

NORTHWESTERN ENERGY - MONTANA ELECTRIC UTILITY

STATEMENT I, DEPRECIATION  
DEPLETION & AMORTIZATION EXPENSE

<u>Functional Classification</u>	<u>2008 Book Expense</u>	<u>Claimed Adjustments</u>	<u>Total Adjusted Expense</u>
Transmission Plant	12,947,939.96	349,897.00	13,297,836.96
Distribution Plant	28,873,078.79	865,667.00	29,738,745.79
General Plant	3,916,291.99	51,032.00	3,967,323.99
Common	1,832,859.19	0.00	1,832,859.19
<u>Total Depreciation</u>	<u>47,570,169.93</u>	<u>1,266,596.00</u>	<u>48,836,765.93</u>
Intangible plant	249,340.04	0.00	249,340.04
Transmission Plant	293,956.35	0.00	293,956.35
Distribution Plant	44,399.10	0.00	44,399.10
General Plant	0.00	0.00	0.00
Common	2,503,157.54	0.00	2,503,157.54
<u>Total Amortization</u>	<u>3,090,853.03</u>	<u>0.00</u>	<u>3,090,853.03</u>
<u>Grand Total</u>	<u>50,661,022.96</u>	<u>1,266,596.00</u>	<u>51,927,618.96</u>

Claimed Adjustments:

1 Depr Expense on \$38M Stipulation	865,667.00
2 500kV Depreciation Expense	400,929.00
	<u>1,266,596.00</u>

NorthWestern Energy - Docket D2007.7.82 Stipulation Agreement -- Rate Base Reduction associated with \$ 38,800,000 of 2008 & 2009 Plant Expenditures

Year	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
Annual Expenditure																
2008	\$ 19,400,000															
2009		\$ 19,400,000														
2010			0													
Total	\$ 38,800,000	\$ 38,800,000	\$ 3,230,100	\$ 4,522,140	\$ 5,814,180	\$ 7,106,220	\$ 8,398,260	\$ 9,690,300	\$ 10,982,340	\$ 12,274,380	\$ 13,566,420	\$ 14,858,460	\$ 16,150,500	\$ 17,442,540	\$ 18,734,580	

Year	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
Accumulated Depreciation Reserve Based on NorthWestern's Montana Depreciation practice of accruing a full year of depreciation expense following the year placed into service.																
Electric (2/3's)	432,833	1,238,500	2,164,167	3,029,834	3,895,501	4,761,167	5,626,834	6,492,501	7,358,168	8,223,835	9,089,501	9,955,168	10,820,835	11,686,502	12,552,169	
Gas (1/3)	213,187	639,560	1,065,833	1,492,306	1,918,679	2,345,053	2,771,426	3,197,799	3,624,172	4,050,545	4,476,919	4,903,292	5,329,665	5,756,038	6,182,411	
Net Rate Base	25,996,000	24,697,500	23,831,833	22,966,166	22,100,489	21,234,833	20,369,166	19,503,499	18,637,832	17,772,165	16,906,499	16,040,832	15,175,165	14,309,498	13,443,831	
Electric	12,804,000	12,164,440	11,738,067	11,311,694	10,885,321	10,458,947	10,032,574	9,606,201	9,179,828	8,753,455	8,327,081	7,900,708	7,474,335	7,047,962	6,621,589	
Gas	38,800,000	38,153,980	36,851,840	35,569,900	34,277,860	32,985,820	31,693,780	30,401,740	29,109,700	27,817,660	26,525,620	25,233,580	23,941,540	22,649,500	21,357,460	20,065,420

Depreciation Expense based upon a 30 year straight life = 3.33% annual depreciation accrual rate.

Electric portion assigned 2/3's and Natural Gas portion assigned 1/3 per Stipulation

In the 2009 Rate Filing based upon a 2008 Test Period, the total Rate Base reduction is \$ 38,800,000 per the Stipulation Agreement - Appendix A.

