

EXHIBIT A
BBI/NWE
Restructured Proposal

BBI and NorthWestern Energy offer the following restructured proposal for the Commission's consideration in its rehearing of the Joint Application:

Stand-Alone Montana Entity

BBI and NorthWestern propose that the following commitments related to the establishment of a stand-alone Montana entity be included in the order ("Order") the Commission issues approving the Acquisition.

Within six months, or as soon thereafter as practicable following the Acquisition, NorthWestern will be restructured as a holding company in a drop-down transaction in which one or more direct, wholly-owned subsidiaries will be created. This will permit the establishment of a separate, standalone Montana corporate entity (i.e., a Montana electric and gas company or "MEG") as a subsidiary of NorthWestern and subject to the jurisdiction of the Montana Public Service Commission (the "Commission") under applicable Montana law and rules and the Commission's Consent Order.

MEG would have the following characteristics:

1. Structural Characteristics:

- a. The company will be headquartered in Butte, Montana.
- b. A Montana operation – substantially all assets of MEG will be Public Utility assets (as defined by Section 69-3-101, MCA) for the purpose of providing conventional utility service.
- c. MEG's Montana utility business and operations will be subject to the jurisdiction of the Commission under Montana utility regulatory authority and the Commission's Consent Order.
- d. Debt of MEG will be comprised of that portion of existing NWE debt that is secured by Montana Public Utility assets together with any refinancing of such debt. Any refinancing or new debt (subject to appropriate provision for working capital debt, equipment leases and other normal course of business items) which term is greater than one year would require approval of the Commission.

- e. MEG will be a bankruptcy remote entity – its business and assets will be ring-fenced from all other affiliated entities of Northwestern and BBI. BBI would obtain a non-consolidation (bankruptcy remoteness) opinion from a nationally recognized law firm.
- f. The regulatory balance sheet of MEG will exclude all goodwill and all purchase price premium as well as transaction costs associated with the Acquisition and those incurred in connection with the creation of MEG.

2. Management

- a. MEG will be managed by a Montana-based management team. A highly qualified, experienced and expert Montana utility executive would be appointed CEO. The CEO will be a resident of Montana and will be based in the Butte office.
- b. The Board of Directors that is established to govern MEG will be comprised of up to 7 members. A majority of the Board will be Montana residents, including the CEO and independent Directors who shall not be affiliated with either of BBI or NorthWestern and shall otherwise qualify as independent directors under guidelines issued by Standard & Poor's (Independent Director).

3. Financial Metrics

- a. MEG will maintain a minimum tangible net worth ("MTNW") to capitalization ("Capitalization") ratio of 40% upon the closing of the acquisition ("Closing") and thereafter at each quarterly reporting date, increasing to and remaining at not less than 45% by the end of the fifth full calendar year following the Closing. MTNW is defined as stockholder's equity less intangible assets and Capitalization is equal to MTNW plus MEG total net debt (defined as total long term debt less cash on hand). NTNW will exclude all goodwill and transaction costs related to the Acquisition and to the establishment of MEG.
- b. MEG will maintain minimum liquidity at the end of each quarterly reporting date of not less than \$75 million, where liquidity is defined as cash and/or immediately available lines of credit.
- c. MEG would report the results of its liquidity and capitalization tests to the Commission at the end of each quarter ("Compliance Report"). Within 30 days following the issuance of a Compliance Report which indicated MEG failed to meet either of the liquidity or capitalization tests, MEG would file a report with the Commission detailing the

event(s) that led to such a result(s) and a plan of corrective action ("Corrective Plan").

- d. Without authorization of the Commission, MEG will not make distributions in any calendar year in excess of MEG's net earnings in respect of such year. (This is not intended to limit the obligation of MEG to make payments to NorthWestern of amounts that MEG would be required to make to third parties if MEG were a standalone entity, such as cash taxes, lease payments and appropriate G&A charges.) Taxes will be paid from MEG to Northwestern pursuant to a tax sharing agreement.
- e. MEG will use all reasonable efforts to obtain and maintain an investment grade rating on its regulated utility secured debt.

