Investor Update

April 8, 2008

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.

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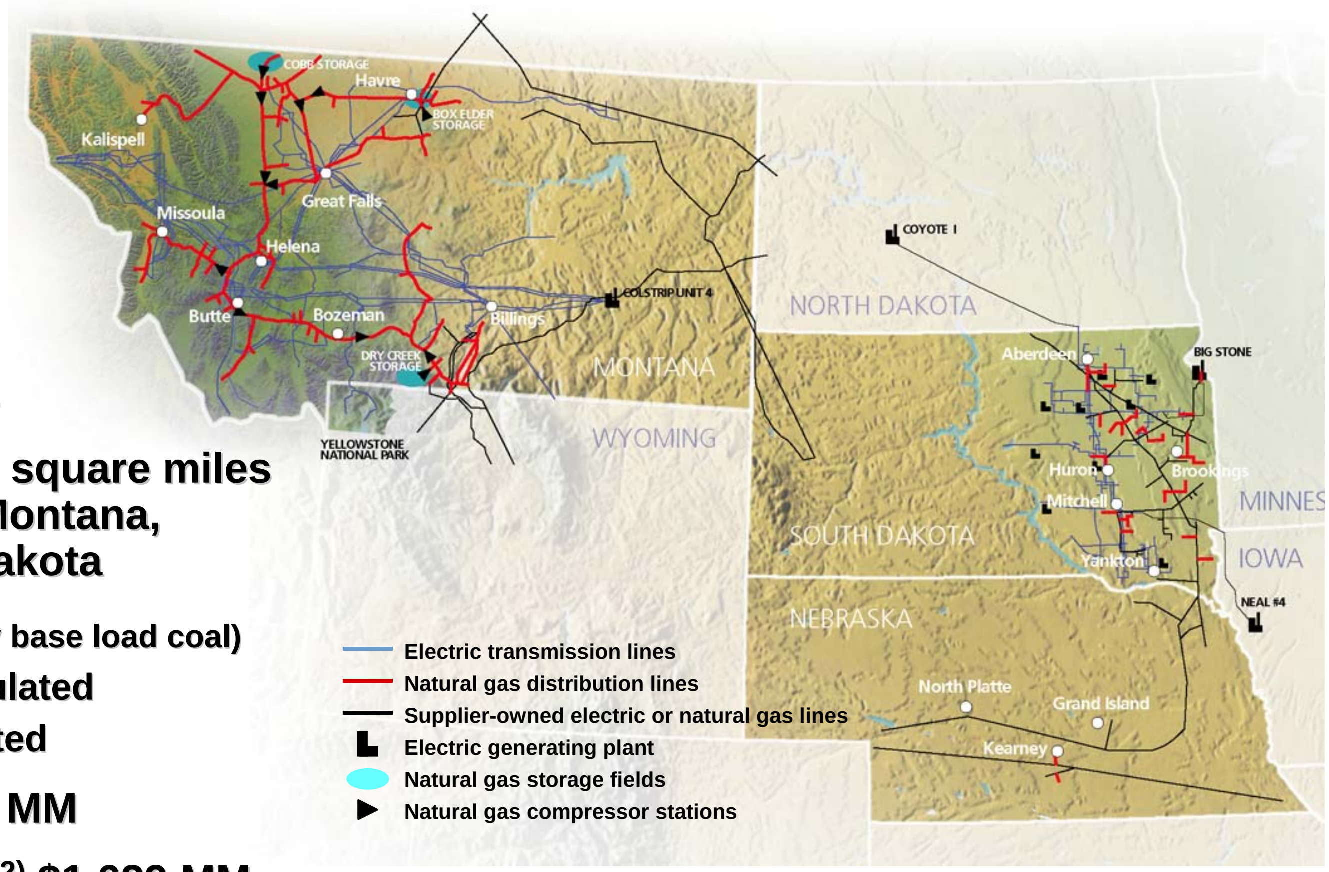
who we are …

- **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: (1) $2,547 MM**
- **Total Capitalization: (1)(2) $1,629 MM**
- **Total Employees: (1) 1,350**



(1) As of 12/31/07
(2) Book capitalization calculated as total debt, excluding capital leases, plus shareholders' equity.

