

BEFORE THE NEBRASKA PUBLIC SERVICE COMMISSION

In the Matter of the joint) Application No. NG-0037
application of NorthWestern)
Corporation, D/B/A NorthWestern)
Energy, Sioux Falls, South)
Dakota; Babcock & Brown)
Infrastructure Limited, BBI US) APPROVED
Holdings Pty Ltd., Sydney NSW)
2000, Australia; BBI US Holdings)
II Corp. and BBI Glacier Corp.,)
San Francisco, California for)
approval of proposed change of)
control of NorthWestern)
Corporation.) Entered: October 17, 2006

APPEARANCES:

For the Applicant NorthWestern:

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For the Applicant BBI:

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For the Commission:

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BY THE COMMISSION:

On June 7, 2006, an Application was filed with the Nebraska Public Service Commission ("Commission") by NorthWestern Corporation, d/b/a NorthWestern Energy ("NorthWestern") and Babcock & Brown Infrastructure Limited ("BBIL"), BBI US Holdings Pty Ltd. ("Holdings Pty"), BBI US Holdings II Corp. ("Holdings II") and BBI Glacier Corp. ("Glacier") (collectively the "BBI Companies" and together with NorthWestern the "Applicants"), seeking approval of the proposed change of control of NorthWestern. Notice of the Application was published in *The Daily Record*, Omaha, Nebraska, on June 9, 2006. A Petition for formal intervention was timely filed by the Public Advocate. A Petition for informal intervention was timely filed by Kinder Morgan, Inc. Both petitions were granted by the Commission in an order issued in the above-captioned docket on July 18, 2006.

A hearing was held on the above-captioned Application on September 27, 2006, in the Commission Hearing Room, Lincoln, Nebraska. Appearances at the hearing are indicated above.

THE JOINT APPLICANTS

NorthWestern is a public utility incorporated in Delaware. NorthWestern provides electricity and natural gas to commercial and residential customers in Nebraska, South Dakota, and Montana. In Nebraska, NorthWestern provides natural gas to approximately 41,272 customers in four Nebraska communities. NorthWestern provides no electricity in Nebraska.

BBIL, along with Babcock & Brown Infrastructure Trust ("BBIT"), form Babcock & Brown Infrastructure ("BBI"). BBI is a utility infrastructure company based in Sydney, Australia. BBI's principal activity is owning and managing utility and infrastructure businesses worldwide, including gas transmission, distribution and transport infrastructure. BBI Companies have been conducting business in the U.S. utility industry for nearly thirty (30) years.

THE TRANSACTION

For this transaction Holdings Pty, a direct and wholly-owned Australian subsidiary of BBIL, holds the equity interests in Holdings II. Holdings II is a Delaware corporation and the wholly-owned subsidiary of Holdings Pty and holds the equity interests in Glacier and following the transaction with

NorthWestern, will hold the equity interests of NorthWestern. Glacier is therefore a Delaware corporation and a wholly-owned, indirect subsidiary of BBIL, specially formed to merge with and into NorthWestern. Glacier is a direct subsidiary of Holdings II.

On April 25, 2006, Applicants entered into an Agreement and Plan of Merger, upon execution of, BBIL will purchase all the outstanding stock of NorthWestern and Glacier will merge with and into NorthWestern. Following the merger, NorthWestern will be a wholly-owned indirect subsidiary of BBIL.

E V I D E N C E

In support of their Application, the Applicants offered the pre-filed testimony of Michael Hanson, President and Chief Executive Officer of NorthWestern and Michael M. Garland, President of Holdings II and Glacier. Mr. Hanson and William Cordiano, a director of Holdings II and Glacier and senior member of BBI, also offered testimony at the hearing on behalf of the Applicants.

On behalf of the public and the ratepayers of NorthWestern, the Public Advocate, Roger Cox, offered the pre-filed testimony of James Larson, a consultant with Dahlen, Berg Consulting, Inc. Further, Mr. Cox testified at the hearing concerning the Application in the above-captioned matter.

Mr. Hanson testified that NorthWestern emerged from bankruptcy in November of 2004 as a financially healthy utility and purely a utility company. NorthWestern's board determined that selling the ownership of the company to a long-term utility investor, such as BBI, was in the best interests of NorthWestern, its ratepayers and employees.

Upon announcement of the merger between BBI and NorthWestern, Mr. Hanson testified that NorthWestern and BBI representatives held a series of town hall meetings in each of the communities served by NorthWestern in Nebraska to inform the public of the change of control and answer any questions. Further, NorthWestern and BBI representatives also met with city administrators, city attorneys and interested public officials in Grand Island, Kearney and North Platte.