In the 2009 Rate Filing based upon a 2008 Test Period, the depreciation expense associated with the \$38M is to be included in the cost of service per the Stipulation Agreement - Appendix A.

Plant Base	\$ 38,800,000
Annual Accrual Rate	3.33%
Total Expense	\$ 1,292,040
Electric Depreciation Expense	\$ 865,667
Gas Depreciation Expense	\$ 426,373



NORTHWESTERN ENERGY - MONTANA COLSTRIP 4 500 KV PLANT

	Plant Balance 12/31/2008	Depr Reserve 12/31/2008	OC-D 12/31/2008	2008 Book Accrual
EC350.1 LAND	54.20	0.00	54.20	0.00
EC350.2 LAND RIGHTS	306,432.82	154,837.56	151,595.26	5,454.50
EC352 STRUCTURES	5,945.30	1,039.42	4,905.88	87.60
EC353 SUBSTATION EQUIPMENT	4,885,191.25	1,613,420.98	3,271,770.27	99,640.79
EC354.1 TOWERS	4,681,528.62	2,772,682.21	1,908,846.41	124,787.29
EC354.2 CLEARING LAND	256,585.99	129,111.83	127,474.16	5,747.52
EC355.1 POLES	33,207.62	29,793.33	3,414.29	1,683.62
EC356 CONDUCTOR	5,597,287.22	2,700,460.09	2,896,827.13	111,386.01
EC356.1 SWITCHING STATION EQUIP	27,051.73	13,054.40	13,997.33	557.26
EC359 ROADS & TRAILS	41,835.14	13,014.87	28,820.27	552.23
TOTAL TRANSMISSION	15,835,119.89	7,427,414.69	8,407,705.20	349,896.82 ✓
EC389.6 LAND - COMMUNICATION	80,631.26	-185.32	80,816.58	0.00
EC390.6 STRUCTURES-COMMUNICATION	115,169.32	59,029.80	56,139.52	2,608.22
EC397.1 MICROWAVE EQUIPMENT	482,090.02	516,982.49	-54,892.47	36,001.83
EC397.2 OTHER COMMUNICATION	176,206.05	182,175.51	-5,969.46	12,422.50
TOTAL GENERAL	834,096.65	758,002.48	76,094.17	51,032.55 ✓
TOTAL TRANSFERRED PLANT	16,669,216.54	8,185,417.17	8,483,799.37	400,929.37

MONTANA COLSTRIP 4 500 KV PLANT

	13 Month AVG Plant Balance @ 12/31/2008	13 Month AVG Depr Reserve @ 12/31/2008	13 Month AVG OC-D @ 12/31/2008
TRANSMISSION PLANT	15,787,537.72	7,252,459.42	8,535,078.30
GENERAL PLANT	832,745.37	732,426.40	100,318.97
TOTAL	16,620,283.09	7,984,885.82	8,635,397.27

