



EEI Financial Conference

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JW Marriott
Phoenix, Arizona*



NorthWestern[™]
Energy

Delivering a Bright Future



forward-looking statement...

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 hereof. Our actual future business and financial performance may differ materially and adversely from those 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 public filings with the SEC.

who we are...

- **650,000 customers**
 - » 388,000 electric
 - » 262,000 natural gas
- **Approximately 123,000 square miles of service territory in Montana, Nebraska and South Dakota**
- **Total generation (mostly base load coal)**
 - » MT – 222 MW – unregulated
 - » SD – 312 MW – regulated
- **Total assets: \$2,593 MM (2)**
- **Total capitalization: \$1,629 MM (2)(3)**
- **Total employees: 1,360 (1)**



Located in stable economies with potential grid expansion in the Northwest.

(1) As of 12/31/07

(2) As of 9/30/08

(3) Book capitalization calculated as total debt, excluding capital leases, plus shareholders' equity.

business segment contribution...

YE Dec 31, 2007	ELECTRIC UTILITY	GAS UTILITY	UNREGULATED ELECTRIC	OTHER / ELIMINATIONS	TOTAL
Gross Margin % of Total	346,976 65%	127,626 24%	56,152 11%	901 0%	531,655
Operating Income % of Total	90,692 65%	36,067 26%	20,407 15%	(7,073) -5%	140,093
Net Income % of Total	33,730 63%	14,599 27%	10,274 19%	(5,412) -10%	53,191

Nearly all income from regulated assets.

2008 third quarter year-to-date results...

Unaudited (dollars in 000's)	Nine Months Ended September 30,		
	2008	2007	B(W)
Operating Revenues	934,725	892,036	42,689
Cost of Sales	508,941	499,555	(9,386)
Gross Margin	425,784	392,481	33,303
Operating Expenses			
Operating, general & administrative	177,348	173,611	(3,737)
Property and other taxes	65,898	61,645	(4,253)
Depreciation	63,608	61,412	(2,196)
Total Operating Expenses	306,854	296,668	(10,186)
Operating Income	118,930	95,813	23,117
Interest Expense	(47,478)	(42,380)	(5,098)
Investment Income and Other	1,640	1,646	(6)
Income (Loss) from Cont. Ops. Before Taxes	73,092	55,079	18,013
Benefit (Provision) for Income Taxes	(26,759)	(20,326)	(6,433)
Net Income (Loss)	46,333	34,753	11,580

Earnings have increased 33% over prior year.

2008 guidance...

\$1.65 to \$1.80/fully diluted share

- **Increased guidance after third quarter results**
 - » Increased from \$1.60 to \$1.75 per fully diluted share
 - » Includes an increase in pension expense

- **Increase due to –**
 - » Share buyback
 - » Lower legal costs (insurance recoveries)
 - » Better pricing at Colstrip Unit 4 (hedge in place)

2008 = 2007 plus rate increases in all jurisdictions

free cash flow...

(in millions)

Projected 2008

Cash flow from operations	245,000
Maintenance cap ex	(105,000)
Growth cap ex	(20,000)
Dividends	(50,000)
Free cash flow	<u><u>70,000</u></u>

- Free cash flow in 2008 was used to buy back company stock
- The 2009 increase in pension funding expense will be offset by reducing growth cap ex
- The debt maturing in late 2009 is expected to be refinanced but free cash flow can alleviate those maturities

Existing core business not in need of equity.

strong balance sheet...

Unaudited (Dollars in 000's)

	September 30	
	2008	2007
Cash	8,575	12,773
Restricted Cash	16,166	14,482
Accounts Receivable, Net	108,540	143,482
Inventories	90,896	63,586
Other Current Assets	54,077	44,031
Goodwill	355,128	355,128
PP&E and Other Non-current Assets	1,960,432	1,913,898
Total Assets	\$ 2,593,814	\$ 2,547,380
Payables	72,340	91,588
Other Current Liabilities	275,152	209,245
Long & Short Term Capital Leases	38,335	40,391
Long & Short Term Debt	825,365	805,977
Other Non-current Liabilities	628,393	577,155
Shareholders' Equity	754,229	823,024
Total Liabilities and Equity	\$ 2,593,814	\$ 2,547,380
Long & Short Term Debt / Total Capitalization	52.3%	49.5%

Plan to maintain a 50%-55% debt to total capitalization ratio.

liquidity highlights...

