

energy

CONNECTIONS

January 2009

NorthWestern
Energy
Delivering a Bright Future

in this
issue...

S.D. SIGNS WIND POWER CONTRACT

CHARITABLE GIVING CONTINUES

Message From Our CEO
Bob Rowe

The Montana Public Service Commission (MPSC) has announced a decision with profound implications for NorthWestern Energy and for its Montana electric customers. The commission has approved placing NorthWestern's ownership interest in Colstrip Unit 4 in our Montana electric utility rate base. As a result, that portion of the plant will for the first time be dedicated to public service.

Those unfamiliar with recent Montana history may not realize the significance of this decision. Unlike South Dakota, where NorthWestern has always been a vertically integrated company owning both delivery and energy supply assets, we have not had regulated electricity supply in Montana since Montana Power sold the dams and thermal plants nearly a decade ago.

The MPSC decision will be the foundation on which we can re-establish ourselves in Montana as a vertically integrated utility, which we intend to further build upon with the Mill Creek Generating Station and other generation projects in the future.

One of my goals for NorthWestern is to improve our ability to work with one another as a company and also to work with our stakeholders (customers, regulators, investors, etc.) to achieve good, long-term results. This requires a significant commitment to outreach and a new approach to interacting with the various groups and individuals who potentially are interested in or affected by many of our activities.

We are making progress on several fronts. And, in 2009, we will be engaging in a major initiative to talk with customers and other key stakeholders about initiatives that provide benefit to customers and value to shareholders. Keep reading Energy Connections for an update on this effort. In January, NorthWestern is co-hosting a conference: Realizing Montana's Energy Future. Information and event highlights is available at www.montanasenergyfuture.com. ■

Welcome 2009!

The new year is a time when we resolve to make changes in our lives, but almost anyone who's ever made a New Year's resolution knows how hard it is to actually stick with it. However, resolving to be more energy efficient is not only simple, it's relatively easy to maintain. In fact, all you need to do is commit a couple of hours to install these simple measures and then sit back and let them do the work.

- ◆ CFL Light Bulbs – Take an inventory of all the incandescent light bulbs in your home that are routinely used at least three hours a day and replace them with compact fluorescent light (CFL) bulbs. Remember that CFL bulbs are now available in a wide array of styles, wattages and lumens, so it's easy to find the right bulb for the right spot in your home.
- ◆ Programmable Thermostat – Install a programmable thermostat in your home, and use it to keep your home comfortable all year long. Set the thermostat to turn the heat down at night and when no one is home during the day (and vice versa for central air conditioning systems) and save on your energy bill.
- ◆ Window plastic – If you live in a home with single pane windows, you can cut down on cold winter drafts by installing window plastic. The materials are available at almost any home improvement store or retail outlet and are simple to install.

Our resolutions for 2009 include a makeover for one of our own – Louie the Lightning Bug. Look for the new, more energy efficient Louie at one of his upcoming appearances in your local area. ■



NorthWestern Energy Weathering the Financial Storm

It seems like hardly a day goes by without hearing more troubling news from Wall Street. Thanks to hard work and a disciplined focus on our core business, NorthWestern Energy remains financially sound and stable.

We're not financially exposed to any of the financial institutions currently at the heart of the various crises. Our conservative approach to the use of credit, debt and risk in recent years has served us well.

That's not to say we won't feel the repercussions of a slowing economy and credit uncertainty. We've already seen some of the major employers (and energy users) in our area scale back operations and layoff employees. We're very concerned about the impact of these decisions on our communities and customers, and we're factoring this economic uncertainty in our own 2009 budgets. We need to continue to fund operations, maintenance and sound growth projects while respecting our customers' interest to hold rates in line.

It seems likely that the stock market will continue to gyrate at least for the foreseeable future and we expect to see our share price fluctuate with the market and the utility sector in particular. While the ride may be turbulent at times we don't foresee the need to drastically alter our strategy at this time. We have made appropriate adjustments within our overall plan, and – importantly – acted to fund our pension obligations to our employees to make up for the stock market's decline.

We are moving ahead with our growth projects including new transmission lines, new power peaking plants, renewable energy investments and are continuing to invest in our existing infrastructure - all of which are potentially beneficial to our local economy. Because we have been able to match our capital commitments to the MSTI project with expected demand, we expect to fund our 2009 capital priority, the Mill Creek Generating Station, without raising new equity capital.