NORTHWESTERN ENERGY - MONTANA ELECTRIC 2008 ACCRUAL CALCULATION

	Plant Balance 12/31/2007	Depr Reserve 12/31/2007	OC-D 12/31/2007	Accrual %	Estimated 2008 Accrual	Actual SAP 2008 Accrual
E301 ORGANIZATION	19,994.85	0.00	19,994.85	0.0000	0	0.00
E302 FRANCHISES & CONSENTS	2,003.88	0.00	2,003.88	0.0000	0	0.00
E303.1 COMPUTER SOFTWARE 5 YRS	1,101,696.74	159,194.57	942,502.17	0.2000	220,339	220,339.35
E303.3 BPA - RATTLESNAKE LINE	868,284.23	376,719.52	491,564.71	0.0334	29,001	29,000.69
TOTAL INTANGIBLE PLANT	1,991,979.70	535,914.09	1,456,065.61		249,340	249,340.04
E350.1 LAND	1,541,608.50	-2,439.45	1,544,047.95	0.0000	0	0.00
E350.2 LAND RIGHTS	16,514,393.47	7,404,638.52	9,109,754.95	0.0178	283,956	283,956.35
E352 STRUCTURES	11,319,978.49	2,568,600.34	8,751,378.15	0.0198	224,136	224,135.62
E353 SUBSTATION EQUIPMENT	137,544,495.13	23,402,132.18	114,142,362.95	0.0207	2,847,171	2,847,098.13
E354.1 TOWERS	22,420,515.14	11,483,705.72	10,936,809.42	0.0257	598,628	598,627.69
E354.2 CLEARING LAND	1,247,783.53	593,057.42	654,726.11	0.0224	27,950	28,043.13
E355 POLES	132,455,093.61	95,467,528.30	36,987,565.31	0.0507	6,715,473	6,715,473.32
E355.2 CLEARING LAND	4,423,712.90	2,554,594.61	1,869,118.29	0.0256	113,247	113,247.01
E356 CONDUCTOR	110,962,326.60	45,095,378.61	65,866,947.99	0.0199	2,208,150	2,208,150.44
E356.1 SWITCHING STATION EQUIP	7,621,173.66	1,513,814.42	6,107,359.24	0.0206	156,996	156,996.21
E357 UNDERGROUND CONDUIT	35,591.84	4,258.31	31,333.53	0.0203	723	722.51
E358 UNDERGROUND CONDUCTOR	856,499.27	784,649.65	71,849.62	0.0346	29,635	29,634.87
E359 ROADS & TRAILS	1,884,785.70	441,633.49	1,443,152.21	0.0132	24,879	25,811.03
TOTAL TRANSMISSION	448,827,957.84	191,311,552.12	257,516,405.72		13,240,944	13,241,896.31
E360.1 LAND	1,802,843.89	-20,788.37	1,823,632.26	0.0000	0	0.00
E360.2 LAND RIGHTS	2,155,297.53	1,403,156.68	752,140.85	0.0206	44,399	44,399.10
E361 STRUCTURES	5,481,256.94	1,393,297.59	4,087,959.35	0.0270	147,994	147,993.92
E362 SUBSTATION EQUIPMENT	106,780,633.00	23,925,079.56	82,855,553.44	0.0203	2,167,647	2,167,644.18
E364 POLES	137,430,020.09	104,274,001.02	33,156,019.07	0.0520	7,146,361	7,146,361.06
E365 CONDUCTOR	87,211,710.32	50,869,609.87	36,342,100.45	0.0366	3,191,949	3,191,948.56
E366 UNDERGROUND CONDUIT	49,991,319.17	11,267,450.21	38,723,868.96	0.0219	1,094,810	1,094,809.90
E367 UNDERGROUND CONDUCTOR	95,441,140.89	30,172,613.09	65,268,527.80	0.0301	2,872,778	2,872,778.33
E368 TRANSFORMERS	158,583,230.21	74,204,371.92	84,378,918.29	0.0346	5,486,982	5,486,981.83
E369.1 SERVICES-OVERHEAD	26,023,666.30	18,802,892.98	7,220,773.32	0.0394	1,025,332	1,025,332.46
E369.2 SERVICES-UNDERGROUND	54,655,840.90	28,119,810.23	26,536,030.67	0.0360	1,967,610	1,967,610.21
E370 METERS	35,499,706.09	7,989,257.03	27,510,449.06	0.0350	1,242,490	1,242,489.72
E370.2 AMR LEASE	12,632,301.39	1,800,563.73	10,831,737.66	0.0500	631,615	631,615.07
E373.1 STREET LIGHTS	26,344,714.28	14,098,738.67	12,245,975.61	0.0310	816,686	816,686.12
E373.2 YARD LIGHTS	17,805,568.52	9,740,816.89	8,064,751.63	0.0420	747,834	747,833.81
E373.3 POST TOP LIGHTS	7,483,002.62	3,900,859.34	3,582,143.28	0.0445	332,994	332,993.62
TOTAL DISTRIBUTION	825,322,312.14	381,941,730.44	443,380,581.70		28,917,481	28,917,477.89