Mr. Hanson stated that very little will change in NorthWestern's day-to-day operation of the natural gas utility as a result of the BBI transaction. Mr. Hanson further testified that no acquisition premiums or transaction costs will be recovered through rates or passed on to the ratepayers. Further, the transaction is a purchase of NorthWestern stock for cash by BBI and will not result in an increase of NorthWestern's debt used to finance utility operations.

Mr. Hanson also offered testimony that there will be no change in the Nebraska workforce as a result of the transaction with BBI. The agreement between NorthWestern and BBI includes a commitment by BBI to maintain employee pay and benefits at current levels for three years.

Mr. Cordiano offered testimony on behalf of BBI and stated that BBI's focus in investing is long-term stability with reasonable rates of return for investors. Mr. Cordiano expressed that the BBI Companies believe that investing in NorthWestern represents just such a stable investment and stated that NorthWestern is a good fit with BBI. Mr. Cordiano further testified that BBI is committed to long-term utility ownership, emphasizing local management, local jobs, and local growth.

Mr. Cox, the Public Advocate, testified concerning the acquisition and merger and the findings of Mr. Larson, the consultant hired by the Public Advocate to evaluate the proposed transaction. Mr. Larson's testimony set forth a list of concerns he identified for the Public Advocate, and stated that the Applicant addressed each of the concerns satisfactorily. Mr. Cox stated that both the Public Advocate and the consultant, Mr. Larson, had no objection to the approval of the Application by the Commission and the finding by the Commission that the transaction would not adversely affect Nebraska ratepayers or the ability of the utility to serve its ratepayers.

The Applicants and the Intervenor, Kinder Morgan and the Public Advocate, entered into a Joint Stipulation prior to the September 27, 2006 hearing. In the Joint Stipulation, the Applicants recommend approval of the application and the Public Advocate and Kinder Morgan offer no objection to the Commission approving the Application. Further, all remaining issues between the parties in the above-captioned proceeding were resolved in the Joint Stipulation. The Joint Stipulation, signed by all parties, was admitted into evidence at the September 27, 2006 hearing.

O P I N I O N A N D F I N D I N G S

The State Natural Gas Regulation Act ("the Act") Neb. Rev. Stat. §§ 66-1801 et seq., requires the Commission to approve the reorganization or change of control of any jurisdictional utility serving customers in Nebraska. Specifically the Act provides,

The commission shall not approve any proposed reorganization or change of control if the commission finds, after public notice and public hearing, that the reorganization or change of control will adversely affect the utility's ability to serve its ratepayers. Neb. Rev. Stat. § 66-1828(1)(2003 Supp.).

Evidence on the following issues demonstrates that NorthWestern's ability to serve its ratepayers will not be adversely affected:

1. Management: BBI's energy sector management team is comprised of utility executives with an average of over 25 years of experience in the electric and gas transmission and distribution business.
2. Local Commitments: BBI's management strategy is to have each operating company managed locally. BBI's business approach emphasizes local management, local jobs, and local growth, and includes plans for investments in infrastructure replacement and transmission. Applicants stated that NorthWestern currently has a strong management team in Nebraska and that the transaction will not result in any changes in that workforce. BBI supports the current management's efforts to invest locally in people and infrastructure to enhance service and reliability to NorthWestern's customers.

3. Impact on Rates and Service: The Applicants stated that the focus on ensuring the transaction has no adverse affect on the cost, reliability or quality of NorthWestern's service has remained unchanged throughout the entire transaction process. Further, the transaction will not affect NorthWestern's quality of service or rates. The Applicants further commit to holding the jurisdictional customers harmless from rate increases which are the result of costs related to the merger.
4. Investment and Planned Long-Term Ownership: Applicants stated that BBI has a history of long-term investment in companies similar to NorthWestern. BBI also stated it's commitment to providing NorthWestern with additional capital to fund further investments. NorthWestern's current strategy of focusing on its core utility operations will remain the same and is fully supported by BBI. BBI views NorthWestern as a long-term investment and therefore has committed to providing the necessary capital to fund NorthWestern's sound growth opportunities.
5. Stability: The Applicants state that the proposed transaction will result in no changes to NorthWestern's quality of service, employees, name, business strategy and commitment to customers and the local communities.

Based on the evidence, the Commission finds that the transaction will not adversely affect the ability of NorthWestern to serve its ratepayers. The Application should be granted.

O R D E R

IT IS THEREFORE ORDERED by the Nebraska Public Service Commission that the Application in Docket No. NG-0037 be and is hereby, approved.

IT IS FURTHER ORDERED that the transfer of NorthWestern Corporation d/b/a NorthWestern Energy's certificates of public

convenience and necessity and other authority granted
NorthWestern under the Act be and is hereby, approved.

MADE AND ENTERED at Lincoln, Nebraska, this 17th day of
October, 2006.

NEBRASKA PUBLIC SERVICE COMMISSION

COMMISSIONERS CONCURRING:

Chairman:

ATTEST:

Executive Director