competition. Having a monopoly position as a consequence of a superior product, business acumen, or historic accident is not unlawful. However, United States law prohibits predatory or exclusionary conduct intended to obtain or preserve a monopoly share of a market. A "monopoly share" can be far less than 100% of a market; it may be as low as 50% of a market.

IV. RELATIONS WITH CUSTOMERS

A. Restraints on Customers

Another basis for antitrust violations is relations with customers. While, as a general rule, the Company is free to select its own customers and to impose certain restraints on those customers, the antitrust laws restrict restraints that have an anti-competitive effect in the United States.

1. Vertical Price-Fixing

Antitrust law restricts "vertical price-fixing" – agreements between a manufacturer and a distributor concerning the minimum or maximum price at which a product will be resold. While it is lawful for the Company to suggest resale prices to customers, it is against Company policy to have an agreement with a customer concerning resale prices. Further, it is against Company policy to condition our business with a customer on the customer's adherence to our pricing suggestions.

2. Non-Price Restraints

It is generally permissible to place non-price restraints on customers who sell Company products, such as restricting the customer's sales to a particular territory, or requiring the customer to carry only Company products. However, in order to impose such restrictions, two requirements must be met. First, there must be a legitimate business reason for the restriction, for example, to encourage distributors to engage in aggressive sales efforts. Second, the restriction must be the result of an independent decision of the Company; the restriction cannot be imposed as a result of an agreement with a competitor or other distributors. Never meet or communicate with two or more distributors at one time to discuss: (a) the selection, number or designation of distributors; (b) the territorial restrictions placed on distributors; (c) the pricing practices of any distributor; or (d) suggested distributor pricing policies. Such a meeting or communication may be interpreted as an agreement among a group of distributors and the Company.

3. Tying

Under certain circumstances, the antitrust laws prohibit tying the sale of one product to the sale of another, that is, allowing a customer to purchase one product (the "tying product") only if the customer purchases a second product (the "tied product"). An example of tying would be refusing to sell electricity (the tying product) to a customer unless the customer also buys natural gas (the tied product). With respect to tying, the concern of the antitrust laws is that the seller will use "leverage" from selling a very desirable product (the tying product) in order to force a less desirable product (the tied product) on the customer. Not only may the customer be disadvantaged, but competitors who sell the tied product may be harmed as well. This prohibition applies only if: (a) there are actually two separate products; and (b) the seller has a substantial market share in one of the products and, therefore, has "leverage" to force the purchase of the second product. Products which are economically impractical to sell separately, such as items normally sold in the same package, are not subject to this prohibition. It is also permissible to offer promotions in which one product is offered at a discounted price in combination with another product, as long as the Company does not use the leverage of a substantial market share in the primary product to force the customer to purchase the second product.

4. Refusals to Deal

As a general rule, the Company is free to select its own customers and suppliers, but it must do so independently. The Legal Department should be consulted before the Company refuses to sell to any customer or prospective customer other than for valid credit reasons, since refusals to sell frequently lead to antitrust litigation. Usual credit sources may be consulted in reaching an independent decision to deal with a customer or supplier.

Any agreement between the Company and its customers or suppliers to do or refrain from doing business with a competitor of those customers or suppliers at their insistence raises serious issues under the antitrust laws and should be avoided. Company employees must *never* suggest to a *competitor* that it not sell to or buy from another entity.

5. Reciprocity

It is illegal for the Company to condition its purchases from a customer on the customer making purchases from the Company. However, it is not illegal for the Company to independently decide to place purchase orders with a present or potential customer for the purpose of inducing that customer to make further purchases from the Company.

IT IS AGAINST COMPANY POLICY TO DICTATE OR CONTROL A CUSTOMER'S RESALE PRICES OR OTHERWISE RESTRICT A CUSTOMER'S RESALE ACTIVITIES WITHOUT CONSULTING THE LEGAL DEPARTMENT. IT IS AGAINST COMPANY POLICY TO REQUIRE A CUSTOMER TO PURCHASE ONE PRODUCT AS A CONDITION TO SELLING ANOTHER PRODUCT. IT IS AGAINST COMPANY POLICY TO CONDITION COMPANY PURCHASES FROM A CUSTOMER ON RECIPROCAL PURCHASES FROM THAT CUSTOMER. IT IS AGAINST COMPANY POLICY TO AGREE WITH A CUSTOMER TO REFUSE TO DEAL WITH A THIRD PARTY.