We will continue to monitor the situation, and make common sense business decisions that are grounded in basic, principled discipline. ■

S.D. Wind Power Contract Signed



South Dakota is one of the nation's preeminent wind producing areas, and beginning in 2010, our customers will begin receiving power from a planned Hand County wind farm.

The agreement with Rolling Thunder 1 Power Partners, which is owned by BP Wind Energy and Clipper Windpower, is the first renewable source of energy to be made available to customers in NorthWestern Energy's South Dakota utility. "Wind power is important to our customers and to the economic development of South Dakota," said Bob Rowe, NorthWestern Energy's President and CEO. "We're excited to begin the process of diversifying our fuel supply

mix in South Dakota to include the benefits of clean, renewable energy."

The agreement was announced during an in-depth meeting between NorthWestern and South Dakota Commission and Staff. "Power purchase agreements like this one announced by NorthWestern Energy are a necessary component for wind energy development in South Dakota," said South Dakota Public Utilities Commission Chairman Dusty Johnson. "The news that NorthWestern Energy's South Dakota customers may soon be served by renewable energy is great."

Under the 20-year agreement, NorthWestern will purchase 25 MW from the Rolling Thunder 1 Power Partners project that will be built in Hand County south of the town of Ree Heights. The Clipper 2.5 MW Liberty Wind Turbines will be manufactured at a plant in Cedar Rapids, Iowa.

The wind farm is anticipated to begin construction in early 2009 with commercial operation scheduled in early 2010. ■

NorthWestern Energy to Share Montana Property Tax Refund with Customers

NorthWestern recently announced that it has resolved its dispute with the Montana Department of Revenue over property tax assessments related to the years 2005 through 2008.

NorthWestern had previously paid the taxes for those years but protested portions of those property taxes, as permitted by state law. Protested property tax amounts are held in escrow by the State of Montana and the applicable counties.

As a result of this settlement, NorthWestern has agreed to withdraw the protest and receive a refund of approximately \$4.7 million of the previously paid property taxes. As a result of the settlement, the State of Montana will release the remainder of the protested property taxes to the schools and municipalities.

"We are pleased to have this issue resolved in a way that recognizes our customers' interests and releases much-needed cash for local schools and governments," said Bob Rowe, President and CEO.

The company expects to reduce residential electric transmission and distribution rates by 3.01 percent and residential natural gas distribution, transmission and storage rates by 1.83 percent.

Following this adjustment, property taxes will account for approximately 20.2 percent of an average residential electric bill transmission and distribution rate and approximately 20.8 percent of an average residential natural gas bill transmission, distribution and storage rate. NorthWestern's total 2008 electric and natural gas property tax bill in Montana is approximately \$72 million. ■

did you know?

Are your kids or grandkids looking for something to do on a cold, snowy day? They can have fun learning about energy safety by visiting NorthWestern Energy's Electrical Safety and Natural Gas World on our Website. ■

contact

MONTANA

Customer Contact Center	
7 a.m. - 6 p.m. M-F	(888) 467-2669
Emergency 24/7 Service	
Electric	(888) 467-2353
Natural Gas	(888) 467-2427
Call Before You Dig	811
Energy Efficiency	(800) 823-5995

NEBRASKA

Customer Contact Center	
6 a.m. - 10 p.m. M-F	(800) 245-6977
Emergency 24/7 Service	(800) 245-6977
Call Before You Dig	811

SOUTH DAKOTA

Customer Contact Center	
6 a.m. - 10 p.m. M-F	(800) 245-6977
Emergency 24/7 Service	(800) 245-6977
Call Before You Dig	811

PAYMENT

Automated Phone	
Payment Option:	(800) 218-4959
(via checking, savings, or money market account)	

SpeedPay Automated	
Phone Payment Option:	(877) 361-4927
(via credit card account)	

Charitable Giving Continues in 2009



NorthWestern Energy wants to make the communities it serves better places to live, work and prosper. That's why we're proud to donate to a wide range of worthy causes. We encourage qualified nonprofit organizations that operate within our service territory to apply for donations through our Charitable Giving program.

Our local committees review requests year-round and determine funding. To get a summary of donations from 2008, log on to www.northwesternenergy.com and download the report.

Qualified nonprofit organizations must submit an application or written request with proof of tax exemption under Section 501(c)(3) or Section 170(c)(2) of the Internal Revenue Code to be eligible for consideration.

Application for donation, program guidelines and reports can all be found by logging on to www.northwesternenergy.com and selecting the Community link. ■