

SECURITIES AND EXCHANGE COMMISSION

FORM S-8

Initial registration statement for securities to be offered to employees pursuant to employee benefit plans

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FILER

MONTANA POWER CO /MT/

CIK: **67727** | IRS No.: **810170530** | State of Incorporation: **MT** | Fiscal Year End: **1231**
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Business Address
40 E BROADWAY
BUTTE MT 59701
4067235421

SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549

FORM S-8

REGISTRATION STATEMENT

UNDER

THE SECURITIES ACT OF 1933

THE MONTANA POWER COMPANY
(Exact name of registrant as specified in its charter)

Montana
(State or other jurisdiction
of incorporation or organization)

81-0170530
(IRS Employer
Identification No.)

40 East Broadway
Butte, Montana
(address of principal executive offices)

59701
(Zip Code)

The Montana Power Company
1998 Long-Term Incentive Plan
(full title of the plan)

R.P. GANNON, Chairman of the Board
and Chief Executive Officer

JOHN T. HOOD, ESQ.
Thelen Reid & Priest LLP
40 West 57th Street

J.P. PEDERSON, Vice President and Chief
Financial & Information Officer

New York, New York 10019
212-603-2000

The Montana Power Company
40 East Broadway
Butte, Montana 59701
406-723-5421

(Names, addresses and telephone numbers,
including area codes, of agents for service)

CALCULATION OF REGISTRATION FEE

Title of Each Class of Securities Being Registered	Amount to be Registered(1)	Proposed Maximum Offering Price Per Unit(2)	Proposed Maximum Aggregate Offering Price(2)	Amount of Registration Fee
Common Stock, without par value	2,000,000 shares	\$33.88	\$67,760,000	\$19,989.20(3)
Preferred Share Purchase Rights	2,000,000 rights (3)			

- (1) In addition, pursuant to Rule 416(a) under the Securities Act of 1933, as amended (the "Act"), this Registration Statement also covers any additional securities to be offered or issued in connection with a stock split, stock dividend or similar transaction.
- (2) Estimated solely for purposes of calculating the registration fee in accordance with Rule 457(h) under the Act.
- (3) The Preferred Share Purchase Rights (the "Rights") are appurtenant to and will trade with the Common Stock. The value attributable to the Rights, if any, is reflected in the market price of the Common Stock. Since no separate consideration is paid for the rights, the registration fee for such securities is included in the registration fee for the Common Stock.

PART II

INFORMATION REQUIRED IN THE REGISTRATION STATEMENT

Item 3. Incorporation of Certain Documents by Reference

The Company hereby incorporates herein by reference the following documents previously filed by the Company with the Securities and Exchange Commission: the Annual Report on Form 10-K405 for the year ended December 31, 1997, the Quarterly Report on Form 10-Q for the quarter ended March 31, 1998, and the Current Reports on Form 8-K dated January 27, 1998 and April 23, 1998.

All documents subsequently filed by the Company under Sections 13, 14 or 15(d) of the Securities Exchange Act of 1934, as amended, prior to the filing of a post-effective amendment

which indicates that all securities offered have been sold or which deregisters all securities then remaining unsold, shall be deemed to be incorporated by reference and to be a part hereof from the date of filing of such documents. Any statement contained in an incorporated document shall be deemed to be modified or superseded to the extent that a statement contained herein or in any subsequently filed incorporated document modifies or supersedes such statement.

Item 4. Description of Common Stock

The following is a summary of certain rights and privileges of the Common Stock of the Company. The summary does not purport to be complete. Reference is made to the Company's Restated Articles of Incorporation, Bylaws, as amended, and Rights Agreement, which are exhibits to the Registration Statement, for complete statements. The following statements are qualified in their entirety by such references.

Authorized and Outstanding Stock: The Company has 125,000,000

authorized shares, without par value, divided into 5,000,000 shares of Preferred Stock and 120,000,000 shares of Common Stock. On July 30, 1998, 580,389 shares of the Preferred Stock and 54,999,879 shares of the Common Stock were issued and outstanding. In addition, options to purchase 415,146 shares of Common Stock under the previous Long Term Incentive Plan and Key Employees Stock Ownership Plan were outstanding on that date.

The Common Stock is without par value and nonassessable. It is listed on the New York and Pacific Stock Exchanges.

Voting Rights: Each holder of the Preferred Stock or Common

Stock of the Company is entitled to vote cumulatively for the election of Directors, and otherwise to one vote for each share held. The Board of Directors has 13 members, four or five of whom are elected at each annual meeting for a term of three years. In general, the presence of a majority of the outstanding shares of the Preferred Stock and Common Stock will constitute a quorum at a meeting of shareholders; and the affirmative vote of the majority of the shares present shall be the act of the shareholders. Montana law requires (1) class voting upon such matters as a change in the number of authorized shares or in the relative rights and preferences of a class or series or the creation of a new class of stock having superior rights and preferences; and (2) the approval by two-thirds of the outstanding shares of Preferred Stock and Common Stock of a merger, consolidation or share exchange, the sale of all or substantially all of the Company's assets, or the voluntary dissolution of the Company. The Company's Restated Articles of

Incorporation, as amended, require the affirmative vote of a majority of the outstanding shares of the Common Stock (1) to redeem the Preferred Stock of the \$6 Series, the \$4.20 Series and the \$6.875 Series; and (2) the affirmative vote of a majority of the outstanding shares of Preferred Stock and Common Stock to create a new class of stock, or for shareholder amendment of the Bylaws. The Restated Articles of Incorporation, as amended, also require the affirmative vote of two thirds of the shares of the Preferred Stock voting at a meeting called for that purpose to (1) create a class of stock or to create any security convertible into a class of stock ranking prior to the Preferred Stock, or (2) to change the express terms of the Preferred Stock in a manner substantially prejudicial to the holders thereof.

-1-

Dividend Rights: Each series of the Preferred Stock is

entitled, in preference to the Common Stock, to (a) cumulative dividends at the annual rates established for that series and (b) mandatory redemption payments if provided for that series. After full provision for Preferred Stock dividends and mandatory redemption payments, if any, the Common Stock is entitled to dividends declared out of any remaining funds available therefor.

Liquidation Rights: In liquidation, the Preferred Stock is

entitled, in preference to the Common Stock, to the amount per share fixed by the Board of Directors in the resolutions providing for the issuance of each particular series plus accumulated unpaid dividends. Thereafter, the Common Stock is entitled to all remaining assets.

Preemptive Rights: Holders of the Common Stock do not have

preemptive rights.

Change of Control: The Company's Restated Articles of

Incorporation, as amended, include a fair price provision that is intended to provide protection against coercive takeover tactics deemed by the Board of Directors not to be in the best interests of all shareholders. It provides that in the event of certain business combinations, including mergers, consolidations, recapitalizations, certain sales of assets, liquidations and certain issuances of securities, involving a person or entity who is or may become the beneficial owner of 10% or more of the outstanding shares of the capital stock of the Company entitled

to vote generally in the election of Directors (the "Voting Shares"), the amount of cash or other consideration to be paid to holders of the Common Stock must be at least equal to the higher of the highest price paid by the 10% shareholder in connection with the acquisition of certain of its shares of Common Stock or the highest quoted price of the Common Stock on certain dates related to such acquisition. Similar provisions apply to the acquisition of the Preferred Stock. The fair price provision does not apply in the event that such a business combination shall have been approved by either two-thirds of certain directors who are not affiliated with the 10% shareholder (the "Continuing Directors") or the holders of 70% of the Voting Shares. In addition, unless a proposed business combination has been approved by two-thirds of the Continuing Directors, certain other requirements must be met, including the requirement that a proxy or information statement describing the proposed business combination shall be mailed to holders of outstanding Voting Shares at least 30 days prior to its consummation. The fair price provisions may not be amended or repealed except by the vote of holders of at least 70% of the Voting Shares unless the amendment or repeal is recommended by two-thirds of the Continuing Directors.

Preferred Share Purchase Rights: The holders of the Common

Stock have one Preferred Share Purchase Right (each a "Right") entitles for each share of Common Stock. Each Right, evidenced by and traded with the shares of Common Stock, entitles the shareholder to purchase one one-hundredth of a share of Participating Preferred Shares, A Series, at an exercise price of \$120.00, subject to certain adjustments. The Rights will be exercisable only if a person or group acquires 20% or more of the Company's Voting Shares or announces a tender offer, the consummation of which would result in the beneficial ownership by a person or group of 20% or more of the Company's Voting Shares.

If any person or group acquires 20% or more of the outstanding Voting Shares of the Company, each Right will entitle its holder (other than such person or members of such group) to purchase a number of shares of Common Stock or Participating Preferred Shares, A Series, having a market value of twice the Right's exercise price. If any person or group acquires between 20% and 50% of the outstanding Voting Shares of the Company, the Board of Directors of the Company may, subject to requisite regulatory approval, if any, require each outstanding Right to be exchanged for one share of Common Stock or one one-hundredth of a Participating Preferred Share, A Series (or assets in lieu thereof).

In addition, after any person or group has acquired 20% or more of the outstanding Voting Shares of the Company, the Company

may not consolidate or merge with, or sell 50% or more of its assets or earning power to, any person or group, or engage in certain "self-dealing" transactions with any person or group owning 20% or more of the outstanding Voting Shares of the Company, unless proper provision is made so that each Right would thereafter entitle its holder to purchase a number of the acquiring company's common shares having a market value at that time of twice the Right's exercise price.

-2-

The Rights may be redeemed, at a redemption price of \$.01 per Right, by the Board of Directors of the Company at any time until any person or group has acquired 20% or more of the Outstanding Voting Shares of the Company. The Rights will expire June 6, 1999.

Transfer Agents and Registrars: The Transfer Agents for the

Common Stock are The Montana Power Company and First Chicago Trust Company of New York. The Registrars are First Chicago Trust Company of New York and U.S. Bank National Association Montana N.A., Butte, Montana.

Item 5. Interests of Named Experts and Counsel

As of June 30, 1998, Mr. Zimmerman owned approximately 3,593 shares through the Company's Employee Retirement Savings Plan and 500 shares of the Company's Common Stock. Additionally, he has been granted options to purchase 7,100 shares at \$22.625 per share, the market price existing on the date of such grant, September 16, 1994; 7,100 shares at \$22.50 per share, the market price existing on the date of such grant, May 22, 1995; 5,500 shares at \$21.625 per share, the market price existing on the date of such grant, September 9, 1996; and 12,000 shares at \$36.00 per share, the market price existing on the date of such grant, April 6, 1998. Mr. Zimmerman's shares, including the underlying shares subject to options granted to him, have a current fair market value of approximately \$1,216,292.

Item 6. Indemnification of Directors and Officers

The Restated Articles of Incorporation of the Company provide for the indemnification of directors and officers to the extent and in the manner provided in Sections 35-1-451 through 35-1-457, Montana Business Corporation Act which Sections are as follows:

35-1-451. Definitions. As used in 35-1-451 through 35-1-459, the following definitions apply:

(1) "Corporation" includes any domestic or foreign predecessor entity of a corporation in a merger or other transaction in which the predecessor's existence ceased upon consummation of the transaction.

(2) (a) "Director" means an individual who is or was a director of a corporation or an individual who, while a director of a corporation, is or was serving at the corporation's request as a director, officer, partner, trustee, employee, or agent of another foreign or domestic corporation, partnership, joint venture, trust, employee benefit plan, or other enterprise. A director is considered to be serving an employee benefit plan at the corporation's request if the director's duties to the corporation include duties or services by him to the plan or to participants in or beneficiaries of the plan.

(b) Director includes, unless the context requires otherwise, the estate or personal representative of a director.

(3) "Expenses" include attorney fees.

(4) "Liability" means the obligation to pay a judgment, settlement, penalty, or fine, including an excise tax assessed with respect to an employee benefit plan, or to pay reasonable expenses incurred with respect to a proceeding.

(5) (a) "Official capacity" means:

(i) when used with respect to a director, the office of director in a corporation; or

(ii) when used with respect to an individual other than a director, as contemplated in 35-1-457, the office in a corporation held by the officer or the employment or agency relationship undertaken by the employee or agent on behalf of the corporation.

(b) Official capacity does not include service for any other foreign or domestic corporation or any partnership, joint venture, trust, employee benefit plan, or other enterprise.

(6) "Party" includes an individual who was, is, or is threatened to be made a named defendant or respondent in a

proceeding.

(7) "Proceeding" means any threatened, pending, or completed action, suit, or proceeding, whether civil, criminal, administrative or investigative and whether formal or informal.

35-1-452. Authority to indemnify.

(1) Except as provided in subsection (4), an individual made a party to a proceeding because he is or was a director may be indemnified against liability incurred in the proceeding if:

(a) he conducted himself in good faith;

(b) he reasonably believed:

(i) in the case of conduct in his official capacity with the corporation, that his conduct was in the corporation's best interests; and

(ii) in all other cases, that his conduct was at least not opposed to the corporation's best interests; and

(c) in the case of any criminal proceeding, he had no reasonable cause to believe his conduct was unlawful.