B. Customer Termination

The antitrust laws generally permit a person to decide not to do business with another person, and this generally includes the right to terminate an existing customer (including distributors, sales representatives and end users), including the right to terminate a customer for failure to pay for delivered services. However, terminated customers frequently institute lawsuits against former suppliers seeking damages for alleged antitrust violations. Even when there is little basis for the suit, it can be difficult and expensive to defend. Therefore, prior to terminating a customer, you should work with either the Supervisor of Credit and Collections or the Legal Department to be sure there is a lawful basis for the termination and to minimize the risk of suit. If you have the authority to terminate a distributor, make sure that you document the reasons for the termination.

A customer termination resulting from an agreement with a competitor or another customer generally will constitute an antitrust violation. Because agreements can be inferred from circumstantial evidence, you should avoid communications with other parties concerning our relationships with our customers. Respond to complaints about a customer by indicating that it is Company policy to decide independently whether and upon what terms to do business with each of our customers.

IT IS AGAINST COMPANY POLICY TO ALLOW ONE CUSTOMER TO INFLUENCE THE COMPANY'S DEALINGS WITH ANOTHER CUSTOMER. DO NOT TERMINATE OR REFUSE TO SELL TO AN EXISTING CUSTOMER WITHOUT CONSULTING EITHER THE SUPERVISOR OF CREDIT AND COLLECTIONS OR THE LEGAL DEPARTMENT.

C. Price Discrimination That Lessens Competition

The Robinson-Patman Act prohibits discrimination in price between different purchasers of commodities of like grade and quality sold for use, consumption or resale in the United States, where the effect of the discrimination may be to lessen competition or to tend to create a monopoly in any line of commerce. However, price differences may be permissible if the two customers do not compete with one another or if it is necessary to lower the price to one customer in order to meet competition. In establishing that a price is lowered to "meet competition," the employee responsible for setting prices should ensure that (a) the lower price "meets", and does not beat the price charged by a competitor; (b) the lower price is limited to customers to whom the competitor made the lower price available; (c) the lower price is set in good faith, that is, in an honest effort to meet competition,

based on facts known to the employees responsible for setting prices; and (d) the lower price is offered only so long as it is necessary in order to meet competition. The employee responsible for setting prices should document as fully as possible, the basis for offering the lower price.

COMPANY EMPLOYEES AND AGENTS ARE PROHIBITED FROM OFFERING A CUSTOMER PRICES OR TERMS MORE FAVORABLE THAN THOSE OFFERED TO COMPETING CUSTOMERS WITHOUT FIRST CONSULTING WITH THE LEGAL DEPARTMENT TO ENSURE THAT SUCH DISCRIMINATORY PRICING IS LEGAL.

V. COMMUNICATION

Careful language will not avoid antitrust liability when the conduct involved is illegal. But careful language can avoid the situation where perfectly lawful conduct becomes suspect because of a poor choice of words. Careless and inappropriate language in Company communications can have an extremely adverse effect on the Company's position in an antitrust investigation or lawsuit. It is not enough for the Company's public statements to be true; they cannot be misleading or readily susceptible to misinterpretation.

If the Company is investigated by a governmental agency or sued by a third party, no Company document is absolutely exempt from disclosure. To minimize the risk of damage to the Company as a result of poor communication or misinterpretation, always use common sense, think before you speak or commit something to paper.

VI. CONCLUSION

This Policy contains general guidelines for employee conduct, not an exhaustive analysis of the law. It is not possible to anticipate all of the questions that may arise under the antitrust laws, or to address the issues that may arise in each aspect of the Company's businesses. Each employee is encouraged to seek the advice of the Legal Department as the need arises.