



# 2021 Second Quarter Earnings Webcast

July 28, 2021



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CEO



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## Forward Looking Statements

During the course of this presentation, there will be forward-looking statements within the meaning of the “safe harbor” provisions of the Private Securities Litigation Reform Act of 1995. Forward-looking statements often address our expected future business and financial performance, and often contain words such as “expects,” “anticipates,” “intends,” “plans,” “believes,” “seeks,” or “will.”

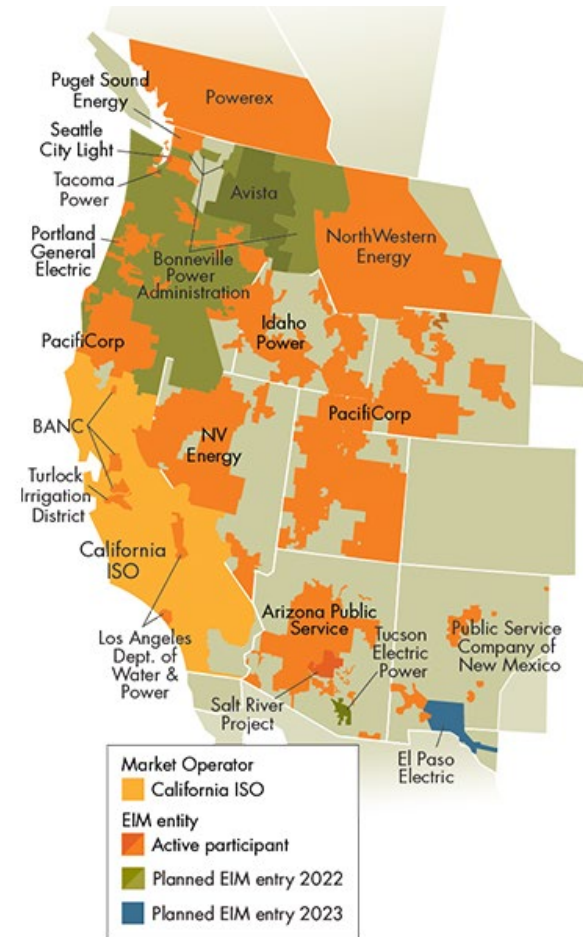
The information in this presentation is based upon our current expectations as of the date of this document unless otherwise noted. Our actual future business and financial performance may differ materially and adversely from our expectations expressed in any forward-looking statements. We undertake no obligation to revise or publicly update our forward-looking statements or this presentation for any reason. Although our expectations and beliefs are based on reasonable assumptions, actual results may differ materially. The factors that may affect our results are listed in certain of our press releases and disclosed in the Company’s 10-K and 10-Q along with other public filings with the SEC.



# Significant Events

- **Net income for the second quarter of 2021 increased \$15.7 million, as compared to the same period in 2020.**
  - Diluted earnings per share increased \$0.29 as compared to the same period in 2020.
  - After adjusting for weather differences and a non-cash liability adjustment, Non-GAAP\* adjusted earnings per share increased \$0.14 as compared to the same period in 2020.
- The Board of Directors declared a quarterly dividend of \$0.62 per share payable September 30, 2021 to shareholders of record as of September 15, 2021.
- In April 2021, we entered into an Equity Distribution Agreement having an aggregate gross sales price of up to \$200 million. During the three months ended June 30, 2021, we issued 879,309 shares of our common stock at an average price of \$64.91, for net proceeds of \$56.3 million.
- In June 2021, we joined the Western Energy Imbalance Market (WEIM). This real-time, within-hour energy market will provide the company's Montana customers with economically efficient energy to resolve imbalances and variations in load and generation on our Montana system.

WEIM active & Pending Participants





# Summary Financial Results

(Second Quarter)

(in millions except per share amounts)

## Three Months Ended June 30,

	2021	2020	Variance	% Variance
<b>Operating Revenues</b>	\$ 298.2	\$ 269.3	\$ 28.9	10.7%
Cost of Sales	67.9	61.0	6.9	11.3%
<b>Gross Margin <sup>(1)</sup></b>	<b>230.3</b>	<b>208.3</b>	<b>22.0</b>	<b>10.6%</b>
<b>Operating Expenses</b>				
Operating, general & administrative	77.1	71.7	5.4	7.5%
Property and other taxes	47.3	47.0	0.3	0.6%
Depreciation and depletion	46.8	44.8	2.0	4.5%
<b>Total Operating Expenses</b>	<b>171.2</b>	<b>163.5</b>	<b>7.7</b>	<b>4.7%</b>
<b>Operating Income</b>	<b>59.1</b>	<b>44.8</b>	<b>14.3</b>	<b>31.9%</b>
Interest Expense	(23.5)	(24.3)	0.8	3.3%
Other Income	3.0	0.2	2.8	(1400.0%)
<b>Income Before Taxes</b>	<b>38.6</b>	<b>20.8</b>	<b>17.8</b>	<b>85.6%</b>
Income Tax (Expense) Benefit	(1.4)	0.7	(2.1)	(300.0%)
<b>Net Income</b>	<b>\$ 37.2</b>	<b>\$ 21.5</b>	<b>\$ 15.7</b>	<b>73.0%</b>
Effective Tax Rate	3.4%	-3.5%	6.9%	
Diluted Shares Outstanding	51.1	50.6	0.5	0.9%
<b>Diluted Earnings Per Share</b>	<b>\$0.72</b>	<b>\$ 0.43</b>	<b>\$ 0.29</b>	<b>67.4%</b>
Dividends Paid per Common Share	\$ 0.62	\$ 0.60	\$ 0.02	3.3%



# Gross Margin

(Second Quarter)

(dollars in millions)

## Three Months Ended June 30,

	2021	2020	Variance	
Electric	\$ 192.2	\$ 169.6	\$ 22.6	13.3%
Natural Gas	38.1	38.7	(0.6)	(1.6%)
<b>Total Gross Margin <sup>(1)</sup></b>	<b>\$ 230.3</b>	<b>\$ 208.3</b>	<b>\$ 22.0</b>	<b>10.6%</b>

### Increase in gross margin due to the following factors:

\$9.1	Electric transmission
6.1	Electric QF liability adjustment
5.6	Electric retail volumes
(0.8)	Montana electric supply cost recovery
(0.5)	Natural gas retail volumes
(0.2)	Montana natural gas production rates
0.9	Other
<b>\$20.2</b>	<b>Change in Gross Margin Impacting Net Income</b>

(1) Gross Margin, defined as revenues less cost of sales, is a non-GAAP Measure. See appendix for additional disclosure.

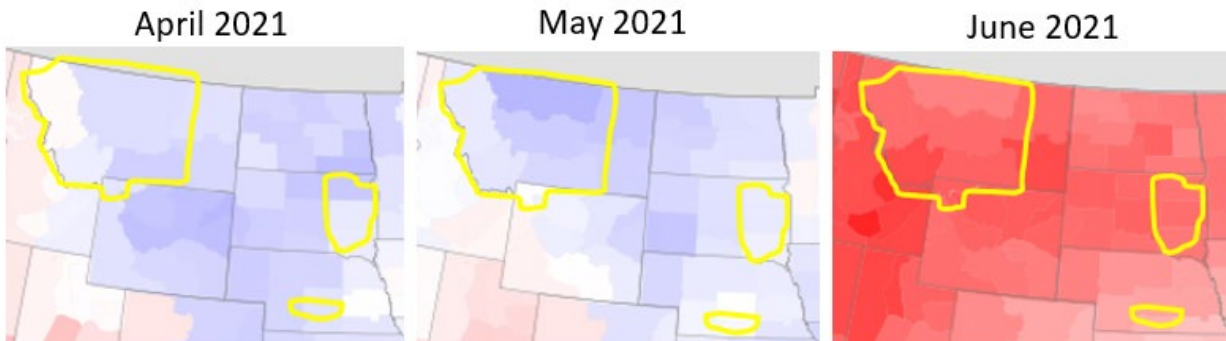
\$0.8	Operating expense recovered in revenue, offset in operating expense
0.5	Production tax credits reducing revenue, offset in income tax benefit
0.3	Property taxes recovered in revenue, offset in property tax expense
0.2	Gas production taxes recovered in revenue, offset in property and other taxes
<b>\$1.8</b>	<b>Change in Gross Margin Offset Within Net Income</b>
<b>\$22.0</b>	<b>Increase in Gross Margin</b>



Heating Degree - Days	Qtr 2 Degree Days			Q2 2021 as compared with:	
	2021	2020	Historic Average	2020	Historic Average
Montana	1,205	1,265	1,207	5% warmer	No Change
South Dakota	1,365	1,464	1,487	7% warmer	8% warmer
Nebraska	1,069	1,136	1,216	6% warmer	12% warmer

Cooling Degree-Days	Qtr 2 Degree Days			Q2 2021 as compared with:	
	2021	2020	Historic Average	2020	Historic Average
Montana	139	55	55	153% warmer	153% warmer
South Dakota	148	89	61	66% warmer	143% warmer

## Mean Temperature Departures from Average



We estimate favorable weather in Q2 2021 resulted in a \$2.0M pretax benefit as compared to normal and \$1.5M pretax benefit as compared to Q2 2020.