(2) A director's conduct with respect to an employee benefit plan for a purpose the director reasonably believed to be in the interests of the participants in and beneficiaries of the plan is conduct that satisfies the requirement of subsection (1) (b) (ii).

(3) The termination of a proceeding by judgment, order, settlement, conviction, or upon a plea of nolo contendere or its equivalent is not, of itself, a determination that the director did not meet the standard of conduct described in this section.

(4) A corporation may not indemnify a director under this section:

(a) in connection with a proceeding by or in the right of the corporation in which the director was adjudged liable to the corporation; or

(b) in connection with any other proceeding charging improper personal benefit to the director, whether or not involving action in the director's official capacity, in which the director was adjudged liable on the basis that personal benefit was improperly received by the director.

(5) Indemnification permitted under this section in

connection with a proceeding by or in the right of the corporation is limited to reasonable expenses incurred in connection with the proceeding.

35-1-453. Mandatory indemnification. Unless limited by its articles of incorporation, a corporation shall indemnify a director who was wholly successful, on the merits or otherwise, in the defense of any proceeding to which the director was a

-4-

party because he is or was a director of the corporation, against reasonable expenses incurred by the director in connection with the proceeding.

35-1-454. Advance for expenses.

(1) A corporation may pay for or reimburse the reasonable expenses incurred by a director who is a party to a proceeding in advance of final disposition of the proceeding if:

(a) the director furnishes the corporation a written affirmation of the director's good faith belief that the director has met the standard of conduct described in 35-1-452;

(b) the director furnishes the corporation a written undertaking, executed personally or on the director's behalf, to repay the advance if it is ultimately determined that the director did not meet the standard of conduct described in 35-1-452; and

(c) a determination is made that the facts then known to those making the determination would not preclude indemnification under 35-1-451 through 35-1-459.

(2) The undertaking required by subsection (1)(b) must be an unlimited general obligation of the director but need not be secured and may be accepted without reference to financial ability to make repayment.

(3) Determinations and authorizations of payments under this section must be made in the manner specified in 35-1-456.

35-1-455. Court-ordered indemnification. Unless a corporation's articles of incorporation provide otherwise, a director of the corporation who is a party to a proceeding may apply for indemnification to the court conducting the proceeding

or to another court of competent jurisdiction. On receipt of an application, the court, after giving any notice the court considers necessary, may order indemnification if it determines that the director:

(1) is entitled to mandatory indemnification under 35-1-453, in which case the court shall also order the corporation to pay the director's reasonable expenses incurred in obtaining court-ordered indemnification; or

(2) is fairly and reasonably entitled to indemnification in view of all the relevant circumstances, whether or not the director met the standard of conduct set forth in 35-1-452 or was adjudged liable as described in 35-1-452(4). If the director was adjudged liable as described in 35-1-452(4), the director's indemnification is limited to reasonable expenses incurred.

35-1-456. Determination and authorization of indemnification.

(1) A corporation may not indemnify a director under 35-1-452 unless authorized in the specific case after a determination has been made that indemnification of the director is permissible in the circumstances because the director has met the standard of conduct set forth in 35-1-452.

(2) The determination must be made:

(a) by the board of directors by majority vote of a quorum consisting of directors not at the time parties to the proceeding;

(b) if a quorum cannot be obtained under subsection (2)(a), by majority vote of a committee designated by the board of directors, in which designated directors who are parties may participate, consisting solely of two or more directors not at the time parties to the proceeding;

-5-

(c) by special legal counsel:

(i) selected by the board of directors or its committee in the manner prescribed in subsection (2)(a) or (2)(b); or

(ii) if a quorum of the board of directors cannot be obtained under subsection (2)(a) and a committee cannot be designated under subsection (2)(b), selected by majority vote of the full board of directors in which selected directors who are

parties may participate; or

(d) by the shareholders, but shares owned by or voted under the control of directors who are at the time parties to the proceeding may not be voted on the determination.

(3) Authorization of indemnification and evaluation as to reasonableness of expenses must be made in the same manner as the determination that indemnification is permissible, except that if the determination is made by special legal counsel, authorization of indemnification and evaluation as to reasonableness of expenses must be made by those entitled under subsection (2)(c) to select counsel.

35-1-457. Indemnification of officers, employees and agents. Unless a corporation's articles of incorporation provide otherwise:

(1) an officer of the corporation who is not a director is entitled to mandatory indemnification under 35-1-453 and is entitled to apply for court ordered indemnification under 35-1-455 to the same extent as a director;

(2) the corporation may indemnify and advance expenses under 35-1-451 through 35-1-459 to an officer, employee, or agent of the corporation who is not a director to the same extent as to a director: and

(3) a corporation may also indemnify and advance expenses to an officer, employee, or agent who is not a director to the extent, consistent with public policy, that may be provided by its articles of incorporation, bylaws, general or specific action of its board of directors, or contract.

* * *

The Bylaws of the Company further provide that the foregoing right of indemnification shall not exclude or restrict any other rights or actions which any director or officer may have, and shall be available whether or not the director or officer continues to hold such office at the time of incurring such expense or discharging such liability.

The Company has insurance covering its expenditures which might arise in connection with the lawful indemnification of its directors and officers for their liabilities and expenses and insuring officers and directors of the Company against certain other liabilities and expenses.

Item 7. Exemption from Registration Claimed

Item 8. Exhibits

Exhibit
No.

- 4 (a) * Restated Articles of Incorporation filed with the Secretary of State of Montana on April 6, 1998.
- 4 (b) * Bylaws, as amended.
- 4 (c) Fourteenth Supplemental Indenture, dated as of January 1, 1993, to the Company's Mortgage and Deed of Trust, dated as of October 1, 1945, securing the Company's First Mortgage Bonds (filed as Exhibit 4(c) to the Company's Registration Statement on Form S-8 (File No. 33-64576) filed with the Commission on June 17, 1993 and incorporated herein by reference thereto).
- 4 (d) Fifteenth Supplemental Indenture dated March 1, 1993, to the Company's Mortgage and Deed of Trust, dated as of October 1, 1945, securing the Company's First Mortgage Bonds (filed as Exhibit 4(d) to the Company's Registration Statement on Form S-8 (File No. 33-64576) filed with the Commission on June 17, 1993 and incorporated herein by reference thereto).
- 4 (e) Sixteenth Supplemental Indenture dated as of May 1, 1993, to the Company's Mortgage and Deed of Trust, dated as of October 1, 1945, securing the Company's First Mortgage Bonds (filed as Exhibit 99(a) to the Company's Registration Statement on Form S-3 (File No. 33-50235) filed with the Commission on September 13, 1993 and incorporated herein by reference thereto).
- 4 (f) Seventeenth Supplemental Indenture dated as of December 1, 1993, to the Company's Mortgage and

Deed of Trust, dated as of October 1, 1945, securing the Company's First Mortgage Bonds (filed as Exhibit 99(a) to the Company's Registration Statement on Form S-3 (File No. 33-56739) filed with the Commission on December 5, 1994 and incorporated herein by reference thereto).

4(g) Eighteenth Supplemental Indenture dated as of August 5, 1994, to the Company's Mortgage and Deed of Trust, dated as of October 1, 1945, securing the Company's First Mortgage Bonds (filed as Exhibit 99(b) to the Company's Registration Statement on Form S-3 (File No. 33-56739) filed with the Commission on December 5, 1994 and incorporated herein by reference thereto).

4(h) Rights Agreement, dated as of June 6, 1989, between The Montana Power Company and First Chicago Trust Company of New York, as Rights Agent (filed as Exhibit 4(d), to the Company's Registration Statement on Form S-8 (File No. 33-42882) filed with the Commission on September 20, 1991 and incorporated herein by reference thereto).

5(a) * Opinion of Michael E. Zimmerman, Esq.

5(b) * Opinion of Thelen Reid & Priest LLP

23(a) * Consent of Independent Accountants

23(b) Consent of Michael E. Zimmerman Esq. (contained in exhibit 5(a))

23(c) Consent of Thelen Reid & Priest LLP (contained in Exhibit 5(b))

-7-

24 Power of Attorney (Page 9)

* filed herewith

Item 9. Undertakings

(a) Rule 415 Offering.

The Company hereby undertakes:

(1) To file, during any period in which offers or sales are being made, a post-effective amendment to this registration statement:

- (i) To include any prospectus required by section 10(a) (3) of the Securities Act;
- (ii) To reflect in the prospectus any facts or events arising after the effective date of the registration statement (or the most recent post-effective amendment thereof) which, individually or in the aggregate, represent a fundamental change in the information set forth in the registration statement; and
- (iii) To include any material information with respect to the plan of distribution not previously disclosed in the registration statement or any material change to such information in the registration statement;

provided, however, that the registrant need not file a post-effective amendment to include the information required to be included in subsection (a) (1) (i) or (a) (1) (ii) if such information is contained in periodic reports filed by the registrant under Section 13 or Section 15 (d) of the Exchange Act that are incorporated by reference in the registration statement.

(2) That, for the purpose of determining any liability under the Securities Act, each such post-effective amendment shall be deemed to be a new registration statement relating to the securities offered therein, and the offering of such securities at that time shall be deemed to be the initial bona fide offering thereof.

(3) To remove from registration by means of a post-effective amendment any of the securities being registered which remain unsold at the termination of the offering.

(b) Filings Incorporating Subsequent Exchange Act Documents by Reference.

The Company hereby undertakes that, for purposes of determining any liability under the Securities Act, each filing

of the Company's annual report under Section 13(a) or Section 15(d) of the Exchange Act that is incorporated by reference in the registration statement shall be deemed to be a new registration statement relating to the securities offered therein, and the offering securities at that time shall be deemed to be the initial bona fide offering thereof.

(h) Indemnification

Insofar as indemnification for liabilities arising under the Securities Act may be permitted to directors, officers and controlling persons of the registrant pursuant to the foregoing provisions or otherwise, the registrant has been advised that in the opinion of the Commission such indemnification is against public policy as expressed in the Securities Act and is, therefore, unenforceable. In the event that a claim for

-8-

indemnification against such liabilities (other than the payment by the registrant of expenses incurred or paid by a director, officer or controlling person of the registrant in the successful defense of any action, suit or proceeding) is asserted by such director, officer or controlling person in connection with the securities being registered, the registrant will, unless in the opinion of its counsel the matter has been settled by controlling precedent, submit to a court of appropriate jurisdiction the question whether such indemnification by it is against public policy as expressed in the Securities Act and will be governed by the final adjudication of such issue.

-9-

POWER OF ATTORNEY

Each director and/or officer of the registrant whose signature appears below hereby appoints each of the Agents for Service named in this registration statement as his attorney-in-fact to sign in his name and behalf, in any and all capacities stated below, and to file with the Securities and Exchange Commission, any and all amendments, including post-effective amendments, to this registration statement, and the registrant hereby also appoints each such Agent for Service as their attorney-in-fact with like authority to sign and file any such

amendments in their name and behalf.

SIGNATURES

Pursuant to the requirements of the Securities Act of 1933, the registrant certifies that it has reasonable grounds to believe that it meets all of the requirements for filing on Form S-8 and has duly caused this registration statement to be signed on its behalf by the undersigned, thereunto duly authorized, in the Municipality of Butte-Silver Bow, and State of Montana, on July 20, 1998.

THE MONTANA POWER COMPANY

By /s/ R.P. Gannon, Chairman

R.P. Gannon, Chairman
of the Board and Chief
Executive Officer

Pursuant to the requirements of the Securities Act of 1933, this registration statement has been signed below by the following persons in the capacities and on the date indicated.

