

## **NORTHWESTERN'S COMPENSATION FOR NATURAL RESOURCE DAMAGES AT THE MILLTOWN SITE**

1. Compensation for NRD. NorthWestern agreed to pay the State \$3.9 million in settlement of the natural resource damages claims against it and to transfer certain property rights at the Milltown site, subject to certain conditions. NorthWestern has already paid \$2.5 million to the State and is obligated to pay an additional \$1.4 million by August 2008.
2. NorthWestern Insurance Policy Refund. NorthWestern shall fund the \$1.4 million obligation *first* with the proceeds assigned to the State from an insurance policy premium refund, expected to be in the range of \$400,000. This refund shall occur as soon as the dam is removed.
3. Sale of Specified Lands. NorthWestern shall fund the \$1.4 million obligation *second* with any proceeds from the sale of lands it owns at the Milltown Site. NorthWestern shall identify and provide the appraised value of the lands that it proposes to sell and may sell only those lands needed to satisfy the \$1.4 million obligation. These lands may not be sold prior to dam removal. In the event any land identified for sale is made the subject of a buy-sell agreement with a third party, NorthWestern may not consummate the sale without State approval; however, if the State does not approve the sale, NorthWestern shall receive a credit against the \$1.4 million obligation in the amount of the value of the land.
4. Sale of Specified Water Rights. After NorthWestern has exhausted its efforts to sell the identified lands, NorthWestern shall fund any unpaid portion of the \$1.4 million obligation with any proceeds from the sale of water rights it owns at the Milltown Site. NorthWestern shall identify and provide the appraised value of the specific water rights it proposes to sell; however, it may sell only those water rights needed to satisfy the \$1.4 million obligation. In the event any water right identified for sale is made the subject of a buy-sell agreement with a third party, NorthWestern shall not consummate the sale without State approval; however, if the State does not approve the sale, NorthWestern shall receive a credit against the \$1.4 million obligation in the amount of the value of the water right.
5. Additional Cash Payment. In the event that NorthWestern has not paid the \$1.4 million obligation in full from the insurance policy refund and the proceeds from sales of its land and water rights by August of 2008, then NorthWestern shall pay the remaining balance of its \$1.4 million obligation to the State in cash.
6. NorthWestern's Contribution of Remaining Lands and Water Rights. In addition to the above and as a further contribution to restoration of the Milltown Site, NorthWestern shall offer all of its remaining land and water rights at the Milltown Site to the State. This offer shall be made no later than September 2008. NorthWestern shall subsequently offer to the United States and the Tribes any land or water rights that the State does not accept.
7. Alternate Option. As an alternative to the sale of NorthWestern's land and water rights at Milltown to satisfy the \$1.4 million obligation, after the dam is removed and the State receives the insurance refund, the State may exercise an option to acquire those land and water rights prior to any sales. In this event, NorthWestern shall receive full credit in the amount of the remaining balance of the \$1.4 million obligation and this obligation shall be considered to be fully satisfied.