Capital, Conservation and Renewables Commitments

BBI and NorthWestern commit to make the following capital expenditures and to undertake the following actions regarding conservation and renewables. BBI and NorthWestern propose that when including these commitments in an Order the Commission issues approving the Acquisition, the Commission also state that memorializing the commitments does not act to grant BBI and NorthWestern "preapproval" for any expenditures and that the Commission will review any such expenditures or proposed expenditures under applicable law and regulations.

1. Capital Expenditures - MEG

- a. BBI will fund the necessary equity and arrange debt financing sufficient to allow MEG to make capital expenditures of not less than \$380 million in its Montana regulated utility gas and electric transmission and distribution infrastructure over the 5-year period 2008–2012. MEG will further commit to develop and implement a schedule for meeting any uncompleted recommendations under the Liberty Audit. (The capital expenditures will be subject to the authorization by the Commission.)
- b. BBI will fund the necessary equity to allow MEG to invest up to \$200 million in rate-based generation (pursuant to HB25) over the 5-year period 2008-2012, including to support renewable resource integration. In connection therewith, MEG will examine the feasibility of developing and constructing a regulating generation facility in the range of 50-150MW as soon as practicable.

2. Capital Expenditures – Other Montana

BBI will provide to NorthWestern personnel and capital resources in the amount of \$250,000 to support and expedite NorthWestern's current plan for the design, construction and operation of the Mountain States Transmission Intertie ("MSTI"), an \$800 million, 500kV electric transmission line between southwestern Montana and southeastern Idaho.

3. Renewables and Efficiency

- a. MEG will commit to meet the 15% renewable resource portfolio standard by 2012, three years earlier than required under current law.
- b. MEG will agree to conduct an updated study of the amount of energy efficiency that currently exists on the MEG system and to evaluate the steps and strategies necessary to increase/accelerate its annual electric energy efficiency programs commitment in Montana (which is currently 5 average MWs per year over 16 years). MEG will present the results of the study to its Electric Technical Advisory Committee for its consideration within 6 months of the Acquisition, or as soon as practicable thereafter, along with its recommendations for implementation.

Ratepayer Economic Benefits

BBI and NorthWestern propose that the following ratepayer economic benefit commitments be included in the Order the Commission issues approving the Acquisition.

1. A \$20 million rate credit to be delivered as a bill credit to MEG's gas and electric customers over a one-year period commencing as soon as practically possible following Closing. BBI would consider alternative benefit structures at the Commission's request.
2. An additional \$5.5 million of targeted economic benefits to Montana consumers (above the levels currently funded by NorthWestern) funded over three years commencing as soon as practically possible following Closing as follows:
 - a. A limited income energy assistance grant of \$500,000 annually.
 - b. Additional funding for community, civic and charitable giving programs of \$500,000 annually.
 - c. Additional funding for weatherization, conservation and demand side management programs of \$500,000 annually (this is a grant that is not to be recovered through the USB Charge).

- d. Up to \$1.0 million over the three year period for a “fresh look” study of new power and gas supply options for Montana, including clean coal technologies, such as gasification, liquefaction and carbon sequestration, and renewables, such as a feasibility study for compressed air energy storage (which study shall be undertaken within six months following the Acquisition).

Employee and Other Benefits

The success of MEG will depend on its employees. BBI and NorthWestern affirm that MEG is committed to maintaining good relations with its employees and their representatives. MEG will honor the existing collective bargaining agreements with the labor organizations including affirming the following clause, “In arranging with independent contractors to perform work under the jurisdiction of the Union, the Company will take into consideration and will use its best efforts to preserve the goodwill and harmonious relations now existing between the parties hereto”.

BBI will commit not to sell or transfer out outside of a Babcock & Brown managed fund its ownership interest in MEG for at least 10 years.

Reduced Acquisition Debt

BBI will reduce the level of acquisition debt financing at HoldCo from \$505 million to \$250 million. BBI’s equity investment in HoldCo will be increased by the amount of the debt reduction.