Signature	Title	Date
-----	-----	----
/s/ R.P. Gannon -----		
R.P. Gannon (Principal Executive Officer)	Chairman of the Board, Chief Executive Officer	July 20, 1998
/s/ J.P. Pederson -----		
J.P. Pederson (Principal Financial and Accounting Officer)	Vice President and Chief Financial Information Officer & Director	July 20, 1998
/s/ T.H. Adams -----		
T.H. Adams	Director	July 20, 1998
/s/ A.F. Cain		

----- A.F. Cain	Director	July 20, 1998
/s/ R.D. Corette ----- R.D. Corette	Director	July 20, 1998
/s/ K. Foster ----- K. Foster	Director	July 20, 1998

-10-

Signature -----	Title -----	Date -----
/s/ B.D. Harris ----- B.D. Harris	Director	July 20, 1998
/s/ C.T. Hibbard ----- C.T. Hibbard	Director	July 20, 1998
/s/ J.R. Jester ----- J.R. Jester	Director	July 20, 1998
/s/ C. Lehrkind, III ----- C. Lehrkind, III	Director	July 20, 1998
/s/ A.K. Neill ----- A.K. Neill	Director	July 20, 1998
/s/ N.E. Vosburg ----- N.E. Vosburg	Director	July 20, 1998

Exhibit Index

Exhibit No. -----	Exhibit -----
4(a)*	Restated Articles of Incorporation filed with the Secretary of State of Montana on April 6, 1998.
4(b)*	Bylaws, as amended.
4(c)	Fourteenth Supplemental Indenture, dated as of January 1, 1993, to the Company's Mortgage and Deed of Trust, dated as of October 1, 1945, securing the Company's First Mortgage Bonds (filed as Exhibit 4(c) to the Company's Registration Statement on Form S-8 (File No. 33-64576) filed with the Commission on June 17, 1993 and incorporated herein by reference thereto).
4(d)	Fifteenth Supplemental Indenture dated March 1, 1993, to the Company's Mortgage and Deed of Trust, dated as of October 1, 1945, securing the Company's First Mortgage Bonds (filed as Exhibit 4(d) to the Company's Registration Statement on Form S-8 (File No. 33-64576) filed with the Commission on June 17, 1993 and incorporated herein by reference thereto).
4(e)	Sixteenth Supplemental Indenture dated as of May 2, 1993, to the Company's Mortgage and Deed of Trust, dated as of October 1, 1945, securing the Company's First Mortgage Bonds (filed as Exhibit 99(a) to the Company's Registration Statement on Form S-3 (File No. 33-50235) filed with the Commission on September 13, 1993 and incorporated herein by reference thereto).
4(f)	Seventeenth Supplemental Indenture dated as of December 1, 1993, to the Company's Mortgage and Deed of Trust, dated as of October 1, 1945, securing the Company's First Mortgage Bonds

(filed as Exhibit 99(a) to the Company's Registration Statement on Form S-3 (File No. 33-56739) filed with the Commission on December 5, 1994 and incorporated herein by reference thereto).

- 4(g) Eighteenth Supplemental Indenture dated as of August 5, 1994, to the Company's Mortgage and Deed of Trust, dated as of October 1, 1945, securing the Company's First Mortgage Bonds (filed as Exhibit 99(b) to the Company's Registration Statement on Form S-3 (File No. 33-56739) filed with the Commission on December 5, 1994 and incorporated herein by reference thereto).
- 4(h) Rights Agreement, dated as of June 6, 1989, between The Montana Power Company and First Chicago Trust Company of New York, as Rights Agent (filed as Exhibit 4(d), to the Company's Registration Statement on Form S-8 (File No. 33-42882) filed with the Commission on September 20, 1991 and incorporated herein by reference thereto).
- 5(a)* Opinion of Michael E. Zimmerman, Esq.
- 5(b)* Opinion of Thelen Reid & Priest LLP
- 23(a)* Consent of Independent Accountants
- 23(b) Consent of Michael E. Zimmerman Esq. (contained in exhibit 5(a))
- 23(c) Consent of Thelen Reid & Priest LLP (contained in Exhibit 5(b))
- 24 Power of Attorney (Page 9)

* Filed herewith.

03/24/98

RESTATED ARTICLES OF INCORPORATION
OF
THE MONTANA POWER COMPANY

Pursuant to the provisions of Section 58 of the Montana Business Corporation Act, the undersigned Corporation adopts the following Restated Articles of Incorporation:

ARTICLE I. The name of the Corporation is The Montana Power Company.

ARTICLE II. The objects and purposes for which The Montana Power Company is formed are as follows:

To manufacture, produce, generate, store, acquire, purchase, sell, control, use, dispose of, transmit, distribute and supply electricity and electrical energy or any other power or force in any form and for any purpose whatsoever;

To purchase, lease or otherwise acquire, hold, use, operate, sell, lease, or otherwise dispose of machinery, generators, motors, plants, apparatus, devices and supplies of every kind pertaining to or otherwise connected with the production, use, transmission, distribution, regulation, control or application of electricity or electrical energy;

To transform power generated by hydraulic or other plants into electrical or other energy for any and all purposes;

To purchase, mine, produce, process, sell, distribute, use, lease, or otherwise acquire, use, or dispose of coal, coal mines, coal properties, machinery, appliances, and equipment of every kind and nature whatsoever used or useful in connection with the mining, production, transportation, use, sale or disposition of coal, coal mines or coal properties;

To purchase, lease or otherwise acquire, hold, use, operate, sell, lease or otherwise dispose of all water rights, water powers and water privileges;

To construct, purchase or otherwise acquire, hold, use, operate, sell, lease or otherwise dispose of hydraulic, electric and other works, plants, buildings, machinery, equipment, pipe lines, distributing systems, transmission lines, dams, flumes, ditches, canals, apparatus, devices or processes for use in

connection with such works;

To acquire, buy, hold, own, sell, lease, exchange, dispose of, transmit, distribute, deal in, use, manufacture, produce, furnish and supply bus service, natural or artificial gas, light, heat, ice, refrigeration, water and steam in any form and for any purposes whatsoever, and any power or force or energy in any form and for any purposes whatsoever;

To construct, purchase, lease or otherwise acquire, hold, use, operate, sell, lease or otherwise dispose of natural gas, manufactured gas, gas works, gas plants, gas transmission systems, distributing systems, gas reserves, gas rights, gas storage fields and facilities and all properties of any kind whatsoever used or useful in the gas business, together with licenses, permits, authorizations or consents of every kind and nature whatsoever which may be used or useful in connection with any or all of the foregoing;

To purchase or otherwise acquire, hold, use, operate, sell, lease or otherwise dispose of machinery, engines, mechanical devices and articles of every character and description;

To acquire, build, construct, equip, own and operate street railways and other railway properties of all kinds and descriptions and with any kind of motive power, and to sell and lease the same, but the powers in this paragraph set forth shall be exercised only in connection with and as part of the other objects and purposes referred to in this Article;

To purchase or otherwise acquire, hold, use, operate, sell, lease, or otherwise dispose of such real and personal estate, property rights, rights-of-way, easements, privileges, grants, consents and franchises, individually or in association with others, as may be necessary for or appropriate to or useful in connection with the business and purposes of the company;

To apply for, purchase or otherwise acquire, and to hold, use, own, operate and to sell, assign or otherwise dispose of, and to grant or receive licenses in respect of or otherwise to turn to account any and all inventions, improvements, patents, patent rights, processes, trademarks and trade names, secured by or issued under the laws of the United States of America or of any other government or country;

To acquire by purchase or otherwise, and to hold, invest in, sell, or otherwise dispose of the shares, bonds, debentures and other evidences of indebtedness of any persons, firms, associations and corporations, including the Corporation created by these Articles; and when owner of any such shares, bonds, debentures, securities or other obligations, to exercise all the

rights, powers and privileges of ownership, including the right to vote thereon for any and all purposes; to aid in any manner any corporation whose shares, bonds, debentures or other obligations are owned or held by it, or in the shares, bonds, debentures, securities or other obligations of which it is in any way interested; and to guarantee the shares, bonds, debentures, securities or other act or thing for the preservation, protection, improvement or enhancement of the value of any such shares, bonds, debentures, securities or obligations;

To construct, operate and maintain facilities for the service of water to the public;

Without limitation to hold, purchase, mortgage and convey real and personal property of every kind and description in any state or territory of the United States or elsewhere;

In general, to do all such things as are incidental or conducive to the accomplishment of the foregoing purposes, and to engage in any and all lawful business whatever necessary or convenient therefor, with all rights, privileges and powers now or hereafter granted by the State of Montana to corporations.

ARTICLE III. Unless and until changed in the manner provided by law, the address of the registered office of the Corporation in the State of Montana is 40 East Broadway, Butte, and the name of its registered agent at such address is R. M. Ralph.

ARTICLE IV. The period of duration of this Corporation shall be perpetual.

ARTICLE V. The number of Directors of this Corporation shall be fixed by the Bylaws, but shall be not less than three (3) nor more than eighteen (18). In the absence of a Bylaw fixing the number of directors, the number of Directors shall be eleven (11). Notwithstanding anything contained in these Articles (including Article VIII hereof) or in the Bylaws of the Corporation to the contrary (and notwithstanding the fact that a lesser percentage may be specified by law, these Articles or the Bylaws of the Corporation), any amendment, alteration, change or repeal of, or the adoption of any provision inconsistent with, this Article V or Section 11 of the Bylaws of the Corporation by shareholders shall require the affirmative vote of the holders of at least two-thirds of the shares of the Corporation entitled to vote thereon.

ARTICLE VI. No Director of the Corporation shall be personally liable to the Corporation or its shareholders for money damages for any actions taken or any failure to take any action, as a Director, except liability for: (a) the amount of a

financial benefit received by a Director to which the Director is not entitled; (b) an intentional infliction of harm on the corporation or its shareholders; (c) a violation of 35-1-713 of the Montana Code Annotated; or, (d) an intentional violation of criminal law. No amendment to or repeal of this Article VI shall apply to or have any effect on the liability or alleged liability of any Director of the Corporation for or with respect to any acts or omissions of such Director occurring prior to such amendment or repeal.

ARTICLE VII. The aggregate number of shares which the Corporation has authority to issue is 125,000,000 shares without nominal or par value, consisting of 5,000,000 Preferred shares and 120,000,000 Common shares.

(a) The Preferred shares shall be issued from time to time in one or more series. The shares of any such series shall bear such distinctive serial designation as shall be stated and expressed in the resolution or resolutions providing for the issue of such shares from time to time adopted by the Board of Directors; and in such resolution or resolutions providing for the issue of shares of each particular series, the Board of Directors is expressly empowered to fix:

1. The dividend rate for the particular series, and the date or dates from which dividends on shares of such series shall be cumulative;

2. The terms on which the shares of the particular series may be redeemed;

3. The amount which shall be paid to the holders of shares of the particular series in the case of dissolution or any distribution of assets; and

4. The terms or amount of any sinking fund provided for the purchase or redemption of the shares of the particular series.

All of the Preferred shares of any one series shall be identical in all respects, except as to the dates from which dividends thereon shall be cumulative; and all of the Preferred shares shall be of equal rank, regardless of series, and shall be identical in all respects except as herein otherwise provided.

Fourth Series

The Fourth Series of Preferred Stock of the Company (the "Fourth Series"), consists of 500,000 shares designated as "Preferred Stock, \$6.875 Series," and has the relative rights,

preferences and limitations as set fourth in these Restated Articles of Incorporation, and as follows:

(A) The dividend rate for the Fourth Series shall be \$6.875 per share per annum; quarterly periods ending January 31, April 30, July 31 and October 31 of each year hereby are established as the regular dividend periods for the shares of such Series and dividends for such periods shall be payable, in arrears, on February 1, May 1, August 1, and November 1 of each year; provided, however, the first dividend shall be payable, in arrears, on February 1, 1994, for the period from the date of the original issue through January 31, 1994; and dividends on shares of the Fourth Series shall be cumulative from the date of original issue;

(B) The shares of the Fourth Series shall not be redeemable prior to November 1, 2003; the shares shall be redeemable, at the option of the Company, in whole or in part, at any time upon not less than thirty (30) days' notice, on and after November 1, 2003, at the redemption prices per share set forth below, plus, in each case, accumulated but unpaid dividends to the date of redemption:

Redemption Period	Price
November 1, 2003 to October 31, 2004	\$103.438
November 1, 2004 to October 31, 2005	\$103.094
November 1, 2005 to October 31, 2006	\$102.750
November 1, 2006 to October 31, 2007	\$102.406
November 1, 2007 to October 31, 2008	\$102.063
November 1, 2008 to October 31, 2009	\$101.719
November 1, 2009 to October 31, 2010	\$101.375
November 1, 2010 to October 31, 2011	\$101.031
November 1, 2011 to October 31, 2012	\$100.688
November 1, 2012 to October 31, 2013	\$100.344
November 1, 2013 and thereafter	\$100.000

(C) The amount which shall be paid to the holders of shares of the Fourth Series in the event of any liquidation, dissolution or winding up of the affairs of the Company or any distribution of its capital, whether voluntary or involuntary, before any distribution or payment shall be made to the holders of Common Stock, shall be \$100 per share, plus accumulated but unpaid dividends.