# Operating Expenses

(Second Quarter)

(dollars in millions)

Three Months Ended June 30,

	2021	2020	Variance	
Operating, general & admin.	\$ 77.1	\$ 71.7	\$ 5.4	7.5%
Property and other taxes	47.3	47.0	0.3	0.6%
Depreciation and depletion	46.8	44.8	2.0	4.5%
<b>Operating Expenses</b>	<b>\$ 171.2</b>	<b>\$ 163.5</b>	<b>\$ 7.7</b>	<b>4.7%</b>

**Increase in operating, general & admin expense due to the following factors:**

\$2.0	General maintenance
1.0	Employee benefits
0.9	Technology implementation and maintenance
0.3	Labor
0.2	Travel and training
(2.8)	Uncollectible accounts
1.6	Other
<b>\$3.2</b>	<b>Change in OG&amp;A Items Impacting Net Income</b>
\$0.8	Non-employee directors deferred compensation, offset in other income
0.8	Operating expenses recovered in trackers
0.6	Pension and other postretirement benefits, offset in other income
<b>\$2.2</b>	<b>Change in OG&amp;A Items Offset Within Net Income</b>
<b>\$5.4</b>	<b>Increase in Operating, General &amp; Administrative Expense</b>

**\$0.3 million increase in property and other taxes** due primarily to increase in Montana state and local taxes.

**\$2.0 million increase in depreciation expense** primarily due to plant additions.



# Operating to Net Income

(Second Quarter)

(dollars in millions)

Three Months Ended June 30,

	2021	2020	Variance	
<b>Operating Income</b>	<b>\$ 59.1</b>	<b>\$ 44.8</b>	<b>\$ 14.3</b>	<b>31.9%</b>
Interest Expense	(23.5)	(24.3)	0.8	3.3%
Other Income	3.0	0.2	2.8	1,400.0%
<b>Income Before Taxes</b>	<b>38.6</b>	<b>20.8</b>	<b>17.8</b>	<b>85.6%</b>
Income Tax (Expense) / Benefit	(1.4)	0.7	(2.1)	(300.0%)
<b>Net Income</b>	<b>\$ 37.2</b>	<b>\$ 21.5</b>	<b>\$ 15.7</b>	<b>73.0%</b>

**\$0.8 million decrease in interest expense**, was primarily due to higher capitalization of Allowance for Funds Used During Construction (AFUDC), partly offset by higher borrowings.

**\$2.8 million increase in other income** includes approximately \$1.4 million related to items offset in operating, general and administrative expense with no impact to net income, and higher capitalization of AFUDC. Items offset in operating, general and administrative expense includes approximately \$0.8 million increase in the value of deferred shares held in trust for non-employee directors deferred compensation and a decrease in other pension expense of \$0.6 million.

**\$2.1 million increase in income tax expense** due primarily to higher pre-tax income partially offset by higher flow through repairs deductions and higher production tax credits compared to the prior year.





# Cash Flow

## Six Months Ending June 30,

(dollars in millions)

	2021	2020
<b>Operating Activities</b>		
Net Income	\$ 100.3	\$ 72.2
Non-Cash adjustments to net income	95.7	94.3
Changes in working capital	(59.0)	56.9
Other non-current assets & liabilities	(32.5)	(4.2)
<b>Cash provided by Operating Activities</b>	<b>104.5</b>	<b>219.2</b>
<b>Investing Activities</b>		
PP&E additions	(182.8)	(176.5)
<b>Cash used in Investing Activities</b>	<b>(182.8)</b>	<b>(176.5)</b>
<b>Financing Activities</b>		
Issuance of long-term debt	99.9	150.0
Payment of short-term borrowings	(100.0)	100.0
Line of credit issuances, net	88.0	(225.0)
Dividends on common stock	(62.8)	(60.2)
Financing costs	(0.6)	(1.1)
Issuance of Common Stock / Treasury Activity	56.3	(2.1)
<b>Cash Provided by / (Used in) Financing Activities</b>	<b>80.8</b>	<b>(38.4)</b>
<b>Increase in Cash, Cash Equiv. &amp; Restricted Cash</b>	<b>2.5</b>	<b>4.3</b>
Beginning Cash, Cash Equiv. & Restricted Cash	17.1	12.1
<b>Ending Cash, Cash Equiv. &amp; Restricted Cash</b>	<b>\$ 19.6</b>	<b>\$ 16.4</b>

Cash from operating activities decreased by \$114.7 million primarily due to an \$82.8 million increase in market purchases of supply during the February 2021 cold weather event resulting in an undercollection of supply costs from customers in the current period, and a refund of approximately \$20.5 million to our FERC regulated wholesale customers in 2021.



# Adjusted Non-GAAP Earnings

(Second Quarter)

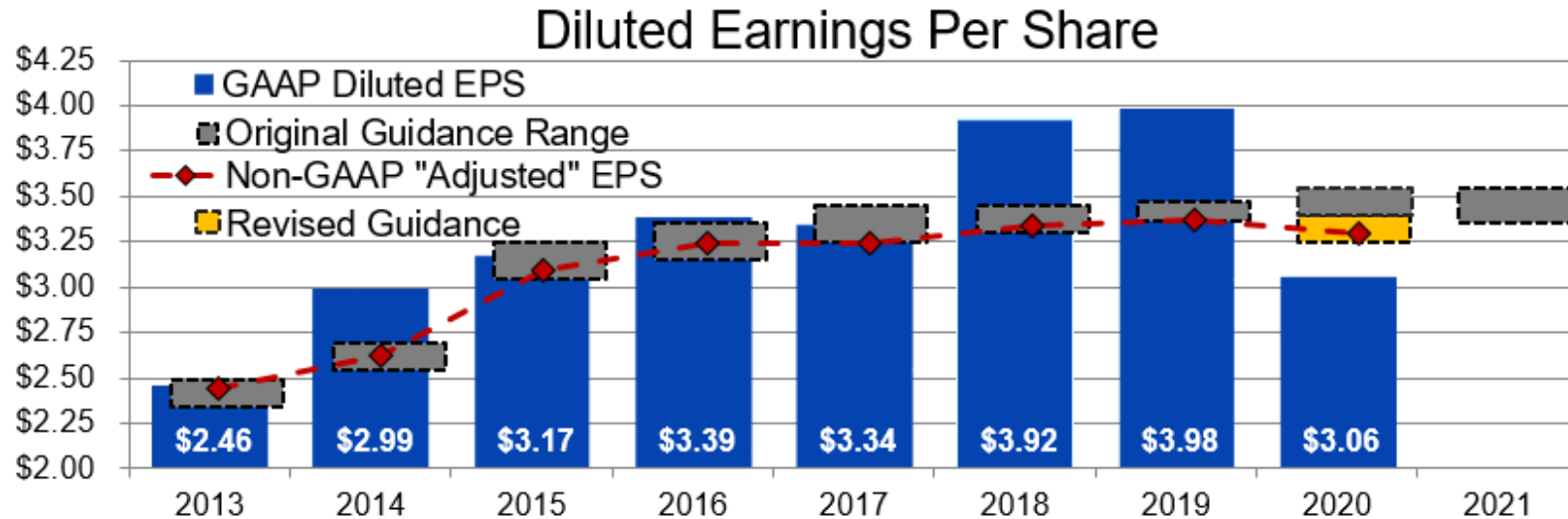
						Non GAAP	Non-GAAP Variance							
	GAAP	Favorable Weather	Move Pension Expense to OG&A (disaggregated with ASU 2017-07)	Non-employee Deferred Compensation	QF Liability (one-time clarification in contract term)		Three Months Ended June 30, 2021	\$	%	Non GAAP	Non-employee Deferred Compensation	Move Pension Expense to OG&A (disaggregated with ASU 2017-07)	Favorable Weather	GAAP
(in millions)														
<b>Revenues</b>	\$298.2	(2.0)			(8.7)	\$287.5	\$18.7	7.0%	\$268.8			(0.5)	\$269.3	
Cost of sales	67.9				67.9	67.9	6.9	11.3%	61.0				61.0	
<b>Gross Margin(1)</b>	<b>230.3</b>	<b>(2.0)</b>	<b>-</b>	<b>-</b>	<b>(8.7)</b>	<b>219.6</b>	<b>11.8</b>	<b>5.7%</b>	<b>207.8</b>	<b>-</b>	<b>-</b>	<b>(0.5)</b>	<b>208.3</b>	
<b>Op. Expenses</b>														
OG&A	77.1		(0.4)	0.3	77.0	77.0	4.0	5.5%	73.0	1.1	0.2		71.7	
Prop. & other taxes	47.3				47.3	47.3	0.3	0.6%	47.0				47.0	
Depreciation	46.8				46.8	46.8	2.0	4.5%	44.8				44.8	
<b>Total Op. Exp.</b>	<b>171.2</b>	<b>-</b>	<b>(0.4)</b>	<b>0.3</b>	<b>-</b>	<b>171.1</b>	<b>6.3</b>	<b>3.8%</b>	<b>164.8</b>	<b>1.1</b>	<b>0.2</b>	<b>-</b>	<b>163.5</b>	
<b>Op. Income</b>	<b>59.1</b>	<b>(2.0)</b>	<b>0.4</b>	<b>(0.3)</b>	<b>(8.7)</b>	<b>48.5</b>	<b>5.5</b>	<b>12.8%</b>	<b>43.0</b>	<b>(1.1)</b>	<b>(0.2)</b>	<b>(0.5)</b>	<b>44.8</b>	
Interest expense	(23.5)				(23.5)	(23.5)	0.8	3.3%	(24.3)				(24.3)	
Other (Exp.) Inc., net	3.0		(0.4)	0.3	2.9	2.9	1.4	93.3%	1.5	1.1	0.2		0.2	
<b>Pretax Income</b>	<b>38.6</b>	<b>(2.0)</b>	<b>-</b>	<b>-</b>	<b>(8.7)</b>	<b>27.9</b>	<b>7.6</b>	<b>37.4%</b>	<b>20.3</b>	<b>-</b>	<b>-</b>	<b>(0.5)</b>	<b>20.8</b>	
Income tax	(1.4)	0.5	-	-	2.2	1.3	0.5	62.5%	0.8	-	-	0.1	0.7	
<b>Net Income</b>	<b>\$37.2</b>	<b>(1.5)</b>	<b>-</b>	<b>-</b>	<b>(6.5)</b>	<b>\$29.2</b>	<b>\$8.1</b>	<b>38.4%</b>	<b>\$21.1</b>	<b>-</b>	<b>-</b>	<b>(0.4)</b>	<b>\$21.5</b>	
ETR	3.4%	25.3%	-	-	25.3%	-4.7%			-4.1%	-	-	25.3%	-3.5%	
Diluted Shares	51.1				51.1	51.1	0.5	1.0%	50.6				50.6	
<b>Diluted EPS</b>	<b>\$0.72</b>	<b>(0.03)</b>	<b>-</b>	<b>-</b>	<b>(0.13)</b>	<b>\$0.56</b>	<b>\$0.14</b>	<b>33.3%</b>	<b>\$0.42</b>	<b>-</b>	<b>-</b>	<b>(0.01)</b>	<b>\$0.43</b>	

The adjusted non-GAAP measures presented in the table are being shown to reflect significant items that are non-recurring or variance from normal weather, however they should not be considered a substitute for financial results and measures determined or calculated in accordance with GAAP.