Liquidity position remains strong

- **Total liquidity currently in the \$145 million range**
- **Debt maturities in late 2009**
 - » **Unsecured revolver matures on Nov. 1, 2009**
 - ◆ **Current balance is \$50 million**
 - ◆ **Letters of credit balance is approximately \$17 million**
 - ◆ **Current rate is LIBOR + .75%**
 - » **The \$100 million non-recourse loan to purchase our interest in Colstrip Unit 4 matures on Dec. 28, 2009**
 - ◆ **If Colstrip Unit 4 is rate based, we expect to refinance in late '09**
 - ◆ **If Colstrip Unit 4 is sold, the proceeds will pay off this loan**
 - ◆ **Current rate is LIBOR + 1.25%**
- **Increase in pension expense will be offset by delaying the SD peakers to better match local reserve margins**

More than 75% of the long-term debt matures after 2009
(most of that is due in 2014 or after)

credit ratings...

	<u>Fitch</u>	<u>S&P</u>	<u>Moody's</u>
Senior Secured Rating	BBB	A- (MT) BBB+ (SD)	Baa2
Senior Unsecured	BBB-	BBB	Baa3
Corporate Rating	BBB-	BBB	N/A
Outlook	Positive	Stable	Positive

Either Colstrip Unit 4 outcome is expected to be ratings positive.

Colstrip Unit 4 update...

■ *Rate base option before the MPSC*

- » MPSC held work session on Oct. 31
- » Passed motion to draft an order –
 - ◆ To rate base CU4 at \$407M
 - ◆ Recognize that \$161M NOL balance belongs to the company
- » The draft order is due to be reviewed by the MPSC on Nov. 13
 - ◆ MPSC may revise its position until final order issued

■ *Investigation of violation of prior MPSC order related to CU4*

- » MPSC held work session on Oct. 31
- » Passed motion to draft an order –
 - ◆ That NorthWestern violated prior order in four instances
 - ◆ Total fine to be determined but estimated to be less than \$1 million
- » NorthWestern will carefully review the final order

Final order anticipated to be issued in mid-November.

NorthWestern's future...

- **Operationally strong**
 - » Cost competitive
 - » Above-average reliability
 - » Award-winning customer service
- **Financially strong**
 - » Steady earnings growth and strong cash flow
 - » Sufficient liquidity with no significant maturities within next 12 months
 - » Secured credit ratings of A-(MT) BBB+(SD) / BBB / Baa2
 - » Unsecured credit ratings are investment grade from Moody's, S&P, Fitch
- **Growth prospects strong**
 - » Electric generation and transmission opportunities

Solid operations with growth prospects.

generation growth highlights...

Mill Creek Generating Unit in Montana

- **What:** 120-150 MW plant near Anaconda, Montana
 - » Built for regulation services to balance supply and load
 - » Estimated to cost around \$200 million
- **Why:** Existing services are becoming more expensive and scarce

South Dakota Peaking Generation

- **What:** Construction of two 45 MW combustion turbines
 - » Estimated to cost around \$90 million
- **Why:**
 - » To meet increasing peak demand within our South Dakota service territory

In service dates

Mill Creek = 2011

SD Peaking Units = 2013

transmission project developments...

■ Colstrip 500 kV Upgrade

- » NorthWestern announced partnership with others on the project
 - ◆ Avista, PacifiCorp, Portland General, Puget Sound Energy
- » Needed to relieve congestion to the West
- » Cost estimate of 500 kV upgrade = \$50M - \$75M
 - ◆ Anticipate ownership interest of 25% on upgrade

■ 230 kV “wind collector system”

- » Our project with no partners
- » Needed to collect the potential wind generation in Montana
- » Cost estimate of “collector” project = \$150M - \$200M

In service dates

500kV Upgrade = 2012

230kv Collector = 2014

transmission project developments cont'd...