(b) The holders of Preferred shares at the time outstanding shall be entitled to receive dividends when and as declared by the Board of Directors, out of the surplus or net profits of the Corporation, payable in the case of each series at the annual dividend rate for that particular series theretofore fixed by the Board of Directors as hereinbefore provided. Such dividends on

Preferred shares shall be cumulative from the date or dates theretofore fixed for the purpose by the Board of Directors, as hereinbefore provided, so that if dividends on all outstanding shares of each particular series of the Preferred shares, at the annual dividend rate fixed by the Board of Directors, as hereinbefore provided, shall not have been paid or declared and set apart for payment for all past dividend periods and for the current dividend periods, the deficiency shall be fully paid or dividends equal thereto declared and set apart for payment at said rate, but without interest, before any dividends on the Common shares shall be paid or declared and set apart for payment. No dividends shall be paid or declared and set apart for payment on any series of Preferred shares for any particular dividend period unless at the same time all unpaid dividends, if any, on all the outstanding Preferred shares for all dividend periods terminating prior to or concurrently with the termination of such particular dividend period shall be paid or declared and set apart for payment thereon. Dividends may be paid upon the Common shares only when dividends at the respective annual dividend rates fixed by the Board of Directors, as hereinbefore provided, upon all the outstanding Preferred shares shall have been paid or declared and set apart for payment for all past dividend periods and for the then current dividend periods, but whenever there shall have been paid or declared and set apart for payment all such dividend upon the Preferred shares, as aforesaid, then dividends upon the Common shares may be declared payable then or thereafter out of any surplus or net profits then remaining. The holders of shares of each series of the Preferred shares shall not be entitled to receive any dividends thereon other than the aforesaid dividends at the annual dividend rate for the particular series fixed by the Board of Directors, as hereinbefore provided.

Dividends may also be declared and paid in cash out of depletion reserves in the manner and to the extent provided by law.

(c) In the event of any liquidation, dissolution or winding up of the affairs of the Corporation or any distribution of capital, whether voluntary or involuntary, the holders of Preferred shares at the time outstanding shall be entitled to be paid the amount fixed by the Board of Directors, as hereinbefore provided, before any distribution or payment shall be made to the holders of Common shares. The holders of the Preferred shares shall not be entitled to receive any distributive amounts upon the liquidation, dissolution or winding up of the affairs of the Corporation or upon any distribution of capital other than the distributive amounts at the rates for the respective series fixed by the Board of Directors, as hereinbefore provided, but, after such payment to the holders of the Preferred shares, the remaining assets and funds of the Corporation (subject to the

rights of any class of shares hereafter authorized) shall be divided and distributed among the holders of the Common shares alone according to their respective shares.

(d) A consolidation, merger or amalgamation of the Corporation with or into any other corporation or corporations shall not be deemed a distribution of assets of the Corporation within the meaning of any of the provisions hereof.

(e) Except as hereinafter otherwise provided, each holder of record of Preferred or Common shares shall be entitled to one vote for each share of stock held by him, except that holders of Preferred shares shall not be entitled to notice of or to vote at any annual or special meeting of shareholders called for the purpose of redeeming the whole or any part of the Preferred shares at the time outstanding, and except that at all elections for Directors, each holder of Preferred or Common shares shall be entitled to as many votes as shall equal the number of his Preferred or Common shares multiplied by the number of Directors to be elected, and may cast all of such votes in person or by proxy for a single Director, or may distribute them among the number to be voted for, or any two or more of them as he may see fit.

(f) No holder of Preferred shares shall be entitled as such, as a matter of right, to subscribe for or purchase any part of any new or additional issue of stock of any class whatsoever, or of securities convertible into stock of any class whatsoever, whether now or hereafter authorized or whether issued for cash, for a consideration other than cash or by way or dividend.

(g) Upon any issue for money or other consideration of any shares of the Corporation that may be authorized from time to time, no holder of shares, irrespective of the kind of such shares, shall have any preemptive or other right to subscribe for, purchase or receive any proportionate or other share of the shares so issued, but the Board of Directors may dispose of all or any portion of such shares as and when it may determine free of any such rights, whether by offering the same to shareholders or by sale of other disposition, as said Board may deem advisable.

(h) The Corporation may redeem the whole or any part of the Preferred shares at the time outstanding, or the whole or any part of any series thereof, at any time or from time to time, upon the terms fixed by the Board of Directors as hereinbefore provided for the redemption of the Preferred shares to be redeemed; provided, however, that no Preferred shares of the \$6 Series, the \$4.20 Series or the \$2.15 Series shall be redeemed without either the written consent, or the affirmative vote at any annual meeting or at any special meeting called for that

purpose, of the holders of record of a majority of the Common shares issued and outstanding. If less than all of the shares of any particular series of the Preferred shares are to be redeemed, the shares of such series to be redeemed shall be selected in such manner as the Board of Directors or the Executive Committee shall determine. The Board of Directors by the vote or consent of two-thirds (2/3) of all of the members thereof shall have the power to select for redemption any particular share or shares of the Preferred shares to be redeemed, designating the share or shares of such Preferred shares so selected by the number or numbers appearing on the then outstanding certificate or certificates representing the shares so selected. Notice of intention of the Corporation to redeem Preferred shares and of the date and place of redemption shall be mailed not less than thirty (30) days (or in case the Board of Directors shall have fixed a longer period as hereinbefore provided, then not less than such longer period) before the date of redemption to each holder of record of the shares to be redeemed, at his last known post office address as shown by the records of the Corporation. The holders of any Preferred shares so called for redemption shall, on the redemption date specified in such notice, cease to be shareholders of the Corporation with respect to such shares and all rights with respect to such Preferred shares so called for redemption shall, on such redemption date, cease and terminate except only the right of the holders thereof to receive the redemption price therefor without interest.

At any time after such notice of redemption of any Preferred shares has been mailed or otherwise given, the Corporation may deposit, or may cause its nominee to deposit, the aggregate redemption price (or the portion thereof not already paid in the redemption of shares so to be redeemed) with any bank or trust company in the State of Montana having a capital and undivided surplus of not less than \$500,000 named in a notice mailed to holders of the shares called for redemption and represented by certificates not theretofore surrendered, payable in the proper amounts to the respective orders of the record holders of such shares to be redeemed on endorsement, if required, and surrender of their certificates for said shares, and from and after the making of such deposit said holders shall have no interest in or claim against the Corporation or its nominee, with respect to said shares, but shall be entitled only to receive said moneys from said bank or trust company, without interest, on endorsement, if required, and surrender of their certificates as aforesaid. The Corporation shall be entitled to receive from any such bank or trust company the interest, if any, allowed by said bank or trust company on any moneys deposited as in this paragraph provided, and the holders of any shares so redeemed shall have no claim to any such interest. Any moneys so deposited and remaining unclaimed at the end of six years from the date fixed for redemption shall, if thereafter requested by

resolution of the Board of Directors or of the Executive Committee, be repaid to the Corporation, and in the event of such repayment to the Corporation, such holders of record of the shares so redeemed as shall not have made claim against such moneys prior to such repayment to the Corporation, shall be deemed to be unsecured creditors of the Corporation for an amount equivalent to the amount deposited as above-stated for the redemption of such shares and so repaid to the Corporation, but shall in no event be entitled to any interest. If such deposit shall be made by the nominee of the Corporation, as aforesaid, such nominee shall upon such deposit become the owner of the shares with respect to which such deposit is made, and certificates for shares may be issued to such nominee in evidence of such ownership.

The Corporation may require any shares so called for redemption to be delivered, duly assigned to a nominee of the Corporation upon payment by such nominee in the manner hereinabove provided of all amounts payable on such redemption with respect to said shares. Any shares delivered to or acquired by the nominee of the Corporation under the provisions hereof shall be converted into or exchanged for such other securities of the Corporation and on such terms as on or before such delivery or acquisition may have been provided by the Corporation in accordance with the next three paragraphs hereof.

The Corporation from time to time may resell any of its own shares purchased or otherwise acquired by it as herein provided for at such price as may be fixed by its Board of Directors or Executive Committee.

The Corporation, in order to acquire funds with which to redeem any Preferred shares of any class, may issue and sell shares of any class then authorized but unissued, bonds, notes, evidences of indebtedness or other securities.

The Board of Directors of the Corporation may at any time authorize the conversion or exchange of the whole or any particular share or shares of the outstanding Preferred shares of any class, with the consent of the holder or holders thereof, into or for shares of any other class at the time of such consent authorized but unissued and may fix the terms and conditions upon which such conversion or exchange may be made; provided that without the consent of the holders of record of two-thirds (2/3) of the Common shares outstanding given at a meeting of the holders of the Common shares called and held as provided by the Bylaws or given in writing without a meeting, the Board of Directors shall not authorize the conversion or exchange of any Preferred shares of any class into or for Common shares or authorize the conversion or exchange of any Preferred shares of any class into or for Preferred shares of any other class, if by

such conversion or exchange the amount which the holders of the shares so converted or exchanged would be entitled to receive either as dividends or shares in distribution of assets in preference to the Common shares would be increased.

The Board of Directors shall have full power and authority, subject to the limitations and provisions herein contained, to prescribe the manner in which and the terms and conditions upon which Preferred shares shall be redeemed from time to time.

(i) Except as herein otherwise provided, upon the vote of a majority of all of the Directors of the Corporation and of the holders of record of a majority of the total number of shares then issued and outstanding and entitled to vote on such question as herein stipulated, irrespective of class (or if the vote of a larger number or different proportion of shares is required by the laws of the State of Montana, notwithstanding the above agreement of the shareholders of the Corporation to the contrary, then upon the vote of the larger number or different proportion of shares so required), the Corporation may from time to time create or authorize one or more other classes of shares with such preferences, designations, rights, privileges, powers, restrictions, limitations and qualifications as may be determined by said vote, which may be the same as or different from the preferences, designations, rights, privileges, powers, restrictions, limitations and qualifications of the classes of shares of the Corporation then authorized. Any vote authorizing the creation of a new class of shares may provide that all moneys payable by the Corporation with respect to any class of shares thereby authorized shall be paid in the money of any foreign country named therein or designated by the Board of Directors pursuant to authority therein granted. Any such vote may authorize any shares of any class then authorized but unissued to be issued as shares of such new class or classes.

So long as any of the Preferred shares are outstanding, the Corporation shall not, without the consent (given by a vote at a meeting called for that purpose) of the holders of at least two-thirds of the total number of the Preferred shares then outstanding.

1. Create or authorize any new shares ranking prior to the Preferred shares as to dividends, in liquidation, dissolution, winding up or distribution, or create or authorize any security convertible into such shares; or

2. Amend, alter, change or repeal any of the express terms of the Preferred shares then outstanding in a manner substantially prejudicial to the holders thereof.

(j) All shares of the Corporation without nominal or par

value, whether authorized by these Articles or by subsequent increase of capital or pursuant to any amendment hereof, may be issued from time to time for such consideration as may be fixed from time to time by the Board of Directors, and authority to the Board of Directors so to fix such consideration is hereby granted by the shareholders; and any and all shares so issued, the full consideration for which shall have been paid or delivered, shall be conclusively deemed to be fully paid and nonassessable and the holders thereof shall not be liable to the Corporation or its creditors in respect thereof.

At the time of the issue of any shares without nominal or par value, the Board of Directors may determine conclusively in the exercise of their reasonable discretion what capital valuation shall be placed upon any property (other than money) acquired by the Corporation in payment upon original issue of any of its shares without nominal or par value.

(k) The Corporation may issue securities, notes, bonds, debentures or other obligations convertible into shares of any class, in the amounts and on such terms as may be provided by resolution of the Board of Directors; provided, however, that the shares issued upon conversion thereof shall not have prior or superior rights and preferences to the shares of any class outstanding at the time the convertible securities, notes, bonds, debentures or other obligations are issued, and the issuance of such shares shall not substantially prejudice the holders of shares of any class outstanding at the time such convertible securities, notes, bonds, debentures or other obligations are issued.

1. The Corporation may issue notes, bonds, debentures and other obligations of the Corporation in such amounts and upon such terms and conditions as may be authorized by resolution of the Board of Directors.

ARTICLE VIII. Unless the laws of the State of Montana otherwise provide, any action which at any meeting of shareholders requires the vote, assent or consent of two-thirds (2/3) in interest of all the shareholders or of two-thirds (2/3) in interest of each class of shareholders having voting powers, or which requires such assent or consent in writing to be filed, may be taken upon the assent of and the assent given and filed of two-thirds (2/3) in interest of the shareholders present and voting at such meeting in person or by proxy; provided that where assent by classes is required, such assent shall be given by two-thirds (2/3) in interest of each class so present and voting.

ARTICLE IX. The Board of Directors may appoint from the

Directors an Executive Committee, of which a majority shall constitute a quorum, and to such extent as shall be provided in the Bylaws, such Executive Committee shall have and may exercise all of the delegable powers of the Board of Directors, including power to cause the seal of the Corporation to be affixed to all papers that may require it.

The power of appointment of committees (other than the Executive Committee) and of Officers (other than the President, the Vice Presidents, the Secretary and the Treasurer) and other persons employed by the Company may to the extent permitted by the Bylaws be delegated by the Board of Directors to the President or to the Executive Committee.

The Board of Directors shall have the power from time to time to fix and to determine and to vary the amount of the working capital of the Corporation, and to direct and determine the use and disposition of any surplus or net profits over and above the capital paid in.