(1) As a result of the adoption of Accounting Standard Update 2017-07 in March 2018, pension and other employee benefit expense is now disaggregated on the GAAP income statement with portions now recorded in both OG&A expense and Other (Expense) Income lines. To facilitate better understanding of trends in year-over-year comparisons, the non-GAAP adjustment above re-aggregates the expense in OG&A - as it was historically presented prior to the ASU 2017-07 (with no impact to net income or earnings per share).



# Diluted Earnings Per Share



Non-GAAP  
Adjusted  
EPS Growth  
Averaged  
4.3% from  
2013 - 2020

NorthWestern narrows its previously announced 2021 earnings guidance range of \$3.40 to \$3.60 per diluted share to \$3.43 to \$3.58 per diluted share based upon, but not limited to, the following major assumptions and expectations:

- **COVID-19 related reduction in our commercial and industrial sales volumes, offset in part by an increase in usage by residential customers through the remainder of 2021;**
- **A final order from the MPSC authorizing a delay in the implementation of the Fixed Cost Recovery Mechanism Pilot for another year due to continued COVID-19 related load shifting;**
- Normal weather for the remainder of the year in our electric and natural gas service territories;
- A consolidated income tax rate of approximately (2.5%) to +2.5% of pre-tax income; and
- Diluted shares outstanding of approximately 51.8 million to 52.0 million (previously 51.5 million to 51.8 million).

**Continued investment in our system to serve our customers and communities is expected to provide annualized 4% - 5% growth in rate base and a targeted long-term earnings per share growth rate of 3% - 6%. Maintaining our 60% - 70% targeted dividend payout ratio, we anticipate the dividend growth rate to be in line with the EPS growth rate going forward.**



# Looking Forward (Regulatory)

- **We do not expect to make general rate case filings in any of our regulatory jurisdictions during 2021.** We have made several other regulatory filings, primarily in our Montana jurisdiction, including:
  - An April 15, 2021 filing requesting to delay the implementation of our fixed cost recovery mechanism pilot in our Montana jurisdiction for another year until July 2022 or beyond, due to the continued uncertainties created by the COVID-19 pandemic. On June 29, 2021, **the MPSC granted a delay until July 2022 (written order is pending);**
  - An April 21, 2021 filing requesting approval to increase the forecasted costs used to develop rates for the recover of electric power costs through our Power Cost and Credit Adjustment Mechanism (PCCAM) by approximately \$17 million. On June 29, 2021, **the MPSC approved implementing interim rates reflecting the \$17 million increase, subject to refund (written order is pending);** and
  - A May 19, 2021 filing requesting approval to acquire electric capacity resources identified through our January 2020 RFP. See the “Generation Portfolio Update” slide that follows.
- In November 2020 we **reached a settlement on proposed revisions to our FERC transmission rates** with intervenors establishing formula rates. A motion was granted on November 25, 2020 to implement and began charging settlement rates in December 2020. **In March 2021, we submitted a compliance filing with the MPSC adjusting the FERC credit in our retail rates. The MPSC approved the updated revenue credit in May 2021.**

*\*As of June 30, 2021 we had cumulative deferred revenue for refund of approximately \$6.1 million.*

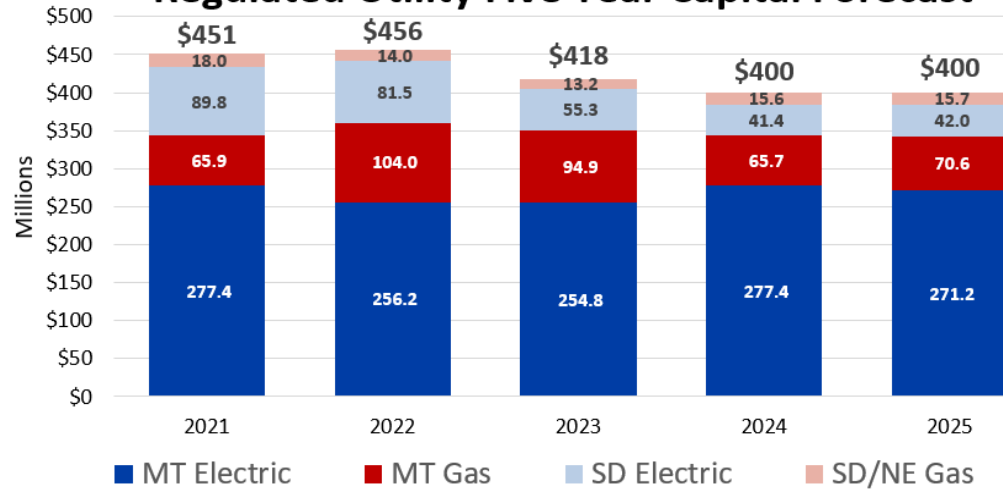




# Robust Capital Investment Plan

- **\$2.1 billion** of total capital investment over the five year period. We expect to finance this capital with a combination of cash flows from operations, first mortgage bonds and equity issuances.
- **During the second quarter of 2021 we initiated a \$200 million At-the-Market (ATM) offering. We expect to issue the remainder of the \$200 million in 2021 to support our current capital program and maintain and protect our credit ratings.**
- Capital investment in response to our Montana electric supply resource planning would be incremental to these amounts.
- Financing plans are subject to change, depending on capital expenditures, regulatory outcomes, internal cash generation, market conditions and other factors.

### Regulated Utility Five Year Capital Forecast



\$ Millions	<u>2021</u>	<u>2022</u>	<u>2023</u>	<u>2024</u>	<u>2025</u>
Electric	\$367	\$338	\$310	\$319	\$313
Natural Gas	\$84	\$118	\$108	\$81	\$87
<b>Total Capital Forecast</b>	<b>\$451</b>	<b>\$456</b>	<b>\$418</b>	<b>\$400</b>	<b>\$400</b>

Based on the results of the competitive solicitation process in South Dakota, approximately \$100 million of incremental investment for SD generation is included in the projections above (2021-2023).

**This level of capital investment is anticipated to result in annualized rate base growth of 4%-5%.**

The projections do not include the investment necessary to construct the Laurel Generating Station. If approved by the MPSC, this project is expected to add approximately \$250 million (excluding AFUDC) spread primarily over 2022 and 2023.



# Generation Portfolio Update

## Montana

- A May 19, 2021 filing requesting approval to acquire electric capacity resources identified through our January 2020 RFP, including:
  - Laurel Generation Station - **Construction of 175 MW of flexible reciprocating internal combustion engines (RICE) near Laurel, MT, which we will own.** If we receive MPSC approval to build, the cost to construct this plant is expected to be approximately \$250 million (excluding AFUDC) with **commercial operation in late 2023 / early 2024**;
  - Powerex Transaction – a 5-year **power purchase agreement** for 100 MW of capacity and energy products originating predominately from hydroelectric resources; and
  - esVolta Energy Storage Contract – A 20-year agreement to fill the 5-hour duration tier identified in the January 2020 RFP. This 50 MW facility is to be located near Billings, MT and is expected to be online by October 1, 2023.