NORTHWESTERN ENERGY - MONTANA ELECTRIC 2008 ACCRUAL CALCULATION

	Plant Balance 12/31/2007	Depr Reserve 12/31/2007	OC-D 12/31/2007	Accrual %	Estimated 2008 Accrual	Actual SAP 2008 Accrual
E389 LAND	71,580.09	-29,460.68	101,040.77	0.0000	0	0.00
E389.6 LAND - COMMUNICATION	333,606.72	-610.42	334,217.14	0.0000	0	0.00
E390.1 STRUCTURES - OFFICE	6,960,173.93	3,473,036.00	3,487,137.93	0.0234	162,868	162,892.21
E390.6 STRUCTURES - COMMUNICATION	626,106.50	290,689.95	335,416.55	0.0229	14,338	14,337.86
E391 OFFICE FURNITURE	334,951.38	194,218.67	140,732.71	0.0500	16,748	16,747.58
E391.1 DATA HANDLING EQUIPMENT	148,139.52	97,369.27	50,770.25	0.0500	7,407	7,406.95
E391.2 COMPUTER EQUIPMENT	2,671,813.46	395,751.79	2,276,061.67	0.1429	381,802	381,802.15
E392.2 Transportation -Trailers	1,560,732.21	1,306,765.31	253,966.90	0.1250	53,246	53,246.31
E392.3 Transportation - Automobiles	299,171.31	191,267.37	107,903.94	0.2000	30,064	30,063.96
E392.4 Transportation -Trucks > 13,000 lbs	15,882,824.89	10,047,238.12	5,835,586.77	0.1000	775,318	775,318.43
E392.5 Transportation -Trucks < 12,000 lbs	9,088,672.70	5,555,238.74	3,533,433.96	0.1429	594,480	591,962.24
E392.7 Transportation - ATVs & Snowmachines	558,220.96	410,933.53	147,287.43	0.1250	19,593	19,592.90
E393 STORES EQUIPMENT	425,736.75	245,165.32	180,571.43	0.0500	21,287	21,286.80
E394 TOOLS & EQUIPMENT	4,036,446.78	1,889,707.71	2,146,739.07	0.0500	201,822	201,822.48
E395 LABORATORY EQUIPMENT	3,149,124.17	1,897,799.69	1,251,324.48	0.0500	157,456	157,456.29
E396 POWER OPERATED EQUIPMENT	2,424,886.75	1,638,135.23	786,751.52	0.1250	111,482	111,482.19
E397.1 MICROWAVE EQUIPMENT	2,960,509.03	1,285,368.97	1,675,140.06	0.0781	231,216	231,215.86
E397.2 OTHER COMMUNICATION	15,652,103.46	7,534,148.59	8,117,954.87	0.0705	1,103,473	1,103,473.36
E397.3 OFFICE COMMUNICATION	383,814.64	185,957.36	197,857.28	0.0744	28,556	28,555.80
E398 MISC. EQUIPMENT	152,571.78	56,760.25	95,811.53	0.0500	7,629	7,628.62
TOTAL GENERAL	67,721,187.03	36,665,480.77	31,055,706.26		3,918,785	3,916,291.99
TOTAL MONTANA ELECTRIC PLANT	1,343,863,436.71	610,454,677.42	733,408,759.29		46,326,550	46,325,006.23

The actual annual depreciation expense is calculated and produced within the SAP Fixed Asset module.