The Board of Directors from time to time shall determine whether and to what extent, and at what times and places and under what conditions and regulations, the accounts and books of the Corporation, or any of them, shall be open to the inspection of the shareholders, and no shareholder shall have any right to inspect any account or book or document of the Corporation, except as conferred by Statute or authorized by the Board of Directors, or by a resolution of the shareholders.

ARTICLE X. The shareholders may alter or amend the Bylaws of the Corporation by a majority vote (or if required by the laws of the State of Montana, a larger number or different proportion of the shares outstanding) of all the outstanding shares of the Corporation entitled to vote given at any meeting duly held as provided in the Bylaws, the notice of which includes notice of the proposed alterations or amendment. The Board of Directors may also alter or amend the Bylaws at any time by affirmative vote of a majority (or if required by the laws of the State of Montana, a larger number or different proportion of the members of the Board of Directors) of the Board of Directors given at a duly convened meeting of the Board of Directors, the notice of which includes notice of the proposed alterations or amendments, subject to the power of shareholders to change or repeal such Bylaws; provided that the Board of Directors shall not make or alter any Bylaw fixing their qualifications or changing the number of shares required to constitute a quorum for a shareholders' meeting.

ARTICLE XI. A. In addition to any affirmative vote required by law or under any other provision of these Restated Articles of Incorporation, and except as otherwise expressly

provided in paragraph B., a Business Combination (as hereinafter defined) shall require the affirmative vote of the holders of at least 70 percent of the outstanding shares of Capital Stock (as hereinafter defined) of the Corporation entitled to vote generally in the election of Directors ("Voting Shares"). Such affirmative vote shall be required notwithstanding the fact that no vote may be required, or that some lesser percentage may be specified, by law or in any agreement with any national securities exchange or otherwise.

B. The provisions of paragraph A. of this Article shall not be applicable to any particular Business Combination, and such Business Combination shall require only such affirmative vote as is required by law and any other provision of these Restated Articles of Incorporation, if all of the conditions specified in subparagraphs 1. or 2. shall have been satisfied:

1. The Business Combination shall have been approved by two-thirds (whether such approval is made prior to or subsequent to the acquisition of beneficial ownership of the Voting Shares that caused the 10% Shareholder [as hereinafter defined] to become a 10% Shareholder) of the Continuing Directors (as hereinafter defined); or

2. All of the following conditions shall have been met:

(a) The aggregate amount of the cash and the Fair Market Value (as hereinafter defined) as of the date of the consummation of the Business Combination of consideration other than cash to be received per share by holders of Common shares in such Business Combination shall be at least equal to the highest amount determined under clauses (i) and (ii) below:

(i) (if applicable) The highest per share price (including any brokerage commissions, transfer taxes and soliciting dealers' fees) paid by or on behalf of the 10% Shareholder for any Common shares in connection with the acquisition by the 10% Shareholder of beneficial ownership of Common shares (A) within the two-year period immediately prior to the first public announcement of the proposed Business Combination (the "Announcement Date") or (B) in the transaction in which it became a 10% Shareholder, whichever is higher; and

(ii) The Fair Market Value per Common share on the Announcement Date or on the date on which the 10% Shareholder became a 10% Shareholder (such latter date referred to in this Article as the "Determination Date"), whichever is higher.

All per share prices and Fair Market Values shall be adjusted to reflect any intervening stock splits, stock dividends and reverse stock splits.

(b) The aggregate amount of the cash and the Fair Market Value as of the date of the consummation of the Business Combination of consideration other than cash to be received per share by holders of shares of any class or series of outstanding Capital Stock, other than Common shares, shall be at least equal to the highest amount determined under clauses (i), (ii) and (iii) below:

(i) (if applicable) The highest per share price (including any brokerage commissions, transfer taxes and soliciting dealers' fees) paid by or on behalf of the 10% Shareholder for any share of such class or series of Capital Stock in connection with the acquisition by the 10% Shareholder of beneficial ownership of shares of such class or series of Capital Stock (A) within the two-year period immediately prior to the Announcement Date or (B) in the transaction in which it became a 10% Shareholder, whichever is higher.

(ii) The Fair Market Value per share of such class or series of Capital Stock on the Announcement Date or on the Determination Date, whichever is higher; and

(iii) (if applicable) The highest preferential amount per share to which the holders of shares of such class or series of Capital Stock would be entitled in the event of any voluntary or involuntary liquidation, dissolution or winding up of the corporation, regardless of whether the Business Combination to be consummated constitutes such an event.

All per share prices and Fair Market Values shall be adjusted for intervening stock splits, stock dividends and reverse stock splits.

The provisions of this subparagraph (b) shall be required to be met with respect to every class or series of outstanding Capital Stock, whether or not the 10% Shareholder has previously acquired beneficial ownership of any shares of a particular class or series of Capital Stock.

(c) The consideration to be received by holders of a particular class or series of outstanding Capital Stock (including Common shares) shall be cash or in the same form as previously has been paid by or on behalf of the 10% Shareholder in connection with its direct or indirect

acquisition of beneficial ownership of shares of such class or series of Capital Stock. If the consideration so paid for shares of any class or series of Capital Stock varied as to form, the form of consideration for such class or series of Capital Stock shall be either cash or the form used to acquire beneficial ownership of the largest number of shares of such class or series of Capital Stock previously acquired by the 10% Shareholder.

(d) After such 10% Shareholder has become a 10% Shareholder and prior to the consummation of such Business Combination:

(i) except as approved by two-thirds of the Continuing Directors, there shall have been no failure to declare and pay at the regular date therefor any full quarterly dividends (whether or not cumulative) in accordance with the terms of the outstanding Preferred shares;

(ii) there shall have been (A) no reduction in the annual rate of dividend paid on the Common shares (except as necessary to reflect any stock split, stock dividend or subdivision of the Common Shares), except as shall have been approved by two-thirds of the Continuing Directors, and (B) an increase in such annual rate of dividends as necessary to reflect any reclassification (including any reverse stock split), recapitalization, reorganization or any similar transaction which has the effect of reducing the number of outstanding Common shares, unless the failure so to increase such annual rate shall have been approved by two-thirds of the Continuing Directors; and

(iii) such 10% Shareholder shall have not become the beneficial owner of any additional Voting Shares except as part of the transaction which results in such 10% Shareholder becoming a 10% Shareholder and except in a transaction that, after giving effect thereto, would not result in any increase in the 10% Shareholder's percentage beneficial ownership of any class or series of Capital Stock.

(e) After such 10% Shareholder has become a 10% Shareholder, such 10% Shareholder shall not have:

(i) received the benefit, directly or indirectly (except proportionately as a shareholder), of any loans, advances, guarantees, pledges or other financial assistance or any tax credits or other tax advantages provided by the Corporation, whether in anticipation of

or in connection with such Business Combination or otherwise; or

(ii) made any major change in the Corporation's business or equity capital structure without the approval of two-thirds of the Continuing Directors.

(f) A proxy or information statement describing the proposed Business Combination and complying with the requirements of the Securities Exchange Act of 1934 and the rules and regulations thereunder (or any subsequent provisions replacing such Act, rules or regulations) shall have been mailed to holders of outstanding Voting Shares of the Corporation at least thirty (30) days prior to the consummation of such Business Combination (whether or not such proxy or information statement is required to be mailed pursuant to such Act or subsequent provisions). The proxy or information statement shall contain on the first page thereof, in a prominent place, any statement as to the advisability (or inadvisability) of the Business Combination that the Continuing Directors, or any of them, may choose to make and, if deemed advisable by a majority of the Continuing Directors, the opinion of an investment banking firm selected by a majority of the Continuing Directors as to the fairness (or lack thereof) of the terms of the Business Combination from a financial point of view to the holders of the outstanding Voting Shares other than the 10% Shareholder and its Affiliates or Associates (as hereinafter defined).

C. For the purposes of this Article:

1. The term "Business Combination" shall mean:

(a) any merger, consolidation or share exchanges of the Corporation or any Subsidiary (as hereinafter defined) with:

(i) any 10% Shareholder, or

(ii) any other company (whether or not such other company is a 10% Shareholder) which is, or after such merger or consolidation would be, an Affiliate or Associate of a 10% Shareholder; or

(b) any sale, lease, exchange, mortgage, pledge, transfer or other disposition or security arrangement, investment, loan, advance, guarantee, agreement to purchase, agreement to pay, extension of credit, joint venture participation or other arrangement (in one transaction or a series of transactions) with or for the benefit of any 10% Shareholder or any Affiliate or Associate of any

10% Shareholder involving any assets, securities or commitments of the Corporation or any Subsidiary having an aggregate Fair Market Value and/or involving aggregate commitments of five million dollars (\$5,000,000) or more;

(c) the issuance or transfer by the Corporation or any Subsidiary (in one transaction or a series of related transactions) of any securities of the Corporation or any Subsidiary to any 10% Shareholder or any Affiliate or Associate of any 10% Shareholder in exchange for cash, securities or other property (or a combination thereof) having an aggregate Fair Market Value of five million dollars (\$5,000,000) or more;

(d) the adoption of any plan or proposal for the liquidation or dissolution of the Corporation proposed by or on behalf of any 10% Shareholder or any Affiliate or Associate of any 10% Shareholder;

(e) any reclassification of any securities of the Corporation (including any reverse stock split), recapitalization or reorganization of the Corporation, merger or consolidation of the Corporation with any Subsidiary, or any other transaction (whether or not with or otherwise involving a 10% Shareholder or any Affiliate or Associate of any 10% Shareholder) that has the effect, directly or indirectly, of increasing the proportionate share of the outstanding shares of any class of equity or convertible securities of the Corporation or any Subsidiary that is beneficially owned by any 10% Shareholder or any Affiliate or Associate of any 10% Shareholder; or

(f) any other transaction or series of transactions that is similar in purpose or effect to, or any agreement, contract or other arrangement providing for any one or more of the actions specified in the foregoing subparagraphs (a) through (e).

2. A "person" shall mean any individual, firm, corporation or other entity and shall include any group comprised of any person and any other person with whom such person or any Affiliate or Associate of such person has any agreement, arrangement or understanding, directly or indirectly, for the purpose of acquiring, holding, voting or disposing of Capital Stock.

3. "10% Shareholder" shall mean, in respect of any Business Combination, any person or Affiliate or Associate (other than the Corporation or any Subsidiary and other than any profit sharing, employee stock ownership or other employee benefit plan of the Corporation or any Subsidiary or any trustee or fiduciary

of any such plan when acting in such capacity) who or which, as of the record date for the determination of shareholders entitled to notice of and to vote on such Business Combination, or immediately prior to the consummation of any such transaction:

(a) is the beneficial owner, directly or indirectly, of not less than ten percent of the Voting Shares; or

(b) is an Affiliate or Associate of the Corporation and at any time within three (3) years prior thereto was the beneficial owner, directly or indirectly, of not less than ten percent of the then outstanding Voting Shares; or

(c) is an assignee or has otherwise succeeded to control of any Voting Shares of the Corporation which were at any time within three (3) years prior thereto beneficially owned by any 10% Shareholder, if such assignment or succession shall have occurred in the course of a transaction or series of transactions not involving a public offering within the meaning of the Securities Act of 1933.

4. A person shall be the "beneficial owner" of any Voting Shares:

(a) which such person or any of its Affiliates and Associates beneficially owns, directly or indirectly; or

(b) which such person or any of its Affiliates or Associates has, directly or indirectly

(i) the right to acquire (whether such right is exercisable immediately or only after the passage of time), pursuant to any agreement, arrangement or understanding or upon the exercise of conversion rights, exchange rights, warrants, options, or otherwise, or

(ii) the right to vote pursuant to any agreement, arrangement or understanding; or

(c) which are beneficially owned, directly or indirectly, by any other person with which such first mentioned person or any of its Affiliates or Associates has any agreement, arrangement or understanding for the purpose of acquiring, holding, voting or disposing of any Voting Shares.

5. Voting Shares shall include shares deemed beneficially owned through application of subparagraph 4 above but shall not include any Voting Shares which may be issuable pursuant to any

agreement, arrangement or understanding or upon exercise of conversion rights, warrants, options, or otherwise.

6. "Continuing Director" shall mean any member of the Board of Directors who is not an Affiliate or Associate or representative of the 10% Shareholder and who was a member of the Board of Directors of the Corporation prior to the date as of which any 10% Shareholder acquired in excess of five percent of the then outstanding Voting Shares, or a person designated (before his initial election as a Director) as a Continuing Director by a majority of the then Continuing Directors.

7. In the event of any Business Combination in which the Corporation survives, the phrase "consideration other than cash to be received" shall mean Common shares and/or the shares of any other class of outstanding Voting Shares of the Corporation retained by the holders of such shares.

8. "Affiliate" and "Associate" shall have the respective meanings given those terms in Rule 12b-2 of the General Rules and Regulations under the Securities Exchange Act of 1934, as in effect on January 1, 1986.