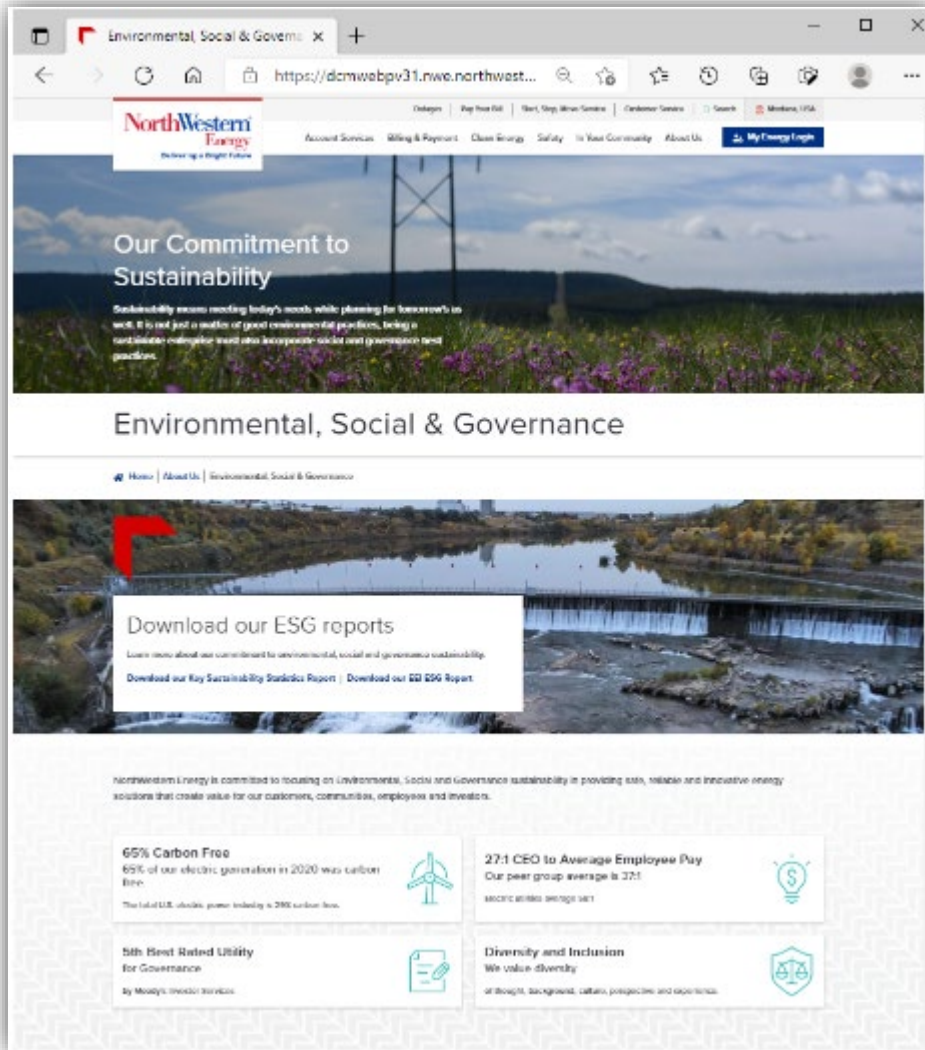
**On July 26, 2021, the MPSC concluded that the application met the minimum filing requirements and is adequate.** This triggers the requirement that the MPSC issue an order within 270 days of receipt of an adequate application. The MPSC can grant itself an additional 90 days if it determines that extraordinary circumstances require it. Assuming approval of the Laurel Generating Station project, the capital investment would be incremental to our current capital and financing projections.

## South Dakota

- Construction continues for a **60MW RICE project** in Huron, SD **to be online in late 2021** with total construction costs of approximately \$80 million (~\$40 million invested in 2020).
- An **additional 30-40 MW of flexible generation** in Aberdeen, SD is in the planning stages and expected to be **online in 2023** with a cost of approximately \$60 million.



# ESG Advancements



NorthWestern will soon be launching a new website with increased focus on communicating our stewardship and ESG efforts including:

- SASB Framework Report (*new*)
- TCFD Framework Report (*new*)
- AGA ESG Methane reporting template (*new*)
- EEI ESG Carbon reporting template (*updated*)
- Key Sustainability Statistics Report (*updated and expanded*)
  - Comprehensive disclosure of operational and financial ESG statistics covering years 2016-2020.









# Income Tax Reconciliation

(Second Quarter)

(in millions)

	Three Months Ended June 30,				
	2021		2020		Variance
<b>Income Before Income Taxes</b>	<b>\$38.6</b>		<b>\$20.8</b>		<b>\$17.8</b>
Income tax calculated at federal statutory rate	8.1	21.0%	4.4	21.00%	3.7
<u>Permanent or flow through adjustments:</u>					
State income, net of federal provisions	0.2	0.6%	0.0	-	0.2
Flow - through repairs deductions	(4.2)	(11.0%)	(3.2)	(15.4%)	(1.0)
Production tax credits	(2.3)	(5.9%)	(1.7)	(8.5%)	(0.6)
Amortization of excess deferred income taxes	(0.1)	(0.4%)	(0.2)	(0.7%)	0.1
Plant and depreciation of flow-through items	(0.2)	(0.5%)	0.1	0.3%	(0.3)
Other, net	(0.1)	(0.4%)	(0.0)	(0.2%)	(0.1)
Sub-total	(6.7)	(17.6%)	(5.1)	(24.6%)	(1.6)
<b>Income Tax Expense / (Benefit)</b>	<b>\$ 1.4</b>	<b>3.4%</b>	<b>\$ (0.7)</b>	<b>(3.6%)</b>	<b>\$ 2.1</b>



# Balance Sheet

(dollars in millions)

	As of June 30, 2021	As of December 31, 2020
Cash and cash equivalents	\$ 5.9	\$ 5.8
Restricted cash	13.6	11.3
Accounts receivable, net	143.5	168.2
Inventories	69.9	61.0
Other current assets	114.7	62.3
Goodwill	357.6	357.6
PP&E and other non-current assets	5,860.9	5,723.2
<b>Total Assets</b>	<b>\$ 6,566.2</b>	<b>\$ 6,389.4</b>
Payables	89.6	100.4
Current Maturities - debt and leases	2.8	102.7
Other current liabilities	256.1	263.4
Long-term debt & capital leases	2,516.7	2,330.0
Other non-current liabilities	1,523.7	1,513.9
Shareholders' equity	2,177.3	2,079.1
<b>Total Liabilities and Equity</b>	<b>\$ 6,566.2</b>	<b>\$ 6,389.4</b>
<b>Capitalization:</b>		
Short-Term Debt & Short-Term Finance Leases	2.8	102.7
Long-Term Debt & Long-Term Finance Leases	2,516.7	2,330.0
Less: Basin Creek Finance Lease	(16.2)	(17.4)
Less: New Market Tax Credit Financing Debt	(27.0)	(27.0)
Shareholders' Equity	2,177.3	2,079.1
<b>Total Capitalization</b>	<b>\$ 4,653.7</b>	<b>\$ 4,467.4</b>
<b>Ratio of Debt to Total Capitalization</b>	<b>53.2%</b>	<b>53.5%</b>

(Unaudited) (in thousands)

**Three Months Ending June 30, 2021**

	<b>Electric</b>	<b>Gas</b>	<b>Other</b>	<b>Total</b>
Operating revenues	\$ 241,440	\$ 56,777	\$ -	\$ 298,217
Cost of sales	49,239	18,726	-	67,965
Gross margin <sup>(1)</sup>	192,201	38,051	-	230,252
Operating, general and administrative	58,035	19,265	(187)	77,113
Property and other taxes	36,957	10,328	2	47,287
Depreciation & depletion	38,540	8,269	-	46,809
Operating income	58,669	189	185	59,043
Interest expense	(20,849)	(1,422)	(1,202)	(23,473)
Other income (expense)	2,215	1,036	(219)	3,032
Income tax expense	(804)	(208)	(353)	(1,365)
Net income (loss)	\$ 39,231	\$ (405)	\$ (1,589)	\$ 37,237

**Three Months Ending June 30, 2020**

	<b>Electric</b>	<b>Gas</b>	<b>Other</b>	<b>Total</b>
Operating revenues	\$ 217,938	\$ 51,422	\$ -	\$ 269,360
Cost of sales	48,305	12,738	-	61,043
Gross margin <sup>(1)</sup>	169,633	38,684	-	208,317
Operating, general and administrative	53,599	18,988	(872)	71,715
Property and other taxes	36,811	10,167	3	46,981
Depreciation & depletion	36,846	7,936	-	44,782
Operating income	42,377	1,593	869	44,839
Interest expense	(21,483)	(1,646)	(1,158)	(24,287)
Other income (expense)	959	309	(1,044)	224
Income tax benefit (expense)	756	(337)	299	718
Net income (loss)	\$ 22,609	\$ (81)	\$ (1,034)	\$ 21,494

(1) Gross Margin, defined as revenues less cost of sales, is a non-GAAP Measure.  
See appendix for additional disclosure.

	Revenues		Change		Megawatt Hours (MWH)		Average Customer Counts	
	2021	2020	\$	%	2021	2020	2021	2020
	(in thousands)							
Montana	\$ 69,884	\$ 70,589	\$ (705)	(1.0) %	575	577	311,264	306,797
South Dakota	14,401	14,597	(196)	(1.3) %	119	123	50,734	50,660
<b>Residential</b>	<b>84,285</b>	<b>85,186</b>	<b>(901)</b>	<b>(1.1) %</b>	<b>694</b>	<b>700</b>	<b>361,998</b>	<b>357,457</b>
Montana	84,555	77,426	7,129	9.2 %	762	684	71,400	69,837
South Dakota	24,053	23,190	863	3.7 %	252	243	12,805	12,830
<b>Commercial</b>	<b>108,608</b>	<b>100,616</b>	<b>7,992</b>	<b>7.9 %</b>	<b>1,014</b>	<b>927</b>	<b>84,205</b>	<b>82,667</b>
Industrial	9,224	9,192	32	0.3 %	618	730	77	78
Other	9,118	9,242	(124)	(1.3) %	49	50	6,373	6,403
<b>Total Retail Electric</b>	<b>\$ 211,235</b>	<b>\$ 204,236</b>	<b>\$ 6,999</b>	<b>3.4 %</b>	<b>2,375</b>	<b>2,407</b>	<b>452,653</b>	<b>446,605</b>
Regulatory amortization	5,201	(116)	5,317	(4,583.6) %				
Transmission	23,862	12,895	10,967	85.0 %				
Wholesale and other	1,142	923	219	23.7 %				
<b>Total Revenues</b>	<b>\$ 241,440</b>	<b>\$ 217,938</b>	<b>\$ 23,502</b>	<b>10.8 %</b>				
<b>Total Cost of Sales</b>	<b>49,239</b>	<b>48,305</b>	<b>934</b>	<b>1.9 %</b>				
<b>Gross Margin <sup>(1)</sup></b>	<b>\$ 192,201</b>	<b>\$ 169,633</b>	<b>\$ 22,568</b>	<b>13.3 %</b>				

(1) Gross Margin, defined as revenues less cost of sales, is a non-GAAP Measure. See appendix for additional disclosure.