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business overview …

Regulated Operations (89% of Gross Margins)

One of the largest providers of electricity and natural gas in the Upper Midwest and Northwest, serving approximately 650,000 customers in Montana, South Dakota and Nebraska

Electric Operations (65%)

Montana
- 328,000 customers (transmission/distribution)
- Approximately 7,000 miles of transmission lines and 21,000 miles of distribution lines

South Dakota
- 60,100 customers (integrated utility)
- Approximately 3,200 miles of T&D lines
- Owns 312 net MW of power generation

Gas Operations (24%)

Montana
- 177,000 customers (residential/commercial)
- 3,900 miles of distribution pipelines
- 2,000 miles of intrastate transmission pipelines
- 16.2 Bcf of gas storage

South Dakota/Nebraska
- 84,500 customers (residential/commercial)
- 2,200 miles of distribution pipelines

Unregulated Operations (11%)

Electric — 222 MW - Primarily consists of an equity participation in 30% of Colstrip Unit 4, a 740 MW coal-fired power plant in Montana

Source: NorthWestern Corporation 10-K.

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NorthWestern's future …

- **Operationally strong**
  - » **Cost competitive**
  - » **Above-average reliability**
  - » **Award-winning customer service**
- **Financially strong**
  - » **Stable earnings and cash flow profile**
  - » **Approximately a 50/50 debt to total capitalization ratio**
  - » **Secured credit ratings of A-(MT) BBB+(SD) / BBB / Baa3**
  - » **Unsecured credit ratings of investment grade from 2 of 3 agencies**
- **Utilize excess cash flow and debt capacity to invest in the business**
  - » **Organic growth in existing service territories**
  - » **Gas transmission (natural gas pipes to ethanol plants)**
  - » **Electric generation opportunities (MT Legislation HB 25)**
  - » **Transmission opportunities (Colstrip 500 kV upgrade and MSTI)**

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2007 full year results …

Unaudited (Dollars in 000's)

	Year Ended December 31,		
	2007	2006	Variance
Operating Revenues	1,200,060	1,132,653	67,407
Cost of Sales	668,405	613,582	54,823
Gross Margin	**531,655**	**519,071**	**12,584**
Operating Expenses			
Operating, general & administrative	221,566	240,215	(18,649)
Property and other taxes	87,581	74,187	13,394
Depreciation	82,415	75,305	7,110
Ammondson verdict	-	19,000	(19,000)
Total Operating Expenses	**391,562**	**408,707**	**(17,145)**
Operating Income	**140,093**	**110,364**	**29,729**
Interest Expense	(56,942)	(56,016)	(926)
Investment Income and Other	2,428	9,065	(6,637)
Income (Loss) from Cont. Ops. Before Taxes	**85,579**	**63,413**	**22,166**
Benefit (Provision) for Income Taxes	(32,388)	(25,931)	(6,457)
Income (Loss) from Continuing Operations	**53,191**	**37,482**	**15,709**
Discontinued Ops., Net of Taxes	-	418	(418)
Net Income (Loss)	**53,191**	**37,900**	**15,291**

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segment information …

Unaudited (Dollars in 000's)

YTD December 31, 2007	ELECTRIC UTILITY	GAS UTILITY	UNREGULATED ELECTRIC	OTHER / ELIMINATIONS	TOTAL	% OF TOTAL
Gross Margin						
Montana	273,185	103,973	56,152	(207)	433,103	81%
South Dakota / Nebraska	73,791	23,653	-	1,108	98,552	19%
Total	346,976	127,626	56,152	901	531,655	100%
% of Total	*65%*	*24%*	*11%*	*0%*	*100%*	
Operating Income						
Montana	59,973	21,953	20,407	341	102,674	69%
South Dakota / Nebraska	30,719	14,114	-	297	45,130	31%
Total before Corporate	90,692	36,067	20,407	638	147,804	100%
% of Total	*61%*	*24%*	*14%*	*0%*	*100%*	
Unallocated Corporate Expense				(7,711)	(7,711)	
Operating Income	90,692	36,067	20,407	(7,073)	140,093	