9. "Subsidiary" means any company of which a majority of any class of equity security is owned, directly or indirectly, by the Corporation; provided, however, that for the purposes of the definition of 10% Shareholder set forth in subparagraph 3 of this paragraph C., the term "Subsidiary" shall mean only a company of which a majority of each class of equity security is owned, directly or indirectly, by the Corporation.

10. The term "Capital Stock" shall mean all capital stock of this Corporation authorized to be issued from time to time under these Articles of Incorporation as amended from time to time.

11. The term "Fair Market Value" means:

(a) in the case of shares, the highest closing sale price during the 30-day period immediately preceding the date in question of such a share on the New York Stock Exchange; and

(b) in the case of property other than cash or shares, the fair market value of such property on the date in question as determined by a majority of Continuing Directors then on the Board.

D. A majority of the Continuing Directors shall have the power and duty to determine for the purposes of this Article on the basis of information known to them:

1. The number of Voting Shares beneficially owned by any person,

2. Whether a person is an Affiliate or Associate of another,

3. Whether a person has an agreement, arrangement or understanding with another as to the matters referred to in subparagraph 4 of paragraph C. of this Article,

4. Whether the assets which are the subject of any Business Combination have an aggregate Fair Market Value of five million dollars (\$5,000,000) or more, and

5. Any other matters with respect to which a determination is required under this Article. Any such determinations made in good faith shall be binding and conclusive on all parties.

E. Consideration for shares to be paid to any shareholder pursuant to this Article shall be the minimum consideration payable to the shareholder and shall not limit a shareholder's right under any provision of law or otherwise to receive greater consideration for any shares of the Corporation.

F. The fact that any Business Combination complies with the provisions of subparagraph B.2. of this Article shall not be construed to impose any fiduciary duty, obligation or responsibility on the Board of Directors, or any member thereof, to approve such Business Combination or recommend its adoption or approval to the shareholders of the Corporation, nor shall such compliance limit, prohibit or otherwise restrict in any manner the Board, or any member thereof, with respect to evaluations of or actions and responses taken with respect to such Business Combination.

G. Notwithstanding any other provisions of these Restated Articles of Incorporation or the Bylaws of the Corporation any amendment, alteration, change or repeal of this Article shall require the affirmative vote of the holders of at least 70 percent of the then outstanding Voting Shares; provided that this paragraph G. shall not apply to, and such 70 percent vote shall not be required for, any amendment, alteration, change or repeal recommended to the shareholders by two-thirds of the Continuing Directors. H. Nothing contained in this Article shall be construed to relieve any 10% Shareholder from any fiduciary obligation imposed by law.

ARTICLE XII. These Restated Articles of Incorporation correctly set forth without change the corresponding provisions of the Articles of Incorporation as heretofore amended and hereby amended, and supersede the original articles of incorporation and all amendments thereto.

Dated March 24, 1998

/s/ P.K. Merrell

Vice President

/s/ R.M. Ralph

Assistant Secretary

CERTIFICATE OF ADOPTION OF

RESTATED ARTICLES OF INCORPORATION OF

THE MONTANA POWER COMPANY

Pursuant to the provisions of Section 35-1-231, Montana Code Annotated, the undersigned corporation makes the following statements:

FIRST: The name of the corporation is The Montana Power Company.

SECOND: The annexed Restated Articles of Incorporation of The Montana Power Company were approved by the Board of Directors on March 24, 1998. The Restated Articles contain the amendments described below, which were previously approved by the shareholders or the Board of Directors and filed with the Secretary of the States Office on the dates noted.

A. The following amendment to the corporation's Restated

Articles of Incorporation was adopted by the shareholders of the corporation on May 14, 1996 and filed with the Secretary of the State on June 14, 1996, in the manner prescribed by the Montana Business Corporation Act.

Article VI of the Restated Articles of Incorporation of the corporation is amended to read as follows:

No Director of the Corporation shall be personally liable to the Corporation or its shareholders for money damages for any actions taken or any failure to take any action, as a Director, except liability for: (a) the amount of a financial benefit received by a Director to which the Director is not entitled; (b) an intentional infliction of harm on the corporation or its shareholders; (c) a violation of 35-1-713 of the Montana Code Annotated; or, (d) an intentional violation of criminal law. No amendment to or repeal of this Article VI shall apply to or have any effect on the liability or alleged liability of any Director of the Corporation for or with respect to any acts or omissions of such Director occurring prior to such amendment or repeal.

B. The following amendment to the corporation's Restated Articles of Incorporation was adopted by the shareholders of the corporation on May 30, 1995 and filed with the Secretary of the State on June 12, 1995, in the manner prescribed by the Montana Business Corporation Act.

Article V of the Restated Articles of Incorporation of the corporation is amended so that the following paragraph is added at the end thereof:

Notwithstanding anything contained in these Articles (including Article VIII hereof) or in the Bylaws of the Corporation to the contrary (and notwithstanding the fact that a lesser percentage may be specified by law, these Articles or the Bylaws of the Corporation), any amendment, alteration, change or repeal of, or the adoption of any provision inconsistent with, this Article V or Section 11 of the Bylaws of the Corporation by shareholders shall require the affirmative vote of the holders of at least two-thirds of the shares of the Corporation entitled to vote thereon.

C. On August 24, 1993 and October 26, 1993, the Board of Directors of the corporation established and designated a Fourth Series of Preferred Stock, determining with respect to such Series the dividend rate, periods and payment dates, the

redemption prices and the amount to be paid in the event of liquidation, dissolution or winding up of the affairs of the corporation or any distribution of its capital, and authorized the amendment to the Restated Articles of Incorporation and was filed with the Secretary of the State on October 29, 1993. The text of the amendment so authorized is as follows, and has been inserted as a new, undesignated subparagraph at the end of Section (a) of Article VII of the Restated Articles of Incorporation:

Fourth Series

The Fourth Series of Preferred Stock of the Company (the "Fourth Series"), consists of 500,000 shares designated as "Preferred Stock, \$6.875 Series," and has the relative rights, preferences and limitations as set fourth in these Restated Articles of Incorporation, and as follows:

(A) The dividend rate for the Fourth Series shall be \$6.875 per share per annum; quarterly periods ending January 31, April 30, July 31 and October 31 of each year hereby are established as the regular dividend periods for the shares of such Series and dividends for such periods shall be payable, in arrears, on February 1, May 1, August 1, and November 1 of each year; provided, however, the first dividend shall be payable, in arrears, on February 1, 1994, for the period from the date of the original issue through January 31, 1994; and dividends on shares of the Fourth Series shall be cumulative from the date of original issue;

(B) The shares of the Fourth Series shall not be redeemable prior to November 1, 2003; the shares shall be redeemable, at the option of the Company, in whole or in part, at any time upon not less than thirty (30) days' notice, on and after November 1, 2003, at the redemption prices per share set forth below, plus, in each case, accumulated but unpaid dividends to the date of redemption:

Redemption Period	Price
November 1, 2003 to October 31, 2004	\$103.438
November 1, 2004 to October 31, 2005	\$103.094
November 1, 2005 to October 31, 2006	\$102.750
November 1, 2006 to October 31, 2007	\$102.406
November 1, 2007 to October 31, 2008	\$102.063
November 1, 2008 to October 31, 2009	\$101.719
November 1, 2009 to October 31, 2010	\$101.375
November 1, 2010 to October 31, 2011	\$101.031
November 1, 2011 to October 31, 2012	\$100.688

November 1, 2012 to October 31, 2013
November 1, 2013 and thereafter

\$100.344
\$100.000

(C) The amount which shall be paid to the holders of shares of the Fourth Series in the event of any liquidation, dissolution or winding up of the affairs of the Company or any distribution of its capital, whether voluntary or involuntary, before any distribution or payment shall be made to the holders of Common Stock, shall be \$100 per share, plus accumulated but unpaid dividends.

D. The following amendment to its Articles of Incorporation was adopted by the shareholders of the corporation on May 8, 1990 and filed with the Secretary of the State on May 24, 1990, in the manner prescribed by the Montana Business Corporation Act. When this amendment was filed with the Secretary of the State the Article referenced as Article VI should have been referenced as Article VII. This was clerical error, the amendment approved by shareholders did reference Article VII, and is so referenced in the Restated Articles of Incorporation. Article VII was also addressed on March 24, 1998, at The Montana Power Company Board of Directors meeting, clarifying the intention concerning this amendment as follows:

RESOLVED further, that the language in the first paragraph of Section VII of the Articles of Incorporation, when amended by shareholders in 1990 was intended to replace both the first and second sentences of that section and the attached Restated Articles of Incorporation have so replaced both sentences so that the following two sentences contained in the Restated Articles of 1988 are;

ARTICLE VII. The aggregate number of shares which the Corporation has authority to issue is 65,000,000 shares without nominal or par value, consisting of 5,000,000 Preferred shares and 60,000,000 Common shares.

At the date hereof, the aggregate number of shares, issued and unissued, itemized by class and series, if any, within each class is as follows:

	Issued	Unissued	Total
	-----	-----	-----
Common	23,750,936	36,249,064	60,000,000

Preferred:			
\$6.00 Series	159,589		
\$4.20 Series	60,000		
\$2.15 Series	1,200,000		
Undesignated		3,580,411	5,000,000

And, the following sentence replaces the above two sentences in the attached Restated Articles of Incorporation:

ARTICLE VII. The aggregate number of shares which the Corporation has authority to issue is 125,000,000 shares without nominal or par value, consisting of 5,000,000 Preferred shares and 120,000,000 Common shares.

THIRD: Shareholder approval of these Restated Articles of Incorporation is not required.

FOURTH: The adopted Restated Articles of Incorporation supersede the original Articles of Incorporation and all amendments to them and all prior restatements.

DATED: March 24, 1998

THE MONTANA POWER COMPANY

/s/ Pamela K. Merrell

Vice President and Secretary

(SEAL)

/s/ R.M. Ralph

Assistant Secretary

STATE OF MONTANA)
) ss.
County of Silver Bow)

I, the undersigned, Notary Public, do hereby certify that on this 26th day of March 1998, personally appeared before me P. K. Merrell, who, being by me first sworn, declared that she is Vice President and Secretary of The Montana Power Company, that she signed the foregoing document as Vice President and Secretary of

the corporation, and that the statements therein contained are true.

(SEAL)

Notary Signature

Notary Public for the State of Montana

Residing at Butte, Montana

My Commission expires _____.

[Notarial Seal]

THE MONTANA POWER COMPANY
BYLAWS
TABLE OF CONTENTS

SECTION 1.	Principal Office	Page	1
SECTION 2.	Location of Shareholders Meetings	Page	1
SECTION 3.	Shareholders Meetings	Page	1
A.	Annual Meeting of Shareholders	Page	1-3
B.	Special Meeting of Shareholders	Page	3
C.	General	Page	3-4
SECTION 4.	Call of Special Meetings of Shareholders	Page	4
SECTION 5.	Notice of Shareholders Meetings	Page	4-5
SECTION 6.	Shareholder Meeting Quorum	Page	5
SECTION 7.	Shareholder Voting	Page	5
SECTION 8.	List of Shareholders	Page	5
SECTION 9.	Form of Certificates	Page	5
SECTION 10.	Share Transfer	Page	5-6
SECTION 11.	Directors	Page	6
A.	Number and Terms	Page	6
B.	Removal by Shareholders	Page	6
C.	Vacancies	Page	6-7
D.	Indemnification	Page	7
SECTION 12.	Directors Meetings	Page	7
SECTION 13.	Designation Officers	Page	7-8
SECTION 14.	Duties of Officers	Page	8
A.	Chief Executive Officer	Page	8

B.	Chairman of the Board	Page	8
C.	Vice Chairman	Page	9
D.	President	Page	9
E.	Vice President	Page	9
F.	Treasurer	Page	9
G.	Assistant Treasurer	Page	9
H.	Controller	Page	9
I.	Assistant Controller	Page	9
J.	Secretary	Page	9-10
K.	Assistant Secretary	Page	10
L.	Other	Page	10
SECTION 15.	Board Committee	Page	10
A.	Executive Committee	Page	10
B.	Other Committees	Page	10-11
SECTION 16.	Miscellaneous Board Authority	Page	11
A.	Banking	Page	11
B.	Director Compensation	Page	11
C.	Record Dates	Page	11
SECTION 17.	Corporate Seal	Page	11
SECTION 18.	Amendment of Bylaws	Page	11
SECTION 19.	Disposition of Assets	Page	12
A.	Disposition in Ordinary Course of Business	Page	12
B.	Mortgage or Pledge	Page	12
C.	Disposition of All or Substantially All Assets	Page	12
SECTION 20.	Office of the Corporation	Page	12
SECTION 21.	Corporate Acquisition of Own Shares	Page	13

As Adopted August 22, 1995

As Amended on January 1, 1998, May 12, 1997 & August 27, 1996

BYLAWS
OF
THE MONTANA POWER COMPANY

SECTION 1. Principal Office. The principal office of the

corporation is 40 East Broadway, Butte, State of Montana. The Corporation may also have offices at such other places within or without the State of Montana as the Board of Directors shall from time to time determine.