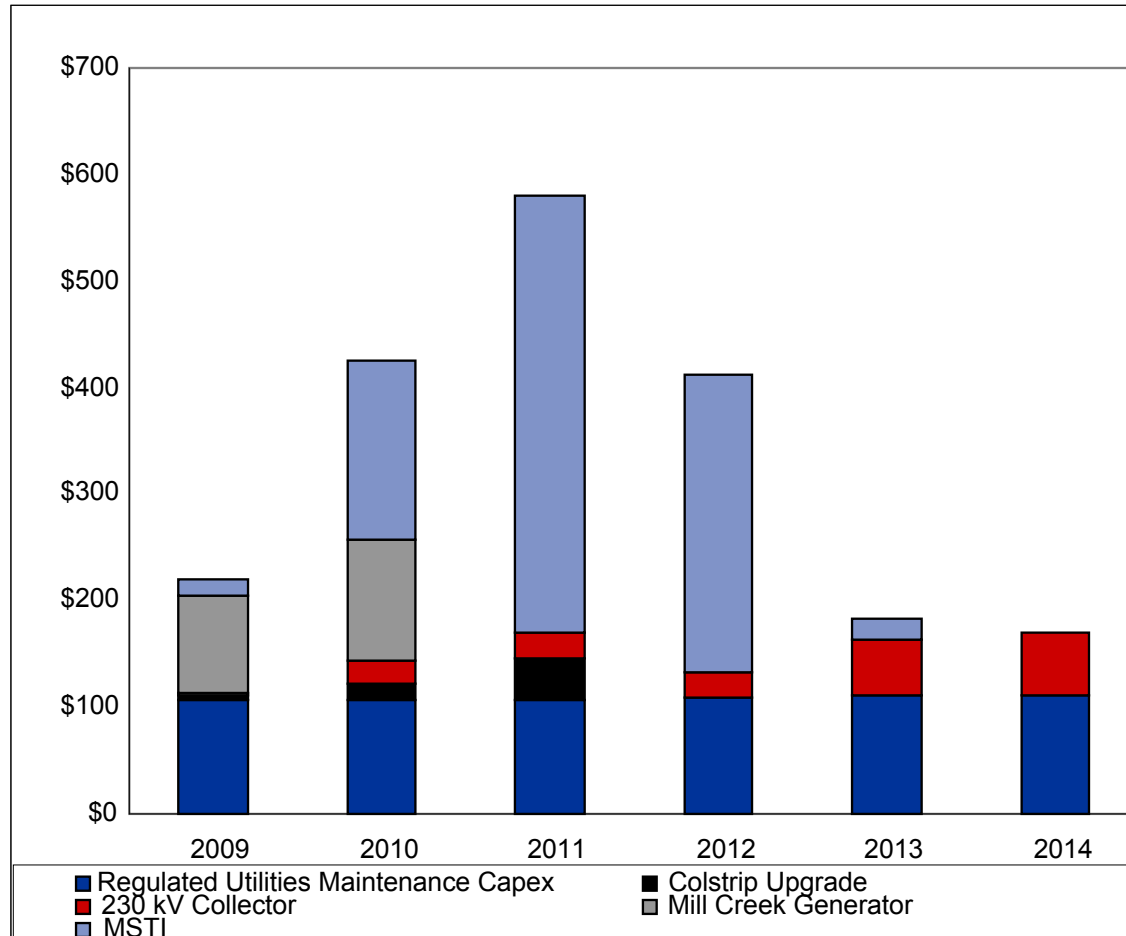
■ MSTI

- » Developing a request for FERC declaratory order on incentive rate principles
- » Beginning an updated Open Season for long term contracts to be completed by early 2009
- » Continuing the public outreach process
- » Expect to complete the WECC path rating process Q1 '09
- » Expect to publish an Environmental Impact Statement in late '09 or early '10
- » Construction begins after environmental review
- » Considering strategic partnering

Estimated to be on line early 2014.

cap ex spending – next few years...

Includes more than \$1 billion of potential generation and transmission growth projects.



growth project potential...

(in millions)	<u>Annual Earnings Opportunity</u> *	<u>Cost of Project</u>	<u>Timing</u>
Mill Creek Generator	\$ 10.0 to \$ 11.3	\$ 200 to \$ 225	Jan 2011
Colstrip 500 kV transmission upgrade**	\$ 2.5 to \$ 3.0	\$ 50 to \$ 60	Jan 2012
South Dakota Peaking generation	\$ 3.8 to \$ 4.5	\$ 75 to \$ 90	Jan 2013
230 kV Wind Collector system	\$ 7.5 to \$ 10.0	\$ 150 to \$ 200	Jan 2014
MSTI transmission line (500 kV scenario)	\$ 37.5 to \$ 50.0	\$ 750 to \$ 1,000	Jan 2014
Totals	<u>\$ 61.3 to \$ 78.8</u>	<u>\$1,225 to \$1,575</u>	

* For illustrative purposes = Cost of project times 50% equity ratio times estimated ROE of 10%.

** Assumes a 25% ownership of the \$200 million project.

Possibility to double and diversity earnings.

NorthWestern = value...

■ Value

- » Dividend yield of approximately 6.7%
- » Currently trading at approximately .95x book value

■ Opportunity for growth

- » Possibility of rate basing our 222 MW interest in CU4
- » Possibility of increasing rate base on growth projects with investment in excess of \$1 billion
 - ◆ Potential additional annual earnings of more than \$60 million post 2014
- » Strong balance sheet/credit ratings
 - ◆ Moody's recently upgraded Northwestern debt
 - ◆ All unsecured debt is now investment grade with Moody's, S&P and Fitch

Current value with growth opportunities.

summary...

Objectives achieved related to focus on core business

- Nearly all earnings from regulated business
- Recent rate relief received in all jurisdictions
- Outstanding bankruptcy litigation nearly completed

Solid foundation

- Strong balance sheet
- No equity required for existing core business
- Modest debt maturities in short term
- Investment grade rated debt
- Increasing regulatory clarity

Growth prospects

- Unique geographic location to expand electric and natural gas infrastructure
- Increasing need to move energy through our service area
- Identified projects provide opportunity to nearly double rate base and earnings