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strong balance sheet …

(Dollars in 000's)	December 31, 2007		December 31, 2006	
Cash		12,773		1,930
Restricted Cash		14,482		15,836
Accounts Receivable, Net		143,482		149,793
Inventories		63,586		60,543
Other Current Assets		44,031		40,372
Goodwill		355,128		435,076
PP&E and Other Non-current Assets		1,913,898		1,692,387
Total Assets	$	2,547,380	$	2,395,937
Payables		91,588		78,739
Other Current Liabilities		209,245		192,504
Short & Long Term Capital Leases		40,391		42,462
Short & Long Term Debt		805,977		704,655
Other Non-current Liabilities		577,155		634,806
Shareholders' Equity		823,024		742,771
Total Liabilities and Equity	$	2,547,380	$	2,395,937
Short & Long Term Debt / Total Capitalization		49.5%		48.7%

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2008 guidance bridge from 2007 results …

2008 Guidance

Reported 2007 - EPS fully diluted			$ 1.44
			Mid-point
Guidance for 2008 - diluted	$ 1.60	$ 1.75	$ 1.68
Yr over yr increase			**$ 0.24 per share**

Bridge to 2008:

		Pre-tax	After-tax	shares o/s
Rates - MT (net of 21 MW and non-earning rate base)	$ 0.18	$ 12.1	$ 7.3	39.5
Rates - SD	$ 0.05	$ 3.1	$ 1.9	39.5
Rates - NE	$ 0.02	$ 1.5	$ 0.9	39.5
Anticipated yr over yr changes	**$ 0.25**	**per share**		

2008 = 2007 plus rate increases in MT, SD, NE

Estimates by the three sell side firms covering NWEC average $1.74/fully diluted share for 2008.

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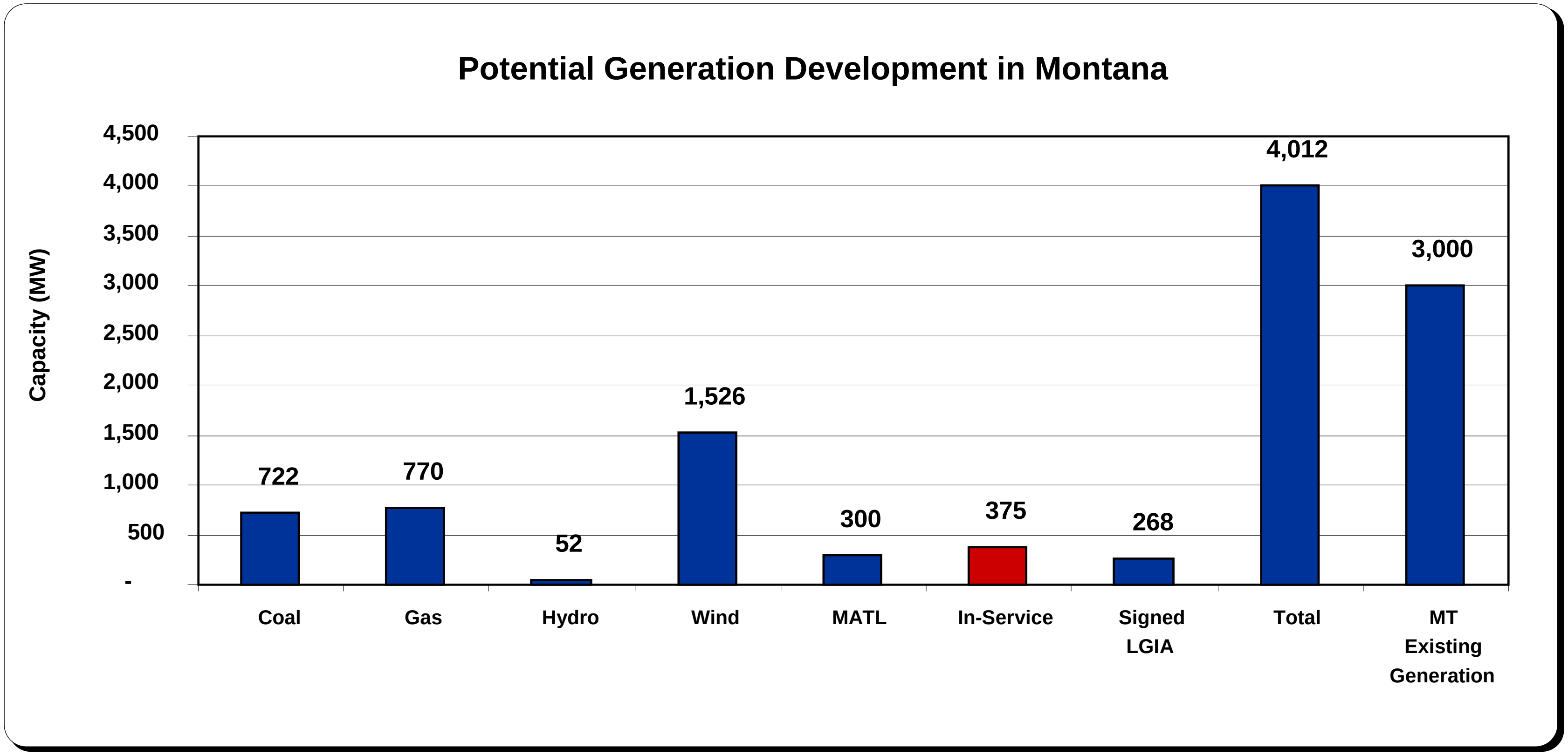
Montana proposed generation landscape …