NORTHWESTERN ENERGY - MONTANA COMMON PLANT - 2008 ACCRUAL CALCULATION

ASSET CLASS	PLANT BALANCE 12/31/2007	DEPR RESERVE 12/31/2007	OC-D 12/31/2007	ACCRUAL RATE %	Estimated 2008 Accrual	Actual SAP 2008 Accrual
C303.1 SOFTWARE 5 YEARS	8,151,309.31	3,530,584.99	4,620,724.32	.2000	1,630,262	1,630,261.81
C303.2 SOFTWARE 10 YEARS	21,057,941.79	14,556,796.81	6,501,144.98	.1000	2,105,794	2,105,794.18
C389 LAND	2,737,745.42	-157,995.71	2,895,741.13	.0000	0	0.00
C389.6 LAND - COMMUNICATION	227,741.61	-1,197.40	228,939.01	.0000	0	0.00
C390 STRUCTURES	29,402,313.96	6,560,471.50	22,841,842.46	.0226	664,492	664,492.30
C390.6 STRUCTURES - COMMUNICATION	1,963,518.36	241,693.03	1,721,825.33	.0227	44,572	44,571.87
C391 OFFICE FURNITURE	2,924,145.19	2,562,207.90	361,937.29	.0500	146,207	146,207.31
C391.1 DATA HANDLING EQUIPMENT	2,760,890.15	2,418,599.50	342,290.65	.0500	138,045	138,044.56
C391.2 COMPUTER EQUIPMENT	3,665,377.04	1,232,074.40	2,433,302.64	.1429	523,782	523,782.40
C397.1 MICROWAVE EQUIPMENT	10,330,364.28	3,594,718.89	6,735,645.39	.0776	801,636	801,636.24
C397.3 OFFICE COMMUNICATION EQUIP	3,853,110.95	4,252,160.05	-399,049.10	.0665	256,232	256,231.88
C398 MISC. EQUIPMENT	1,159,940.83	863,592.84	296,347.99	.0500	57,997	57,997.08
TOTAL	88,234,398.89	39,653,706.80	48,580,692.09		6,369,019	6,369,019.63

The actual annual depreciation expense is calculated and produced within the SAP Fixed Asset module.

NORTHWESTERN ENERGY - MONTANA COLSTRIP No. 4 DIVISION 39 - 2008 ACCRUAL CALCULATION

	Plant Balance 12/31/2007	Depr Reserve 12/31/2007	OC-D 12/31/2007	Accrual %	Estimated 2008 Accrual	Actual SAP 2008 Accrual
EC350.1 LAND	54.20	0.00	54.20	0.0000	0	0.00
EC350.2 LAND RIGHTS	306,432.82	149,383.06	157,049.76	0.0178	5,455	5,454.50
EC352 STRUCTURES	4,424.81	951.82	3,472.99	0.0198	88	87.60
EC353 SUBSTATION EQUIPMENT	4,813,583.09	1,513,780.19	3,299,802.90	0.0207	99,641	99,640.79
EC354.1 TOWERS	4,673,681.36	2,647,894.92	2,025,786.44	0.0267	124,787	124,787.29
EC354.2 CLEARING LAND	256,585.99	123,364.31	133,221.68	0.0224	5,748	5,747.52
EC355.1 POLES	33,207.62	28,109.71	5,097.91	0.0507	1,684	1,683.62
EC356 CONDUCTOR	5,597,287.22	2,589,074.08	3,008,213.14	0.0199	111,386	111,386.01
EC356.1 SWITCHING STATION EQUIP	27,051.73	12,497.14	14,554.59	0.0206	557	557.26
EC359 ROADS & TRAILS	41,835.14	12,462.64	29,372.50	0.0132	552	552.23
TOTAL TRANSMISSION	15,754,143.98	7,077,517.87	8,676,626.11		349,898	349,896.82
EC389.6 LAND - COMMUNICATION	80,631.26	-185.32	80,816.58	0.0000	0	0.00
EC390.6 STRUCTURES-COMMUNICATION	113,896.96	56,547.02	57,349.94	0.0229	2,608	2,608.22
EC397.1 MICROWAVE EQUIPMENT	460,970.54	481,267.34	-20,296.80	0.0781	36,002	36,001.83
EC397.2 OTHER COMMUNICATION	176,206.05	169,753.01	6,453.04	0.0705	12,423	12,422.50
TOTAL GENERAL	831,704.81	707,382.05	124,322.76		51,033	51,032.55
TOTAL COLSTRIP 4 DIV 39	16,585,848.79	7,784,899.92	8,800,948.87		400,931	400,929.37

The actual annual depreciation expense is calculated and produced within the SAP Fixed Asset module.