	Revenues		Change		Dekatherms (Dkt)		Average Customer Counts	
	2021	2020	\$	%	2021	2020	2021	2020
	(in thousands)							
Montana	\$ 25,503	\$ 17,483	\$ 8,020	45.9 %	2,188	2,344	179,454	177,089
South Dakota	6,372	4,724	1,648	34.9 %	572	612	40,962	40,501
Nebraksa	3,914	3,522	392	11.1 %	494	533	37,540	37,537
<b>Residential</b>	<b>35,789</b>	<b>25,729</b>	<b>10,060</b>	<b>39.1 %</b>	<b>3,254</b>	<b>3,489</b>	<b>257,956</b>	<b>255,127</b>
Montana	13,000	8,236	4,764	57.8 %	1,181	1,140	24,903	24,489
South Dakota	4,257	2,888	1,369	47.4 %	536	598	6,874	6,886
Nebraksa	1,878	1,539	339	22.0 %	343	362	4,956	4,975
<b>Commercial</b>	<b>19,135</b>	<b>12,663</b>	<b>6,472</b>	<b>51.1 %</b>	<b>2,060</b>	<b>2,100</b>	<b>36,733</b>	<b>36,350</b>
Industrial	168	111	57	51.4 %	14	16	229	231
Other	355	177	178	100.6 %	42	30	163	152
<b>Total Retail Electric</b>	<b>\$ 55,447</b>	<b>\$ 38,680</b>	<b>\$ 16,767</b>	<b>43.3 %</b>	<b>5,370</b>	<b>5,635</b>	<b>295,081</b>	<b>291,860</b>
Regulatory amortization	(7,831)	4,048	(11,879)	(293.5) %				
Wholesale and other	9,161	8,694	467	5.4 %				
<b>Total Revenues</b>	<b>\$ 56,777</b>	<b>\$ 51,422</b>	<b>\$ 5,355</b>	<b>10.4 %</b>				
<b>Total Cost of Sales</b>	<b>18,726</b>	<b>12,738</b>	<b>5,988</b>	<b>47.0 %</b>				
<b>Gross Margin <sup>(1)</sup></b>	<b>\$ 38,051</b>	<b>\$ 38,684</b>	<b>\$ (633)</b>	<b>(1.6) %</b>				

(1) Gross Margin, defined as revenues less cost of sales, is a non-GAAP Measure. See appendix for additional disclosure.

# Summary Financial Results

(Six Months Ended June 30)

(in millions except per share amounts)

	Six Months Ended June 30,			
	2021	2020	Variance	% Variance
<b>Operating Revenues</b>	\$ 699.0	\$ 604.6	\$ 94.4	15.6%
Cost of Sales	212.5	152.3	60.2	39.5%
<b>Gross Margin <sup>(1)</sup></b>	<b>486.5</b>	<b>452.3</b>	<b>34.2</b>	<b>7.6%</b>
<b>Operating Expenses</b>				
Operating, general & administrative	158.0	150.7	7.3	4.8%
Property and other taxes	94.8	91.5	3.3	3.6%
Depreciation and depletion	93.8	90.0	3.8	4.2%
<b>Total Operating Expenses</b>	<b>346.6</b>	<b>332.2</b>	<b>14.4</b>	<b>4.3%</b>
<b>Operating Income</b>	<b>140.0</b>	<b>120.1</b>	<b>19.9</b>	<b>16.6%</b>
Interest Expense	(47.0)	(48.6)	1.6	3.3%
Other Income, net	8.6	(1.8)	10.4	577.8%
<b>Income Before Taxes</b>	<b>101.7</b>	<b>69.7</b>	<b>32.0</b>	<b>45.9%</b>
Income Tax Benefit	(1.4)	2.5	(3.9)	(156.0%)
<b>Net Income</b>	<b>\$ 100.3</b>	<b>\$ 72.2</b>	<b>\$ 28.1</b>	<b>38.9%</b>
Effective Tax Rate	1.3%	(3.6%)	5.0%	
Diluted: Average Shares Outstanding	50.9	50.6	0.3	0.6%
<b>Diluted Earnings Per Share</b>	<b>\$ 1.96</b>	<b>\$ 1.43</b>	<b>\$ 0.53</b>	<b>37.1%</b>
Dividends Paid per Common Share	\$ 1.24	\$ 1.20	\$ 0.04	3.3%

(1) Gross Margin, defined as revenues less cost of sales, is a non-GAAP Measure. See appendix for additional disclosure.

(dollars in millions)

## Six Months Ended June 30,

	2021	2020	Variance <sup>(1)</sup>	
Electric	\$ 382.1	\$ 350.4	\$ 31.7	9.0%
Natural Gas	104.4	101.9	2.5	2.5%
<b>Total Gross Margin</b>	<b>\$ 486.5</b>	<b>\$ 452.3</b>	<b>\$ 34.2</b>	<b>7.6%</b>

### Increase in gross margin due to the following factors:

\$11.2	Electric transmission
9.7	Electric retail volumes
6.1	Electric QF liability adjustment
2.3	Natural gas retail volumes
(2.2)	Montana electric supply cost recovery
(0.7)	Montana natural gas production rates
3.7	Other
<b>\$30.1</b>	<b>Change in Gross Margin Impacting Net Income</b>

(1) Gross Margin, defined as revenues less cost of sales, is a non-GAAP Measure. See appendix for additional disclosure.

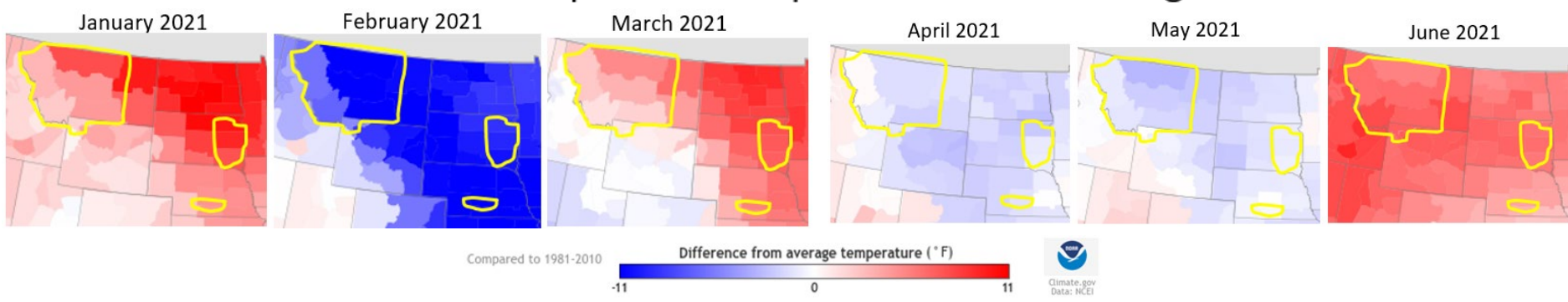
\$2.3	Property taxes recovered in revenue, offset in property tax expense
1.6	Production tax credits reducing revenue, offset in income tax benefit
0.2	Gas production taxes recovered in revenue, offset in property and other taxes
<b>\$4.1</b>	<b>Change in Gross Margin Offset Within Net Income</b>
<b>\$34.2</b>	<b>Increase in Gross Margin</b>



Heating Degree - Days	YTD thru 6/30 Degree Days			YTD thru 6/30 as compared with:	
	2021	2020	Historic Average	2020	Historic Average
Montana	4,467	4,401	4,538	1% cooler	2% warmer
South Dakota	5,165	5,493	5,561	6% warmer	7% warmer
Nebraska	4,423	4,210	4,599	5% cooler	4% warmer

Cooling Degree-Days	YTD thru 6/30 Degree Days			YTD thru 6/30 as compared with:	
	2021	2020	Historic Average	2020	Historic Average
Montana	139	55	55	153% warmer	153% warmer
South Dakota	148	89	61	66% warmer	143% warmer

## Mean Temperature Departures from Average



We estimate favorable weather through the first 6 months of 2021 has contributed approximately \$0.7M pretax benefit as compared to normal and \$4.2M pretax benefit as compared to the same period in 2020.

(dollars in millions)

Six Months Ended June 30,

	2021	2020	Variance	
Operating, general & admin.	\$ 158.0	\$ 150.7	\$ 7.3	4.8%
Property and other taxes	94.8	91.5	3.3	3.6%
Depreciation and depletion	93.8	90.0	3.8	4.2%
<b>Operating Expenses</b>	<b>\$ 346.6</b>	<b>\$ 332.2</b>	<b>\$ 14.4</b>	<b>4.3%</b>

**Increase in Operating, general & admin expense due to the following factors:**

\$1.7	Generation maintenance
1.4	Employee benefits
0.6	Technology implementation and maintenance
(4.4)	Uncollectible accounts
(0.4)	Travel and training
0.7	Other
<u>(\$0.4)</u>	<b>Change in OG&amp;A Items Impacting Net Income</b>
\$5.3	Non-employee directors deferred compensation
2.4	Pension and other postretirement benefits
<u>\$7.7</u>	<b>Change in OG&amp;A Items Offset Within Net Income</b>
<u><u>\$7.3</u></u>	<b>Increase in Operating, General &amp; Administrative Expenses</b>

**\$3.3 million increase in property and other taxes** due primarily an increase in Montana state and local taxes.

**\$3.8 million increase in depreciation expense** primarily due to plant additions

(dollars in millions)

Six Months Ended June 30,

	2021	2020	Variance	
<b>Operating Income</b>	<b>\$ 140.0</b>	<b>\$ 120.1</b>	<b>\$ 19.9</b>	<b>16.6%</b>
Interest Expense	(47.0)	(48.6)	1.6	3.3%
Other Income / (Expense)	8.6	(1.8)	10.4	577.8%
<b>Income Before Taxes</b>	<b>101.7</b>	<b>69.7</b>	<b>32.0</b>	<b>45.9%</b>
Income Tax (Expense) / Benefit	(1.4)	2.5	(3.9)	(156.0%)
<b>Net Income</b>	<b>\$ 100.3</b>	<b>\$ 72.2</b>	<b>\$ 28.1</b>	<b>38.9%</b>

**\$1.3 million decrease in interest expense**, was a result of higher capitalization of AFUDC, partly offset by higher borrowings.

