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’ electric 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.

Approved: October 28, 2002
Docket No.: D2001.7.95 (Order 6376)
Agenda No.: 01-09-18

Effective for service rendered on or after October 28, 2002
PUBLIC SERVICE COMMISSION
Rhonda Simmons Secretary
ELECTRIC TARIFF

NorthWestern Energy

PRELIMINARY STATEMENT
PART B

ELECTRIC COST AND DEFERRED ACCOUNTING PROVISION

APPLICABILITY: Applicable to Total Electric Costs and Total Electric Cost Revenues for all electricity supply utility service provided to electricity supply 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 Electric Costs in rates on a monthly basis and track these costs compared to actual Total Electric Cost Revenues. The Electric Supply Deferred Cost Account (Account 191) shall reflect the net of costs and revenues, as described below, as they are charged to Electric Supply Cost Adjustment (Account 555). Each Accounting Period's charges and revenues shall be separately detailed in the accounts.

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

A. Monthly Electricity Supply Costs: Monthly Electric Costs shall reflect the current Utility average annual cost of electricity.

B. Monthly Electricity Supply Rate: Electricity Supply Rates shall be based on most recent 12-month annual forecast of electricity supply costs divided by the most recent 12-month forecasted load on a normalized basis.

C. Monthly Electricity Supply Rate Effective Date: Unless otherwise ordered by the Commission, the effective dates of the monthly electric 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 Electric Costs and Total 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 electric 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 12-month electric 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.

(continued)
ELECTRIC TARIFF

NorthWestern Energy

PRELIMINARY STATEMENT
PART B

ELECTRIC COST AND DEFERRED ACCOUNTING PROVISION

F. Electricity Supply Deferred Account Annual Rate: The Deferred Supply Account Annual Rate shall be included on bills as a separate $x.xx per kWh charge.

ACCOUNTING:

A. Accounts Used: Account 191 - Electric Supply Deferred Costs
   Account 555 - Electric 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 electricity sold during the Account Period, the Total Electric Cost
   Revenues shall be recorded by rate schedule and customer class for Utility
   electricity supply customers.

   Electric Costs: Net consolidated Actual Total Electric Costs for the Montana jurisdictional
   electric supply sales to Electricity Supply customers shall be recorded
   monthly.

   Balance: The net monthly difference between Total Electric Costs and Total Electric
   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 555:
   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.

(continued)
ELECTRIC TARIFF

Preliminary Statement
Part B

Electric Cost and Deferred Accounting Provision

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

Approved: July 15, 2003
Docket No.: D2003.6.77
Agenda No.: None

Effective for service rendered on or after
July 15, 2003

PUBLIC SERVICE COMMISSION

Barbara Effing
Secretary
PRELIMINARY STATEMENT
PART C

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.

(continued)
PRELIMINARY STATEMENT
PART C

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.

(continued)
ELECTRIC TARIFF

PRELIMINARY STATEMENT
PART C

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.

Staff Approved: April 5, 2006

Effective for service rendered on or after
March 1, 2006

PUBLIC SERVICE COMMISSION

Secretary