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growth project developments …

- **Mill Creek Generation Plant**
  - » **Site selected at Mill Creek, near Anaconda, MT**
  - » **Design phase**
  - » **Filing expected by end of 2Q '08**
  - » **Construction to begin upon approval**
  - » **Estimated to be on-line at beginning of 2011**
  - » **Approximately 120 MW of regulating capacity**
    - ♦ **Approximately $150 million project**
    - ♦ **Expandable project**
- **Colstrip 500 KV Upgrade**
  - » **NorthWestern currently assumes it will be only partner**
  - » **New proposed generation mix is strong but changing**
  - » **May effect the timing and the configuration of the project**
  - » **Cost estimate = $200M - $250M**
  - » **Estimated to be on-line beginning of 2013**

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growth project developments cont'd …

- **MSTI**
  - » **Permitting for 500 KV line**
  - » **Will scale this project to committed long term contracts**
    - ♦ **230KV, 270 mile line to move 430 MWs; cost = $250M - $300M**
    - ♦ **345KV, 370 mile line to move 800 MWs; cost = $650M - $700M**
    - ♦ **500KV, 400 mile line to move 1,500 MWs; cost = $750M - $900M**
  - » **Reservations currently at 639 MW's**
  - » **Considering a strategic partner for development expertise and equity capital**

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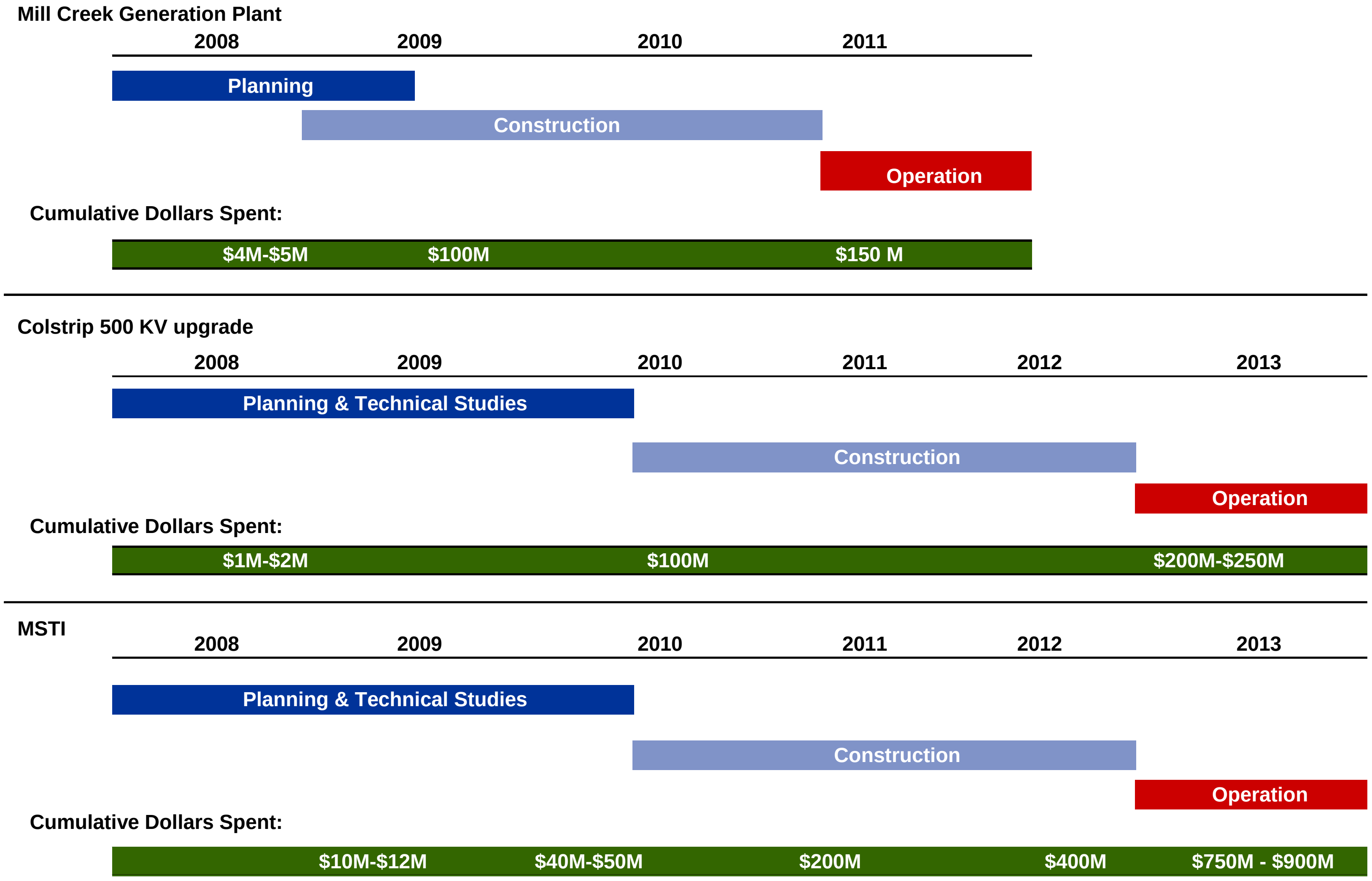
growth project timing …