**\$10.4 million increase in other income** was due to a \$7.7 million related to items offset in operating, general, and administrative expense with no impact to net income and higher capitalization of AFUDC. Items offset in operating, general and administrative expense includes a \$5.3 million increase in the value of deferred shares held in trust for non-employee directors deferred compensation and a decrease in other pension expense of \$2.4 million.

**\$3.9 million increase in income tax expense** was largely due to higher pre-tax income as compared to 2020, partly offset by higher flow-through repairs deductions and production tax credits, both which lower our tax expense. We expect our 2021 effective tax rate to range between (2.5%) and 2.5%.

# Income Tax Reconciliation



(Six Months Ended June 30)

(in millions)

	Six Months Ended June 30,				Variance
	2020		2019		
<b>Income Before Income Taxes</b>	<b>\$101.7</b>		<b>\$69.7</b>		<b>\$32.0</b>
Income tax calculated at federal statutory rate	21.3	21.0%	14.6	21.0%	6.7
<u>Permanent or flow through adjustments:</u>					
State income, net of federal provisions	0.3	0.3%	0.0	0.1%	0.3
Flow - through repairs deductions	(12.1)	(11.9%)	(10.6)	(15.3%)	(1.5)
Production tax credits	(6.6)	(6.5%)	(5.3)	(7.7%)	(1.3)
Plant and depreciation of flow-through items	(0.5)	(0.5%)	0.2	0.3%	(0.7)
Amortization of excess deferred income tax	(0.4)	(0.4%)	(0.5)	(0.7%)	0.1
Share-based compensation	(0.3)	(0.3%)	(0.6)	(0.9%)	0.3
Other, net	(0.4)	(0.4%)	(0.3)	(0.4%)	(0.1)
Sub-total	(20.0)	(19.7%)	(17.2)	(24.6%)	(2.8)
<b>Income Tax Benefit</b>	<b>\$ 1.3</b>	<b>1.3%</b>	<b>\$ (2.5)</b>	<b>(3.6%)</b>	<b>\$ 3.8</b>

# Adjusted Non-GAAP Earnings

(Six Months Ended June 30)

						Non GAAP	Non-GAAP Variance						
	GAAP	Favorable Weather	(1) Move Pension Expense to OG&A (disaggregated with ASU 2017-07)	Non-employee Deferred Compensation	QF Liability (one-time clarification in contract term)		Six Months Ended June 30, 2021	Variance		Non GAAP	Non-employee Deferred Compensation	(1) Move Pension Expense to OG&A (disaggregated with ASU 2017-07)	Unfavorable Weather
	Six Months Ended June 30, 2021					Six Months Ended June 30, 2021	\$	%	Six Months Ended June 30, 2020				Six Months Ended June 30, 2020
<i>(in millions)</i>													
Revenues	\$699.0	(0.7)			(8.7)	\$689.6	\$81.5	13.4%	\$608.1			3.5	\$604.6
Cost of sales	212.5				-	212.5	60.2	39.5%	152.3			-	152.3
<b>Gross Margin (1)</b>	<b>486.5</b>	<b>(0.7)</b>	<b>-</b>	<b>-</b>	<b>(8.7)</b>	<b>477.1</b>	<b>21.3</b>	<b>4.7%</b>	<b>455.8</b>	<b>-</b>	<b>-</b>	<b>3.5</b>	<b>452.3</b>
<b>Op. Expenses</b>													
OG&A	158.0		(2.1)	(1.5)		154.4	(0.4)	-0.3%	154.8	3.8	0.3		150.7
Prop. & other taxes	94.8					94.8	3.3	3.6%	91.5				91.5
Depreciation	93.8					93.8	3.8	4.2%	90.0				90.0
<b>Total Op. Exp.</b>	<b>346.6</b>	<b>-</b>	<b>(2.1)</b>	<b>(1.6)</b>	<b>-</b>	<b>342.9</b>	<b>6.6</b>	<b>2.0%</b>	<b>336.3</b>	<b>3.8</b>	<b>0.3</b>	<b>-</b>	<b>332.2</b>
<b>Op. Income</b>	<b>140.0</b>	<b>(0.7)</b>	<b>2.1</b>	<b>1.6</b>	<b>(8.7)</b>	<b>134.3</b>	<b>14.8</b>	<b>12.4%</b>	<b>119.5</b>	<b>(3.8)</b>	<b>(0.3)</b>	<b>3.5</b>	<b>120.1</b>
Interest expense	(47.0)					(47.0)	1.6	3.3%	(48.6)				(48.6)
Other (Exp.) Inc., net	8.6		(2.1)	(1.6)		4.9	2.6	113.0%	2.3	3.8	0.3		(1.8)
<b>Pretax Income</b>	<b>101.7</b>	<b>(0.7)</b>	<b>-</b>	<b>-</b>	<b>(8.7)</b>	<b>92.3</b>	<b>19.1</b>	<b>26.1%</b>	<b>73.2</b>	<b>-</b>	<b>-</b>	<b>3.5</b>	<b>69.7</b>
Income tax	(1.4)	0.2	-	-	2.2	1.0	(0.6)	-37.2%	1.6			(0.9)	2.5
<b>Net Income</b>	<b>\$100.3</b>	<b>(0.5)</b>	<b>-</b>	<b>-</b>	<b>(6.5)</b>	<b>\$93.3</b>	<b>\$18.5</b>	<b>24.7%</b>	<b>\$74.8</b>	<b>-</b>	<b>-</b>	<b>2.6</b>	<b>\$72.2</b>
<i>ETR</i>	1.3%	25.3%	-	-	25.3%	-1.1%			-2.2%	-	-	25.3%	-3.6%
Diluted Shares	50.9					50.9	0.3	0.6%	50.6				50.6
<b>Diluted EPS</b>	<b>\$1.96</b>	<b>(0.01)</b>	<b>-</b>	<b>-</b>	<b>(0.13)</b>	<b>\$1.82</b>	<b>\$0.34</b>	<b>23.0%</b>	<b>\$1.48</b>	<b>-</b>	<b>-</b>	<b>0.05</b>	<b>\$1.43</b>

The adjusted non-GAAP measures presented in the table are being shown to reflect significant items that were non-recurring or variance from normal weather, however they should not be considered a substitute for financial results and measures determined or calculated in accordance with GAAP.

(1) As a result of the adoption of Accounting Standard Update 2017-07 in March 2018, pension and other employee benefit expense is now disaggregated on the GAAP income statement with portions now recorded in both OG&A expense and Other (Expense) Income lines. To facilitate better understanding of trends in year-over-year comparisons, the non-GAAP adjustment above re-aggregates the expense in OG&A - as it was historically presented prior to the ASU 2017-07 (with no impact to net income or earnings per share).

(Unaudited) (in thousands)

**Six Months Ending June 30, 2021**

	<b>Electric</b>	<b>Gas</b>	<b>Other</b>	<b>Total</b>
Operating revenues	\$ 511,511	\$ 187,509	\$ -	\$ 699,020
Cost of sales	129,427	83,051	-	212,478
Gross margin <sup>(1)</sup>	382,084	104,458	-	486,542
Operating, general and administrative	115,790	40,444	1,731	157,965
Property and other taxes	73,984	20,777	4	94,765
Depreciation & depletion	77,224	16,560	-	93,784
Operating Income (loss)	115,086	26,677	(1,735)	140,028
Interest expense	(41,578)	(2,910)	(2,495)	(46,983)
Other income	5,044	2,019	1,543	8,606
Income tax (expense) benefit	(689)	(2,230)	1,576	(1,343)
Net income (loss)	<u>\$ 77,863</u>	<u>\$ 23,556</u>	<u>\$ (1,111)</u>	<u>\$ 100,308</u>

**Six Months Ending June 30, 2020**

	<b>Electric</b>	<b>Gas</b>	<b>Other</b>	<b>Total</b>
Operating revenues	\$ 462,563	\$ 142,052	\$ -	\$ 604,615
Cost of sales	112,139	40,176	-	152,315
Gross margin <sup>(1)</sup>	350,424	101,876	-	452,300
Operating, general and administrative	112,487	41,289	(3,056)	150,720
Property and other taxes	71,547	19,928	5	91,480
Depreciation & depletion	74,022	16,025	-	90,047
Operating income	92,368	24,634	3,051	120,053
Interest expense	(42,299)	(3,250)	(3,072)	(48,621)
Other income (expense)	1,572	404	(3,734)	(1,758)
Income tax benefit (expense)	1,412	(1,074)	2,186	2,524
Net income (loss)	<u>\$ 53,053</u>	<u>\$ 20,714</u>	<u>\$ (1,569)</u>	<u>\$ 72,198</u>

(1) Gross Margin, defined as revenues less cost of sales, is a non-GAAP Measure. See appendix for additional disclosure.