NORTHWESTERN ENERGY - MONTANA ELECTRIC UTILITY - AMORTIZATION EXPENSE

	<u>Expense Account No.</u>	<u>Amortization Period</u>	<u>MPSC Authorization</u>	<u>2008 Book Expense</u>	<u>Claimed Adjustment</u>	<u>Total Adjusted Expense</u>
1	Milwaukee Line	1-80 to 12-2009	Dck 6454 Order 4350e.	94,914		94,914
2	SAP Development Costs	5-01 to 12-2010	Dck D2000.8.113 Order 6271c.	435,296	0	435,296
3	MPSC/MCC Taxes	1-08 to 12-2010	Dck D2007.7.82 Order 6852f.	-64,411	0	-64,411
<u>Non-Rate Base Related</u>						
4	BPA Residential Exchange	1 year	Dck D2008.6.59	-1,018,953	1,018,953	0
5	Property Taxes	1 year	Dck D2008.12.143	7,354,453	-7,354,453	0
6	Compensated Absences	12-98 to 3-2012	Dck D1997.11.219	-36,376	0	-36,376
7	Pension Differential	2005 - 2012	Dck D2008.11.129 Order 6963	18,965,720	-8,999,280	9,966,440
8			Total Amortization Expense	<u>25,730,643</u>	<u>-15,334,780</u>	<u>10,395,863</u>

NORTHWESTERN ENERGY - MILWAUKEE LINE ACQUISITION ADJUSTMENT

	ACCOUNT 161.140 ACQUISITION ADJUST.	ACCOUNT 171.150 AMORT ACQUISITION ADJ.	EXPENSE ACCOUNT 531000
1	12/31/07 BALANCE	3,106,285.27	2,916,457.08
2	JANUARY 2008 ACCRUAL		7,909.53
3	1/31/08 BALANCE	3,106,285.27	2,924,366.61
4	FEBRUARY 2008 ACCRUAL		7,909.53
5	2/29/08 BALANCE	3,106,285.27	2,932,276.14
6	MARCH 2008 ACCRUAL		7,909.53
7	3/31/08 BALANCE	3,106,285.27	2,940,185.67
8	APRIL 2008 ACCRUAL		7,909.53
9	4/30/08 BALANCE	3,106,285.27	2,948,095.20
10	MAY 2008 ACCRUAL		7,909.53
11	5/31/08 BALANCE	3,106,285.27	2,956,004.73
12	JUNE 2008 ACCRUAL		7,909.53
13	6/30/08 BALANCE	3,106,285.27	2,963,914.26
14	JULY 2008 ACCRUAL		7,909.53
15	7/31/08 BALANCE	3,106,285.27	2,971,823.79
16	AUGUST 2008 ACCRUAL		7,909.53
17	8/31/08 BALANCE	3,106,285.27	2,979,733.32
18	SEPTEMBER 2008 ACCRUAL		7,909.53
19	9/30/08 BALANCE	3,106,285.27	2,987,642.85
20	OCTOBER 2008 ACCRUAL		7,909.53
21	10/31/08 BALANCE	3,106,285.27	2,995,552.38
22	NOVEMBER 2008 ACCRUAL		7,909.53
23	11/30/08 BALANCE	3,106,285.27	3,003,461.91
24	DECEMBER 2008 ACCRUAL		7,909.53
25	12/31/08 BALANCE	3,106,285.27	3,011,371.44
	TOTAL 2008 EXPENSE		94,914.36

AMOUNT BEING AMORTIZED OVER 30 YEARS:  
 ELECTRIC PLANT ACQUISITION ADJUSTMENT 3,106,285.27  
 LESS AMORTIZATION TO 12/31/78 207,084.00  
 LESS AMORTIZATION DURING 1979 51,771.00  
 NET BALANCE TO BE AMORTIZED 2,847,430.27

THE MILWAUKEE LINE ACQUISITION ADJUSTMENT & THE ASSOCIATED AMORTIZATION EXPENSE WERE ALLOWED IN RATE BASE & THE COST OF SERVICE PER MPSC ORDER 4350 E.