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growth project potential …

	(in millions) Annual Earnings Opportunity *	Cost of Project	Timing
MSTI transmission line			
500 KV scenario	$ 37.5 to $ 45.0	$ 750.0 to $ 900.0	Jan 2013
345 KV scenario	$ 32.5 to $ 35.0	$ 650.0 to $ 700.0	Jan 2013
230 KV scenario	$ 12.5 to $ 15.0	$ 250.0 to $ 300.0	Jan 2013
Colstrip 500 kV transmission upgrade	$ 10.0 to $ 12.5	$ 200.0 to $ 250.0	Jan 2013
Mill Creek Generator			
Located by Anaconda, MT	$ 6.3 to $ 7.5	$ 125.0 to $ 150.0	Jan 2011

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

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CU4 strategic alternatives update …

- Credit Suisse engaged in January to help NorthWestern evaluate strategic alternatives
- Possible sale of NorthWestern's 30% interest in CU4
  - » Confidential Information Memorandum in market
  - » Bids anticipated in early April 2008
- Other considerations
  - » Evaluate possible transfer to rate base
  - » Analyze a long-term index sale to NorthWestern's regulated customers
  - » Compare economics of current operations to the alternatives considered
- Timing
  - » Decide which alternative to pursue in 2Q '08
  - » Execute on alternative pursued in 3Q '08

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why Northwestern?

- **Value**
  - » **Dividend yield of 5.15%**
    - ♦ **Cash taxes lower than book taxes prior to 2011**
  - » **Currently trading at approximately 15x projected '08 earnings**
  - » **Strong balance sheet/credit ratings**

- **Opportunity for Growth**
  - » **Possibility of rate base growth in excess of $1 billion**
    - ♦ **Potential additional annual earnings of approximately $50 million**

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summary …

Attractive Transmission & Distribution Business

- Regional T&D utility with stable customer growth
- Attractive mix of electric and natural gas customers
- Reliable and cost competitive operations

Stable and Predictable Cash Flow

- Regulated electric and gas contribute 90% of gross margins
- Cost-based operating structure approved by regulatory commissions
- Increasing cash flows support growth opportunities

Strong Balance Sheet

- Conservative capital structure provides increased flexibility
- Improving credit ratings

Current Value with Potential for Growth

- Dividend yield of 5.15%
- Trading at low multiple of '08 earnings
- Identified projects providing opportunity for rate base/earnings growth

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