	Revenues		Change		Megawatt Hours (MWH)		Average Customer Counts	
	2021	2020	\$	%	2021	2020	2021	2020
	(in thousands)							
Montana	\$ 165,903	\$ 159,228	\$ 6,675	4.2 %	1,375	1,310	310,750	306,384
South Dakota	32,150	33,515	(1,365)	(4.1) %	295	303	50,770	50,651
<b>Residential</b>	<b>198,053</b>	<b>192,743</b>	<b>5,310</b>	<b>2.8 %</b>	<b>1,670</b>	<b>1,613</b>	<b>361,520</b>	<b>357,035</b>
Montana	171,396	163,432	7,964	4.9 %	1,551	1,476	71,273	69,764
South Dakota	48,171	49,685	(1,514)	(3.0) %	530	534	12,763	12,782
<b>Commercial</b>	<b>219,567</b>	<b>213,117</b>	<b>6,450</b>	<b>3.0 %</b>	<b>2,081</b>	<b>2,010</b>	<b>84,036</b>	<b>82,546</b>
Industrial	18,939	17,951	988	5.5 %	1,231	1,405	77	78
Other	13,710	14,490	(780)	(5.4) %	66	71	5,561	5,604
<b>Total Retail Electric</b>	<b>\$ 450,269</b>	<b>\$ 438,301</b>	<b>\$ 11,968</b>	<b>2.7 %</b>	<b>5,048</b>	<b>5,099</b>	<b>451,194</b>	<b>445,263</b>
Regulatory amortization	19,991	(3,749)	23,740	(633.2) %				
Transmission	38,591	25,504	13,087	51.3 %				
Wholesale and other	2,660	2,507	153	6.1 %				
<b>Total Revenues</b>	<b>\$ 511,511</b>	<b>\$ 462,563</b>	<b>\$ 48,948</b>	<b>10.6 %</b>				
<b>Total Cost of Sales</b>	<b>129,427</b>	<b>112,139</b>	<b>17,288</b>	<b>15.4 %</b>				
<b>Gross Margin<sup>(1)</sup></b>	<b>\$ 382,084</b>	<b>\$ 350,424</b>	<b>\$ 31,660</b>	<b>9.0 %</b>				

(1) Gross Margin, defined as revenues less cost of sales, is a non-GAAP Measure. See appendix for additional disclosure.

	Revenues		Change		Dekatherms (Dkt)		Average Customer Counts	
	2021	2020	\$	%	2021	2020	2021	2020
	(in thousands)							
Montana	\$ 72,514	\$ 55,778	\$ 16,736	30.0 %	8,274	7,980	179,226	176,847
South Dakota	16,475	14,995	1,480	9.9 %	2,142	2,196	41,050	40,544
Nebraksa	12,155	11,209	946	8.4 %	1,843	1,828	37,638	37,580
<b>Residential</b>	<b>101,144</b>	<b>81,982</b>	<b>19,162</b>	<b>23.4 %</b>	<b>12,259</b>	<b>12,004</b>	<b>257,914</b>	<b>254,971</b>
Montana	36,780	27,390	9,390	34.3 %	4,374	4,062	24,877	24,477
South Dakota	10,781	10,183	598	5.9 %	1,881	2,191	6,887	6,902
Nebraksa	6,279	5,600	679	12.1 %	1,253	1,250	4,969	4,988
<b>Commercial</b>	<b>53,840</b>	<b>43,173</b>	<b>10,667</b>	<b>24.7 %</b>	<b>7,508</b>	<b>7,503</b>	<b>36,733</b>	<b>36,367</b>
Industrial	650	451	199	44.1 %	80	70	230	232
Other	844	520	324	62.3 %	118	93	161	152
<b>Total Retail Electric</b>	<b>\$ 156,478</b>	<b>\$ 126,126</b>	<b>\$ 30,352</b>	<b>24.1 %</b>	<b>19,965</b>	<b>19,670</b>	<b>295,038</b>	<b>291,722</b>
Regulatory amortization	12,536	(2,298)	14,834	(645.5) %				
Wholesale and other	18,495	18,224	271	1.5 %				
<b>Total Revenues</b>	<b>\$ 187,509</b>	<b>\$ 142,052</b>	<b>\$ 45,457</b>	<b>32.0 %</b>				
<b>Total Cost of Sales</b>	<b>83,051</b>	<b>40,176</b>	<b>42,875</b>	<b>106.7 %</b>				
<b>Gross Margin <sup>(1)</sup></b>	<b>\$ 104,458</b>	<b>\$ 101,876</b>	<b>\$ 2,582</b>	<b>2.5 %</b>				

(1) Gross Margin, defined as revenues less cost of sales, is a non-GAAP Measure. See appendix for additional disclosure.



# Quarterly PCCAM Impacts

	<u>Q1</u>	<u>Q2</u>	<u>Q3</u>	<u>Q4</u>	<u>Full Year</u>
'17/'18 Tracker	Full year recorded in Q3			\$3.3	\$3.3
'18/'19 Tracker			(\$5.1)	\$0.3	(4.8)
<b>2018 (Expense) Benefit</b>	<b>\$0.0</b>	<b>\$0.0</b>	<b>(\$1.8)</b>	<b>\$0.3</b>	<b>(\$1.5)</b>
					<u>Full Year</u>
'18/'19 Tracker	(\$1.6)	\$4.6			\$3.0
'19/'20 Tracker			\$0.1	(\$0.7)	(0.6)
<b>2019 (Expense) Benefit</b>	<b>(\$1.6)</b>	<b>\$4.6</b>	<b>\$0.1</b>	<b>(\$0.7)</b>	<b>\$2.4</b>
					<u>Full Year</u>
CU4 Disallowance ('18/'19 Tracker)				(\$9.4)	(\$9.4)
'19/'20 Tracker	\$0.1	\$0.2			\$0.3
'20/'21 Tracker			(\$0.4)	(\$0.2)	(0.6)
<b>2020 (Expense) Benefit</b>	<b>\$0.1</b>	<b>\$0.2</b>	<b>(\$0.4)</b>	<b>(\$0.6)</b>	<b>(\$0.7)</b>
					<u>Year to Date</u>
'20/'21 Tracker	(\$1.3)	(\$0.6)			(\$1.9)
'21/'22 Tracker					-
<b>2021 (Expense) Benefit</b>	<b>(\$1.3)</b>	<b>(\$0.6)</b>	<b>\$0.0</b>	<b>\$0.0</b>	<b>(\$1.9)</b>
<b>Year-over-Year Variance</b>	<b>(\$1.4)</b>	<b>(\$0.8)</b>			<b>(\$2.2)</b>

In 2017, the Montana legislature revised the statute regarding our recovery of electric supply costs. In response, the MPSC approved a new design for our electric tracker in 2018, effective July 1, 2017. The revised electric tracker, or PCCAM established a baseline of power supply costs and tracks the differences between the actual costs and revenues. Variances in supply costs above or below the baseline are allocated 90% to customers and 10% to shareholders, with an annual adjustment. From July 2017 to May 2019, the PCCAM also included a "deadband" which required us to absorb the variances within +/- \$4.1 million from the base, with 90% of the variance above or below the deadband collected from or refunded to customers. In 2019, the Montana legislature revised the statute effective May 7, 2019, prohibiting a deadband, allowing 100% recovery of QF purchases, and maintaining the 90% / 10% sharing ratio for other purchases.

# Qualified Facility Earnings Adjustment



The \$6.1 million improvement in 2021 is the result of a favorable adjustment of our electric QF liability (unrecoverable costs associated with the Public Utility Regulatory Policies Act of 1978 (PURPA) contracts as part of a 2002 stipulation with the MPSC and other parties) reflecting a \$9.2 million gain in 2021, as compared with a \$3.1 million gain for the same period in 2020, due to the combination of:

- A \$2.6 million favorable reduction in costs for the current contract year to record the annual adjustment for actual output and pricing, as compared with a \$0.9 million favorable reduction in costs in the prior period;
- A negative adjustment increasing the QF liability by \$2.1 million reflecting annual actual contract price escalation, which was more than previously estimated, compared to a favorable adjustment of \$2.2 million in the prior year due to lower actual price escalation; and
- A favorable adjustment of approximately \$8.7 million decreasing the QF liability due to a one-time change in contract terms.



	Annual actual contract price escalation	Annual adjustment for actual output and pricing	One-time clarification of an underlying contract term	Total
Jun-15	(\$6.1)	1.8	0.0	<b>(\$4.3)</b>
Jun-16	\$0.0	1.8	0.0	<b>\$1.8</b>
Jun-17	\$0.0	2.1	0.0	<b>\$2.1</b>
Jun-18	\$17.5	9.7	0.0	<b>\$27.2</b>
Jun-19	\$3.3	3.1	0.0	<b>\$6.4</b>
Jun-20	\$2.2	0.9	0.0	<b>\$3.1</b>
Jun-21	(\$2.1)	2.6	8.7	<b>\$9.2</b>

**Year-over-Year Better (Worse)**

Jun-16	\$6.1	0.0	0.0	<b>\$6.1</b>
Jun-17	\$0.0	0.3	0.0	<b>\$0.3</b>
Jun-18	\$17.5	7.6	0.0	<b>\$25.1</b>
Jun-19	(\$14.2)	(6.6)	0.0	<b>(\$20.8)</b>
Jun-20	(\$1.1)	(2.2)	0.0	<b>(\$3.3)</b>
Jun-21	(\$4.3)	1.7	8.7	<b>\$6.1</b>