NORTHWESTERN ENERGY - AMORTIZATION OF THE SAP CAPITALIZED 'EXPENSE' COSTS

	ACCT. 182397* _ELECTRIC	DIRECT CREDIT TO _ACCOUNT 182397	ACCT. 182398* NATURAL GAS	DIRECT CREDIT TO _ACCOUNT 182398
1				
2	1,305,887.20	3,047,074.80	614,536.88	1,433,916.12
3	1,269,612.50	36,274.70	597,466.45	17,070.43
4	1,233,337.80	3,083,349.50	580,396.02	1,450,986.55
5	1,197,063.10	36,274.70	563,325.59	17,070.43
6	1,160,788.40	3,119,624.20	546,255.16	1,468,056.98
7	1,124,513.70	36,274.70	529,184.73	17,070.43
8	1,088,239.00	3,155,898.90	512,114.30	1,485,127.41
9	1,051,964.30	3,192,173.60	495,043.87	17,070.43
10	1,015,689.60	3,228,448.30	477,973.44	1,502,197.84
11	979,414.90	36,274.70	460,903.01	17,070.43
12	943,140.20	3,337,272.40	443,832.58	1,519,268.27
13	906,865.50	36,274.70	426,762.15	17,070.43
14	870,590.80	3,409,821.80	409,691.72	1,536,338.70
15		36,274.70		17,070.43
16		3,373,547.10		1,553,409.13
17		3,409,821.80		17,070.43
18		36,274.70		1,570,479.56
19		3,446,096.50		17,070.43
20		36,274.70		1,587,549.99
21		3,482,371.20		17,070.43
22				1,604,620.42
23				17,070.43
24				1,621,690.85
25				17,070.43
26	1,088,239.00		512,114.30	
27				
28				

ANNUAL AMORTIZATION EXPENSE  
 \$6,401,415 / 10 YEARS A/C 531070  
 ELECTRIC \$ 435,296  
 GAS \$ 204,845

SAP CAPITALIZED 'EXPENSE' COSTS ADDED TO RATE BASE  
 AND AMORTIZED OVER A 10 YEAR LIFE.  
 PER MPSC DOCKET D2000.8.113 ORDER 6271c.

THIS REGULATORY ASSET WILL BE FULLY AMORTIZED @ 12/31/2010 AND THE SAP CAPITALIZED COMPUTER SOFTWARE WILL BE FULLY AMORTIZED @ 12/31/2010

\*THIS INCLUDES A/C 182397 & 153397 182398 & 153398.

NORTHWESTERN ENERGY - MONTANA OPERATIONS - MPSC & MCC TAXES

	<u>TOTAL</u>	<u>ELECTRIC</u>	<u>GAS</u>
1 MPSC TAXES - OVER COLLECTION	-571,707	-414,177	-157,530
2 MCC TAXES - UNDER COLLECTION	332,219	220,944	111,275
3 TOTAL	<u>-239,488</u>	<u>-193,233</u>	<u>-46,255</u>
4 RATE BASE DECREASE EQUAL TO HALF		-96,617	-23,128
5 ANNUAL AMORTIZATION OVER 3 YEARS		-64,411 ✓	-15,418
6 193,233 / 3 = 64,411			
7 46,255 / 3 = 15,418			

MPSC & MCC Taxes are deducted from rate base and amortized over a 3 year period per MPSC Docket D2007.7.82 Order 6271c.

NorthWestern began to amortize these costs over a three year period beginning in January 2008 thru December 2010

Since Docket D2000.8.113, the annual tax rates associated with funding the MPSC & MCC have varied from 2001 thru 2006. The net impact results in an over-collection of MPSC taxes in the amount of \$ 571,707 and an under-collection of MCC taxes in the amount of \$ 332,219.

**NORTHWESTERN ENERGY - MONTANA ELECTRIC UTILITY**

There are no charges to other than prescribed Depreciation and Amortization expenses in the Electric Utility.