SECTION 2. Location of Shareholders Meetings. Meetings of the

shareholders and meetings of the Board of Directors shall be held in Butte, Montana, or, upon resolution by the Board of Directors, may be held at another place, within or without the State of Montana.

SECTION 3. Shareholder Meetings.

(A) Annual Meeting of Shareholders.

(1) The annual meeting of the shareholders of the Corporation for the election of Directors and such other business as shall properly come before such meeting shall be held on (a) the second Tuesday in May in each year, unless that date is a legal holiday, in which case such meeting shall be held on the first day thereafter which is not a legal holiday, or (b) at such other date and/or time as may be fixed by resolution of the Board of Directors. Nominations of persons for election to the Board of Directors of the Corporation and the proposal of business to be considered by the shareholders may be made at an annual meeting of shareholders (a) pursuant to the Corporation's notice of meeting delivered pursuant to Section 5 of these Bylaws, (b) by the Board of Directors pursuant to a resolution duly adopted or (c) by any shareholder of the Corporation who is entitled to vote at the meeting, who complied with the notice procedures set forth in clauses (2) and (3) of paragraph (A) of this Bylaw and who was a shareholder of record at the time such notice is delivered to the Secretary of the Corporation.

(2) For nominations or other business to be properly brought before an annual meeting by a shareholder pursuant to clause (c) of paragraph (A) (1) of this Bylaw, the shareholder must have given timely notice thereof in writing to the Secretary of the Corporation. To be timely, a shareholder's notice shall be delivered to the Secretary at the principal executive offices of the Corporation not less than 120 days in advance of the anniversary date of the release of the Corporation's proxy statement made in connection with the

previous annual meeting; provided, however, that in the event that the date of the annual meeting is advanced by more than twenty days, or delayed by more than seventy days, from the anniversary date of the previous annual meeting, notice by the shareholder to be timely must be so delivered not later than the close of business on the later of the 120th day prior to such annual meeting or the tenth day following the day on which public announcement of the date of such meeting is first made. Such shareholder's notice shall set forth (a) as to each person whom the shareholder proposes to nominate for election or reelection as a Director, all information relating to such person that is required to be disclosed in solicitations of proxies for election of Directors, or is otherwise required, in each case pursuant to Regulation 14A under the Securities Exchange Act of 1934, as amended (the "Exchange Act"), including such person's written consent to being named in the proxy statement of the nominator as a nominee and to serving as a Director if elected; (b) as to any other business that the shareholder proposes to bring before the meeting, a brief description of the business desired to be brought before the meeting, the reasons for conducting such business at the meeting and any material interest in such business of such shareholder and the beneficial owner, if any, on whose behalf the proposal is made; and (c) as to the shareholder giving the notice and the beneficial owner, if any, on whose behalf the nomination or proposal is made (i) the name and address of such shareholder, as they appear on the Corporation's books, and of such beneficial owner and (ii) the class and number of shares of the Corporation which are owned beneficially and of record by such shareholder and such beneficial owner.

(3) Notwithstanding anything in the second sentence of paragraph (A) (2) of this Bylaw to the contrary, in the event that the number of Directors to be elected to the Board of Directors is increased and the public announcement naming all of the nominees for Director or specifying the size of the increased Board of Directors is not made by the Corporation at least ten days prior to the date by which shareholders proposals and nominations must be received by the Corporation, a shareholder's notice required by this Bylaw shall also be considered timely, but only with respect to nominees for any new positions created by such increase, if it shall be delivered to the Secretary at the principal executive offices of the Corporation not later than the close of business on the tenth day following the day on which such public announcement is first made by the Corporation.

(B) Special Meeting of Shareholders. Only such business

shall be conducted at a special meeting of shareholders as shall have been brought before the meeting pursuant to the Corporation's notice of meeting pursuant to Section 5 of these Bylaws. Nominations of persons for election to the Board of Directors may be made at a special meeting of shareholders at which Directors are to be elected pursuant to the Corporation's notice of meeting (i) by or at the direction of the Board of Directors or (ii) by any shareholder of the Corporation who is entitled to vote at the meeting, who complies with the notice procedures set forth in this Bylaw and who is a shareholder of record at the time such notice is delivered to the Secretary of the Corporation. Nominations by shareholders of persons for election to the Board of Directors may be made at such a special meeting of shareholders if a shareholder's notice as described in the third sentence of paragraph (A) (2) of this Section 3 of the Bylaws shall be delivered to the Secretary at the principal executive offices of the Corporation not later than the close of business on the later of the seventieth day prior to such special meeting or the tenth day following the day on which public announcement is first made of the date of the special meeting and of the nominees proposed by the Board of Directors to be elected at such meeting.

(C) General.

(1) Only persons who are nominated in accordance with the procedures set forth in this Bylaw shall be eligible to serve as Directors and only such business shall be conducted at a meeting of shareholders as shall have been brought before the meeting in accordance with the procedures set forth in this Bylaw. Except as otherwise provided by the laws of the State of Montana, the Restated Articles of Incorporation of the Corporation or these Bylaws, the chairman of the meeting shall have the power and duty to determine whether a nomination or any business proposed to be brought before the meeting was made in accordance with the procedures set forth in this Bylaw and, if any proposed nomination or business is not in compliance with this Bylaw, to declare that such defective proposal or nomination shall be disregarded.

(2) For purposes of this Bylaw, "public announcement" shall mean disclosure in a press release reported by the Dow Jones News Service, Associated Press or comparable national news service or in a document publicly filed by the Corporation with the Securities and Exchange Commission pursuant to Section 13, 14 or 15(d) of the Exchange Act.

(3) Notwithstanding the foregoing provisions of this Bylaw,

a shareholder shall also comply with all applicable requirements of the Exchange Act and the rules and regulations thereunder with respect to the matters set forth in this Bylaw. Nothing in this Bylaw shall be deemed to affect any rights of shareholders to request inclusion of proposals in the Corporation's proxy statement pursuant to Rule 14a-8 under the Exchange Act.

SECTION 4. Call of Special Meetings of Shareholders. Special

meetings of the shareholders of the Corporation may be held upon the call of the Board of Directors, Chairman of the Board, Vice Chairman of the Board, Chief Executive Officer, President, or holders of at least ten percent (10%) of the number of shares outstanding and entitled to vote thereat, in Butte, Montana.

SECTION 5. Notice of Shareholders Meetings. Notice of every

meeting of shareholders shall be mailed by the Secretary at least ten (10) days before the meeting, to each holder of record of shares entitled to vote thereat, to the last known post office address appearing upon the records of the Corporation (unless there is provided under the laws of the State of Montana a different provision for notice of meeting) provided, however, that if a shareholder waives notice thereof in writing before or after the meeting, notice of the meeting to such shareholder is unnecessary and that notice to employee shareholders may be sent to their work addresses through intercompany mail.

SECTION 6. Shareholder Meeting Quorum. The holders of a

majority of the number of shares of the Corporation entitled to vote, present in person or by proxy, shall constitute a quorum, but less than a quorum shall have power to adjourn any meeting from time to time, or to a day certain.

SECTION 7. Shareholder Voting. At every meeting of

shareholders, each holder of shares entitled to vote thereat shall be entitled to one vote for each share held and may vote and otherwise act in person or by proxy.

SECTION 8. List of Shareholders. Not less than two (2)

business days after notice has been given of a meeting of the shareholders, a full list of the holders of shares entitled to vote at such meeting, arranged in alphabetical order, with the residence of each and the number of such shares held by each, shall be prepared by the Secretary or Officer designated by the Board of Directors and filed in the principal office of the Corporation, which shall, at all times during the usual hours of

business and during the meeting or vote, be kept open to the examination of any shareholder.

SECTION 9. Form of Certificates. Share certificates shall be

of such form and device as the Board of Directors may determine, and shall be signed by the Chairman of the Board of Directors, Vice Chairman, Chief Executive Officer, President or a Vice President and the Secretary or an Assistant Secretary, and sealed with the seal of the Corporation, but where such certificates are signed by a transfer agent or an assistant transfer agent and a registrar, the signatures of the Chairman of the Board of Directors, Vice Chairman of the Board, the Chief Executive Officer, President, Vice President, Secretary or Assistant Secretary and the seal of the Corporation may be facsimiles.

SECTION 10. Share Transfer. The shares of the Corporation

shall be transferable or assignable on the books of the Corporation by the holders in person or by attorney on the surrender of the certificates therefor. The Board of Directors may appoint one or more transfer agents and registrars of the shares. The Books for the transfer of the shares may be closed for such period before and during any meeting of shareholders, the payment of any dividend, the allotment of rights or the date when any change or conversion or exchange of shares shall go into effect, not to exceed seventy (70) days at any one time, as the Board of Directors may from time to time determine.

SECTION 11. Directors.

(A) Number and Terms. The affairs of the Corporation shall be

managed by a Board of thirteen (13) Directors.

(1) The Directors shall be divided into three groups,

each as nearly equal in number as possible. Each group of Directors shall stand for election upon expiration of their terms. Directors shall hold office for a term of three (3) years or until a successor is duly elected and qualified; provided, however, that at the annual meeting of shareholders to be held in May 1996, seven (7) Directors shall be elected with six Directors serving a term of three (3) years and one (1) Director serving a term of two (2) years.

(2) The number of Directors may be increased or decreased from time to time by amendment to these Bylaws duly adopted by the Directors, but no increase or decrease shall exceed thirty percent (30%) of the number provided for immediately before the change if that number was fixed by

the shareholders. No decrease in the number of Directors shall have the effect of shortening the term of any incumbent Director. The classification and term of Directors may be changed from time to time by amendment to the Bylaws duly adopted by the Directors, but no such change shall affect the term of any incumbent director.

B. Removal by Shareholders. The shareholders at any meeting,

by the vote of two-thirds of the number of shares outstanding and entitled to vote for the election of Directors, may remove any Director and fill the vacancy. If less than the entire Board is to be removed, no Director may be removed if the votes cast against the Director's removal would be sufficient to elect the Director if then cumulatively voted at an election of the class of Directors of which the Director is a part.

C. Vacancies. Vacancies in the Board of Directors may be

filled by the Board at any meeting at which a quorum is present. If the Directors remaining in office are fewer than a quorum, the vacancy may be filled by the vote of a majority of the Directors remaining in office. Any Director appointed by the Board to fill a vacancy created in the Board of Directors by virtue of an increase in the number of Directors shall hold office until the next regular annual meeting of the shareholders at which time the shareholders shall elect a person to fill such office.

D. Indemnification. The Company shall indemnify each present

or future Director and Officer of the Company in the manner provided in Sections 35-1-451 through 35-1-459, M.C.A. The foregoing right of indemnification shall not exclude or restrict any other rights or actions which any Director or Officer may have, and shall be available whether or not the Director or Officer continues to hold such office at the time of incurring such expense or discharging such liability.

SECTION 12. Director Meetings. Meetings of the Board of

Directors shall be held at the times fixed by resolution of the Board or upon call of the Chairman of the Board, Vice Chairman of the Board, the Chief Executive Officer, the President or any two Directors. The Secretary shall give reasonable notice (which need not exceed two days) of all meetings of Directors, provided that a meeting may be held without notice immediately after the annual election, and notice need not be given of regular meetings held at times fixed by resolution of the Board. Meetings may be held at any time without notice if all the Directors are present or if those not present waive notice in writing either before or after the meeting. Notice by mail, facsimile or telegraph to the

usual business or residence address of the Director not less than the time above specified before the meeting shall be sufficient. A majority of the Board shall constitute a quorum, but any number less than a quorum may adjourn the meeting from time to time, or to a day certain.

SECTION 13. Designation of Officers. The Board of Directors,

as soon as may be convenient after the election of Directors in each year, shall elect one of their number Chairman of the Board and may elect one of their number as Vice Chairman of the Board. The Board shall also elect a President. The Board shall either designate any one of these Officers as Chief Executive Officer of the Corporation, or elect a Chief Executive Officer separately.

The Board shall also elect a Secretary, a Treasurer, a Contoller, one or more Vice Presidents, one or more Assistant Secretaries, one or more Assistant Treasurers, one or more Assistant Controllers, and such other Officers as they deem proper.

Any two or more offices may be held by the same person. The term of office of all Officers shall be until the next election of Directors and until their respective successors are chosen and qualified, but any Officer may be removed from office and any office may be abolished at any time by the Board of Directors. Vacancies in the offices shall be filled by the Board of Directors, save that the Chairman of the Board, the Chief Executive Officer or the President may from time to time appoint one or more Assistant Secretaries and one or more Assistant Treasurers, or may remove such officers; provided that the Board shall be notified of such appointments or removals at the next following meeting of the Board.