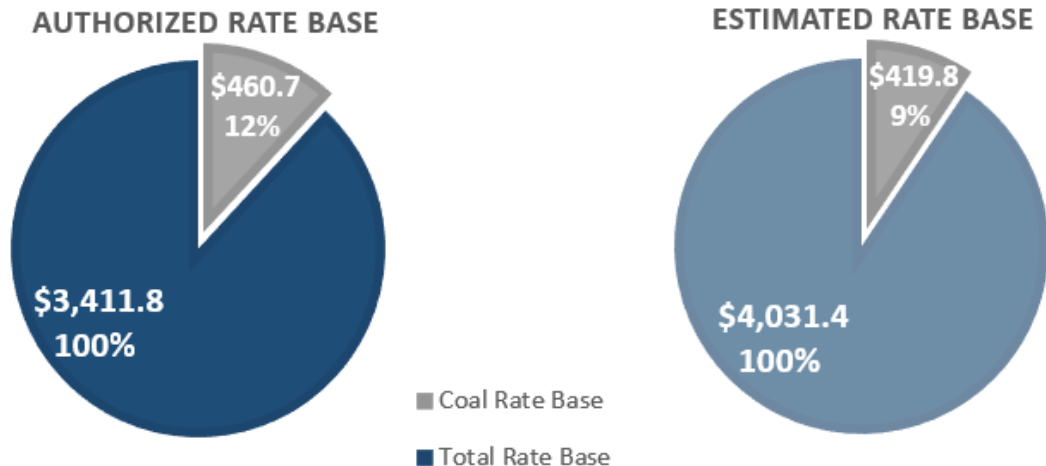
*Our electric QF liability consists of unrecoverable costs associated with contracts covered under PURPA that are part of a 2002 stipulation with the MPSC and other parties. Risks / losses associated with these contracts are born by shareholders, not customers. Therefore, any mitigation of prior losses and / or benefits of liability reduction also accrue to shareholders.*

# NWE Rate Base and Earnings Profile

Jurisdiction and Service	Implementation Date	Authorized Rate Base (millions)	Estimated Rate Base (millions)	Authorized Overall Rate of Return	Authorized Return on Equity	Authorized Equity Level
Montana electric delivery and production (1)	April 2019	\$ 2,030.1	\$ 2,500.9	6.92%	9.65%	49.38%
Montana - Colstrip Unit 4	April 2019	304.0	272.4	8.25%	10.00%	50.00%
Montana natural gas delivery and production (2)	September 2017	430.2	516.1	6.96%	9.55%	46.79%
<b>Total Montana</b>		<b>2,764.3</b>	<b>3,289.4</b>			
South Dakota electric (3)	December 2015	557.3	626.8	7.24%	n/a	n/a
South Dakota natural gas (3)	December 2011	65.9	77.4	7.80%	n/a	n/a
<b>Total South Dakota</b>		<b>623.2</b>	<b>704.2</b>			
Nebraska natural gas (3)	December 2007	24.3	37.8	8.49%	10.40%	n/a
<b>Total NorthWestern Energy</b>		<b>\$ 3,411.8</b>	<b>\$ 4,031.4</b>			

- (1) The revenue requirement associated with the FERC regulated portion of Montana electric transmission and ancillary services are included as revenue credits to our MPSC jurisdictional customers. Therefore, we do not separately reflect FERC authorized rate base or authorized returns.
- (2) The Montana gas revenue requirement includes a step down which approximates annual depletion of our natural gas production assets included in rate base.
- (3) For those items marked as "n/a," the respective settlement and/or order was not specific as to these terms.

## Coal Generation Rate Base as a percentage of Total Rate Base



Revenue from coal generation is not easily identifiable due to the use of bundled rates in South Dakota and other rate design and accounting considerations. However, NorthWestern is a fully regulated utility company for which rate base is the primary driver for earnings. The data to the left illustrates that NorthWestern only derives approximately 9-12% of earnings from its jointly owned coal generation rate base.

<b>Pre-Tax Adjustments (\$ Millions)</b>	<b>2013</b>	<b>2014</b>	<b>2015</b>	<b>2016</b>	<b>2017</b>	<b>2018</b>	<b>2019</b>	<b>2020</b>
<b>Reported GAAP Pre-Tax Income</b>	<b>\$ 108.3</b>	<b>\$ 110.4</b>	<b>\$ 181.2</b>	<b>\$ 156.5</b>	<b>\$ 176.1</b>	<b>\$ 178.3</b>	<b>\$ 182.2</b>	<b>\$ 144.2</b>
Non-GAAP Adjustments to Pre-Tax Income:								
Weather	(3.7)	(1.3)	13.2	15.2	(3.4)	(1.3)	(7.3)	9.8
Lost revenue recovery related to prior periods	(1.0)	-	-	(14.2)	-	-	-	-
Remove hydro acquisition transaction costs	6.3	15.4	-	-	-	-	-	-
Exclude unplanned hydro earnings	-	(8.7)	-	-	-	-	-	-
Remove benefit of insurance settlement	-	-	(20.8)	-	-	-	-	-
QF liability adjustment	-	-	6.1	-	-	(17.5)	-	-
Electric tracker disallowance of prior period costs	-	-	-	12.2	-	-	-	9.9
Income tax adjustment	-	-	-	-	-	9.4	-	-
Unplanned Equity Dilution from Hydro transaction	-	-	-	-	-	-	-	-
<b>Adjusted Non-GAAP Pre-Tax Income</b>	<b>\$ 109.8</b>	<b>\$ 115.8</b>	<b>\$ 179.7</b>	<b>\$ 169.7</b>	<b>\$ 172.7</b>	<b>\$ 168.9</b>	<b>\$ 174.9</b>	<b>\$ 163.9</b>

<b>Tax Adjustments to Non-GAAP Items (\$ Millions)</b>	<b>2013</b>	<b>2014</b>	<b>2015</b>	<b>2016</b>	<b>2017</b>	<b>2018</b>	<b>2019</b>	<b>2020</b>
<b>GAAP Net Income</b>	<b>\$ 94.0</b>	<b>\$ 120.7</b>	<b>\$ 151.2</b>	<b>\$ 164.2</b>	<b>\$ 162.7</b>	<b>\$ 197.0</b>	<b>\$ 202.1</b>	<b>\$ 155.2</b>
Non-GAAP Adjustments Taxed at 38.5% ('08-'17) and 25.3% ('18-current):								
Weather	(2.3)	(0.8)	8.1	9.3	(2.1)	(1.0)	(5.5)	7.3
Lost revenue recovery related to prior periods	(0.6)	-	-	(8.7)	-	-	-	-
Remove hydro acquisition transaction costs	3.9	9.5	-	-	-	-	-	-
Exclude unplanned hydro earnings	-	(5.4)	-	-	-	-	-	-
Remove benefit of insurance settlement	-	-	(12.8)	-	-	-	-	-
QF liability adjustment	-	-	3.8	-	-	(13.1)	-	-
Electric tracker disallowance of prior period costs	-	-	-	7.5	-	-	-	7.4
Income tax adjustment	-	(18.5)	-	(12.5)	-	(12.8)	(22.8)	-
Unplanned Equity Dilution from Hydro transaction	-	-	-	-	-	-	-	-
<b>Non-GAAP Net Income</b>	<b>\$ 94.9</b>	<b>\$ 105.5</b>	<b>\$ 150.3</b>	<b>\$ 159.8</b>	<b>\$ 160.6</b>	<b>\$ 170.1</b>	<b>\$ 173.8</b>	<b>\$ 169.9</b>

<b>Non-GAAP Diluted Earnings Per Share</b>	<b>2013</b>	<b>2014</b>	<b>2015</b>	<b>2016</b>	<b>2017</b>	<b>2018</b>	<b>2019</b>	<b>2020</b>
<i>Diluted Average Shares (Millions)</i>	38.2	40.4	47.6	48.5	48.7	50.2	50.8	50.7
<b>Reported GAAP Diluted earnings per share</b>	<b>\$ 2.46</b>	<b>\$ 2.99</b>	<b>\$ 3.17</b>	<b>\$ 3.39</b>	<b>\$ 3.34</b>	<b>\$ 3.92</b>	<b>\$ 3.98</b>	<b>\$ 3.06</b>
Non-GAAP Adjustments:								
Weather	(0.05)	(0.02)	0.17	0.19	(0.04)	(0.02)	(0.11)	0.14
Lost revenue recovery related to prior periods	(0.02)	-	-	(0.18)	-	-	-	-
Remove hydro acquisition transaction costs	0.11	0.24	-	-	-	-	-	-
Exclude unplanned hydro earnings	-	(0.14)	-	-	-	-	-	-
Remove benefit of insurance settlements & recoveries	-	-	(0.27)	-	-	-	-	-
QF liability adjustment	-	-	0.08	-	-	(0.26)	-	-
Electric tracker disallowance of prior period costs	-	-	-	0.16	-	-	-	0.15
Income tax adjustment	-	(0.47)	-	(0.26)	-	(0.25)	(0.45)	-
Unplanned Equity Dilution from Hydro transaction	-	0.08	-	-	-	-	-	-
<b>Non-GAAP Diluted Earnings Per Share</b>	<b>\$ 2.50</b>	<b>\$ 2.68</b>	<b>\$ 3.15</b>	<b>\$ 3.30</b>	<b>\$ 3.30</b>	<b>\$ 3.39</b>	<b>\$ 3.42</b>	<b>\$ 3.35</b>

These materials include financial information prepared in accordance with GAAP, as well as other financial measures, such as Gross Margin and Adjusted Diluted EPS, that are considered "non-GAAP financial measures." Generally, a non-GAAP financial measure is a numerical measure of a company's financial performance, financial position or cash flows that exclude (or include) amounts that are included in (or excluded from) the most directly comparable measure calculated and presented in accordance with GAAP. Gross Margin (Revenues less Cost of Sales) is a non-GAAP financial measure due to the exclusion of depreciation from the measure. Gross Margin is used by us to determine whether we are collecting the appropriate amount of energy costs from customers to allow recovery of operating costs. Adjusted Diluted EPS is another non-GAAP measure. The Company believes the presentation of Adjusted Diluted EPS is more representative of our normal earnings than the GAAP EPS due to the exclusion (or inclusion) of certain impacts that are not reflective of ongoing earnings. The presentation of these non-GAAP measures is intended to supplement investors' understanding of our financial performance and not to replace other GAAP measures as an indicator of actual operating performance. Our measures may not be comparable to other companies' similarly titled measures.



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