SECTION 14. Duties of Officers. The powers and duties of the

Officers of the Corporation shall be as follows:

A. Chief Executive Officer. The person designated by the

Board to be the Chief Executive Officer of the Corporation, under the direction of the Board of Directors, shall have general authority over all the affairs of the Corporation, and over all other Officers, agents and employees of the Company. In the event of the absence or disability of the Chief Executive Officer; a) if the Chief Executive Officer is also Chairman of the Board, then the provision made for that office shall govern, and b) if the Chief Executive Officer is separately elected, then the Chairman of the Board shall perform the duties of that office until the absence ceases, the disability is removed or the Board of Directors has

named a successor.

B. Chairman of the Board. The Chairman of the Board shall

preside at all meetings of the shareholders and at all meetings of the Board of Directors, and shall also have authority to call special meetings of the Board of Directors, of the Executive Committee, and of any other standing or special committee appointed by or upon the authority of the Board of Directors. The Chairman of the Board shall call meetings of the Executive Committee when requested by two of its members, and shall do and perform all acts and things incident to the position of Chairman. At the request of the Chairman, in the case of absence, or upon a determination of temporary disability of the Chairman by the Board of Directors, the duties of that office will be performed by the following officers, selected in the following order: 1) Chief Executive Officer, 2) Vice Chairman of the Board, and 3) President.

C. Vice Chairman. A Vice Chairman of the Board shall have such

duties and authority as may be assigned by the Board of Directors or the Chief Executive Officer.

D. President. The President shall have such duties and

authority as may be assigned by the Board of Directors or the Chief Executive Officer.

E. Vice President. Each Vice President shall have such

authority and shall perform such duties as shall from time to time be assigned by the Board of Directors or the Chief Executive Officer.

F. Treasurer. The Treasurer shall have custody of all moneys

and funds of the Corporation, and shall cause to be kept full and accurate records of receipts and disbursements of the Corporation. The Treasurer shall deposit all moneys and other valuables of the Corporation in the name and to the credit of the Corporation in such depositories as may be designated by the Board of Directors, and shall disburse such funds of the Corporation as have been duly approved for disbursement. The Treasurer shall perform such other duties as may from time to time be prescribed by the Board of Directors or the Chief Executive Officer.

G. Assistant Treasurer. The Assistant Treasurers shall

perform such duties as may be assigned from time to time by the

Chief Executive Officer or by the Treasurer. In the absence or disability of the Treasurer, the duties of that office shall be performed by the Assistant Treasurer designated by the Chief Executive Officer.

H. Controller. The Controller shall be the Administrative

Officer in charge of accounting functions of the Corporation. The Controller shall perform such other duties as may from time to time be prescribed by the Board of Directors, or by the Chief Executive Officer.

I. Assistant Controller. The Assistant Controllers shall

perform such duties as may be assigned from time to time by the Chief Executive Officer or by the Controller. In the absence or disability of the Controller, the duties of that office shall be performed by the Assistant Controller designated by the Chief Executive Officer.

J. Secretary. The Secretary shall attend all meetings of the

Board of Directors and of the Executive Committee and all meetings of the shareholders, and shall record the minutes of all proceedings in books to be kept for that purpose. The Secretary shall be responsible for maintaining a proper share register and stock transfer books for all classes of shares issued by the Corporation and shall give, or cause to be given, all notices required either by law or by the Bylaws. The Secretary shall keep the seal of the Corporation in safe custody and shall affix the seal of the Corporation to any instrument requiring it and shall attest the same. The Secretary shall have such other duties as may be prescribed by the Board of Directors or the Chief Executive Officer.

K. Assistant Secretary. The Assistant Secretaries shall

perform such duties as may be assigned from time to time by the Chief Executive Officer or by the Secretary. In the absence or disability of the Secretary, the duties of that office shall be performed by the Assistant Secretary designated by the Chief Executive Officer.

L. Other. Such other Officers as may from time to time be

appointed by the Board of Directors shall have such duties and authority as may be assigned to them from time to time by the Board or by the Chief Executive Officer.

SECTION 15. Board Committees.

A. Executive Committee. The Board of Directors, as soon as may

be convenient after the election of Directors in each year, may by a resolution passed by a majority of the whole Board appoint three or more of their number to constitute an Executive Committee which, subject to the provisions of the charter of the Corporation and of the Bylaws, shall have and may exercise during the intervals between the meetings of the Board all of the powers vested in the Board in the management of the business, affairs and property of the Corporation, except as limited by these Bylaws, the Articles of Incorporation, the laws of the State of Montana, or a resolution of the Board of Directors. The Board shall have the power at any time to change the membership of such Committee and to fill vacancies in it. The Executive Committee may make rules for the conduct of its business and may appoint such committees and assistants as it may deem necessary. A majority of the members of said Committee shall constitute a quorum.

B. Other Committees. The Board of Directors, by resolution

adopted by a majority of the full Board of Directors, may designate, from time to time, from among its members one or more committees, in addition to the Executive Committee, each of which, to the extent provided by resolution adopted by a majority of the full Board of Directors, shall have and may exercise all of the authority of the Board of Directors, except to the extent that the authority of any such committee expressly shall be limited by the provisions of these Bylaws, of the Articles of Incorporation or of the laws of the State of Montana.

SECTION 16. Miscellaneous Board Authority. The Board of

Directors is authorized:

(A) Banking. To select such depositaries as they shall deem

proper for the funds of the Corporation. All checks, drafts or orders for the payment of money against such deposited funds and all notes and acceptances shall be signed and countersigned by persons to be specified by the Board of Directors or the Executive Committee.

(B) Director Compensation. To authorize the payment of

compensation to the Directors for services to the Corporation, including fees for attendance at meetings of the Board of Directors and of the Executive Committee and all other committees and to determine the amount or basis of such compensation and fees;

(C) Record Dates. To fix (in lieu of closing the stock

transfer books, as authorized by Section 10) in advance a date, not exceeding seventy (70) days before and during any meetings of shareholders, the payment of any dividend, the allotment of rights, or the date when any change or conversion or exchange of shares shall go into effect, as a record date for the determination of the shareholders entitled to notice of and to vote at any such meeting, or entitled to receive payment of any such dividend, or any such allotment of rights, or exercise such rights, as the case may be, notwithstanding any transfer of any shares on the books of the Corporation after any such record date fixed as aforesaid.

SECTION 17. Corporate Seal. The corporate seal of the

corporation shall be in such form as the Board of Directors shall prescribe.

SECTION 18. Amendment of Bylaws. Either the Board of Directors

or the shareholders entitled to vote for the election of Directors may alter or amend these Bylaws at any meeting duly held as above provided, the notice of which includes notice of the proposed amendment. Any such alteration or amendment shall be made in accordance with Section 35-1-234, M.C.A.

SECTION 19. Disposition of Assets.

A. Disposition in Ordinary Course of Business. The Board of

Directors shall have authority to sell, lease, exchange or otherwise dispose of, the whole or any part of the property and assets of every kind and description of the Corporation in the ordinary and usual course of business, for property, cash, or for the whole or any part of the capital stock of any other corporation, whether domestic or foreign, or otherwise, as the Board may determine, and upon such terms and conditions as the Board may determine. Said Board shall have plenary powers in carrying out the authority herein granted.

B. Mortgage or Pledge. The Board may mortgage or pledge any

or all the property and assets of the Corporation, whether or not in the usual and regular course of business, upon such terms and conditions, and for such consideration, which may consist in whole or in part of money or property, real or personal, including shares of any other corporation, domestic or foreign, as shall be authorized by the Board of Directors.

C. Disposition of All or Substantially All Assets. The Board

may, by resolution, recommend the sale, lease, exchange or other disposition of all or substantially all the property and assets of the Corporation, and direct the submission of the resolution to a vote of the shareholders at either a regular or special meeting. Written notice shall be given each shareholder, whether or not entitled to vote at such meeting, at least thirty (30) days before such meeting, and shall state that the purpose, or one of the purposes, is to consider the proposed sale, lease, exchange, or other disposition. At such meeting, the affirmative vote of holders of two-thirds (2/3) of the shares entitled to vote thereat is required to authorize such sale, lease, exchange or other disposition. Nevertheless, the Board may thereafter abandon such sale, lease, exchange or other disposition without further shareholder action.

SECTION 20. Office of the Corporation. There is an

administrative organization within the corporation called the Office of the Corporation, consisting of such persons as the Chief Executive Officer may designate. The function of the Office of the Corporation is to provide supervision, policy direction and corporate services for all branches of the business of the Company and its subsidiaries.

SECTION 21. Corporate Acquisition of its Own Shares.

The Company may acquire its own shares, and shares so acquired shall constitute authorized and issued shares.

Exhibit 5(a)

July 21, 1998

The Montana Power Company
40 East Broadway
Butte, Montana 59701

Dear Sirs:

With respect to the Registration Statement to be filed with the Securities and Exchange Commission pursuant to the Securities Act of 1933, as amended, on or about the date hereof, contemplating the sale by The Montana Power Company of 2,000,000 additional shares of its Common Stock ("Stock") and Preferred Share Purchase Rights ("Rights") pursuant to the Company's 1998 Long-Term Incentive Plan, I am of the opinion that:

1. The Company is a corporation duly organized and validly existing under the laws of the State of Montana and qualified to do business in the States of Idaho and Wyoming.

2. All of the outstanding shares of the Stock are legally issued, fully paid and nonassessable and the Rights appurtenant to the Stock are legally issued.

3. All action necessary to make any authorized but unissued shares of the Stock which may be purchased from the Company pursuant to the Plan legally issued, fully paid and nonassessable and the Rights appurtenant to the Stock legally issued will have been taken when:

(a) the Registration Statement shall have become effective;

(b) an appropriate order or orders of the Public Service Commission of Montana shall have authorized the issuance and sale of the Stock;

(c) appropriate action shall have been taken by the Company's Board of Directors with respect to the issuance and sale of the Stock;

(d) the Stock shall have been issued and delivered for the consideration contemplated in the Registration Statement; and

(e) the Rights appurtenant to the Stock shall have been issued in accordance with the terms of the Rights Agreement, dated as of June 6, 1989, between The Montana Power Company and First Chicago Trust Company of New York, as Rights Agent.

I hereby consent to the use of this opinion as an exhibit to the Registration Statement, and the use of my name, as counsel therein.

Very truly yours,

/s/ Michael E. Zimmerman

MICHAEL E. ZIMMERMAN

[Thelen Reid & Priest Letterhead]

Exhibit 5(b)

July 21, 1998

The Montana Power Company
40 East Broadway
Butte, Montana 59701

Dear Sirs:

With respect to the Registration Statement to be filed with the Securities and Exchange Commission (the "SEC") pursuant to the Securities Act of 1933, as amended (the "Act"), on or about the date hereof, contemplating the sale by The Montana Power Company of 2,000,000 additional shares of its Common Stock ("Stock") and Preferred Share Purchase Rights ("Rights") pursuant to the Company's 1998 Long-Term Incentive Plan, we are of the opinion that:

1. The Company is a corporation duly organized and validly existing under the laws of the State of Montana.

2. All action necessary to make any authorized but unissued shares of the Stock which may be purchased from the Company pursuant to the Plan legally issued, fully paid and nonassessable and the Rights appurtenant to the Stock legally issued will have been taken when:

(a) the Registration Statement shall have become effective;

(b) the issuance and sale of the Stock shall have

been authorized by an appropriate order or orders of the Public Service Commission of Montana;

(c) the Stock shall have been issued and delivered for the consideration contemplated in the Registration Statement;

(d) the Company's Board of Directors or a duly authorized committee thereof shall have taken appropriate action with respect to the issuance and sale of the Stock, and

(e) the Rights appurtenant to the Stock shall have been issued in accordance with the terms of the Rights Agreement, dated as of June 6, 1989, between The Montana Power Company and First Chicago Trust Company of New York, as Rights Agent.

We are members of the Bar of the State of New York and do not hold ourselves out as experts on the laws of any other state. In giving this opinion, we have relied as to matters of Montana law upon the opinion addressed to you, of even date herewith, of Michael E. Zimmerman, Esq., Vice President and General Counsel of the Company and a member of the Bar of the State of Montana.

We hereby consent to the use of this opinion as an exhibit to the Registration Statement, and the use of our name, as counsel, therein. In giving the foregoing consent, we do not thereby admit that we belong to the category of persons whose consent is required under Section 7 of the Act or the rules and regulations promulgated by the SEC thereunder.

Very truly yours,

/s/ Thelen Reid & Priest LLP

THELEN REID & PRIEST LLP

Consent of Independent Accountants

We hereby consent to the incorporation by reference in this Registration Statement on Form S-8 of our report dated February 5, 1998, which appears on page 46 of The Montana Power Company's Annual Report on Form 10-K for the year ended December 31, 1997.

/s/ PricewaterhouseCoopers LLP

PricewaterhouseCoopers LLP

Portland, Oregon

July 21, 1998