Investor Update

July 22, 2008

NorthWestern Energy™

Delivering a Bright Future

forward-looking statement…

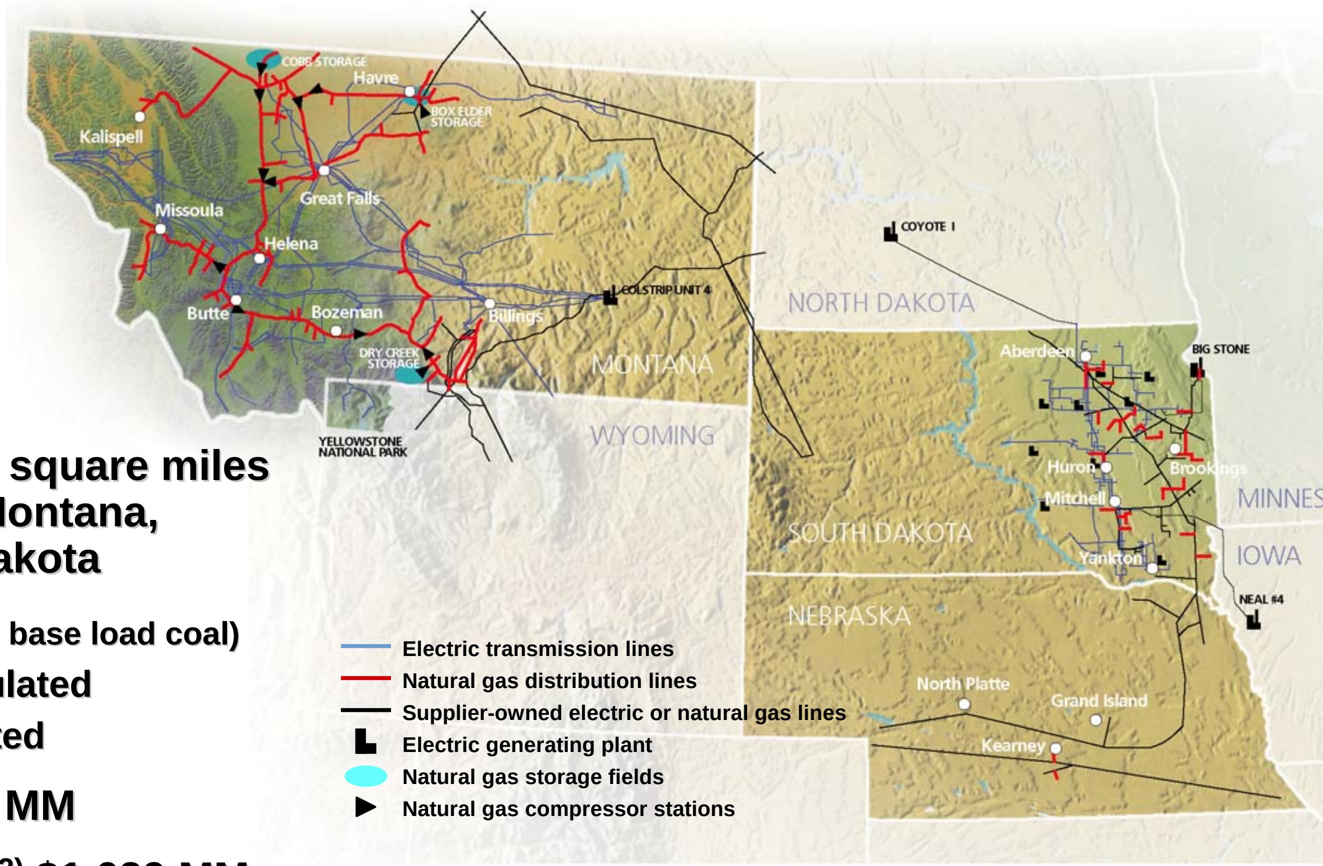
During the course of this presentation, there will be forward-looking statements within the meaning of the "safe harbor" provisions of the Private Securities Litigation Reform Act of 1995. Forward-looking statements often address our expected future business and financial performance, and often contain 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.

NorthWestern Energy
Delivering a Bright Future

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.

NorthWestern Energy
Delivering a Bright Future

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 2007 10-K.

NorthWestern Energy
Delivering a Bright Future

2007 segment information…

Unaudited (Dollars in 000's)

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

NorthWestern Energy
Delivering a Bright Future

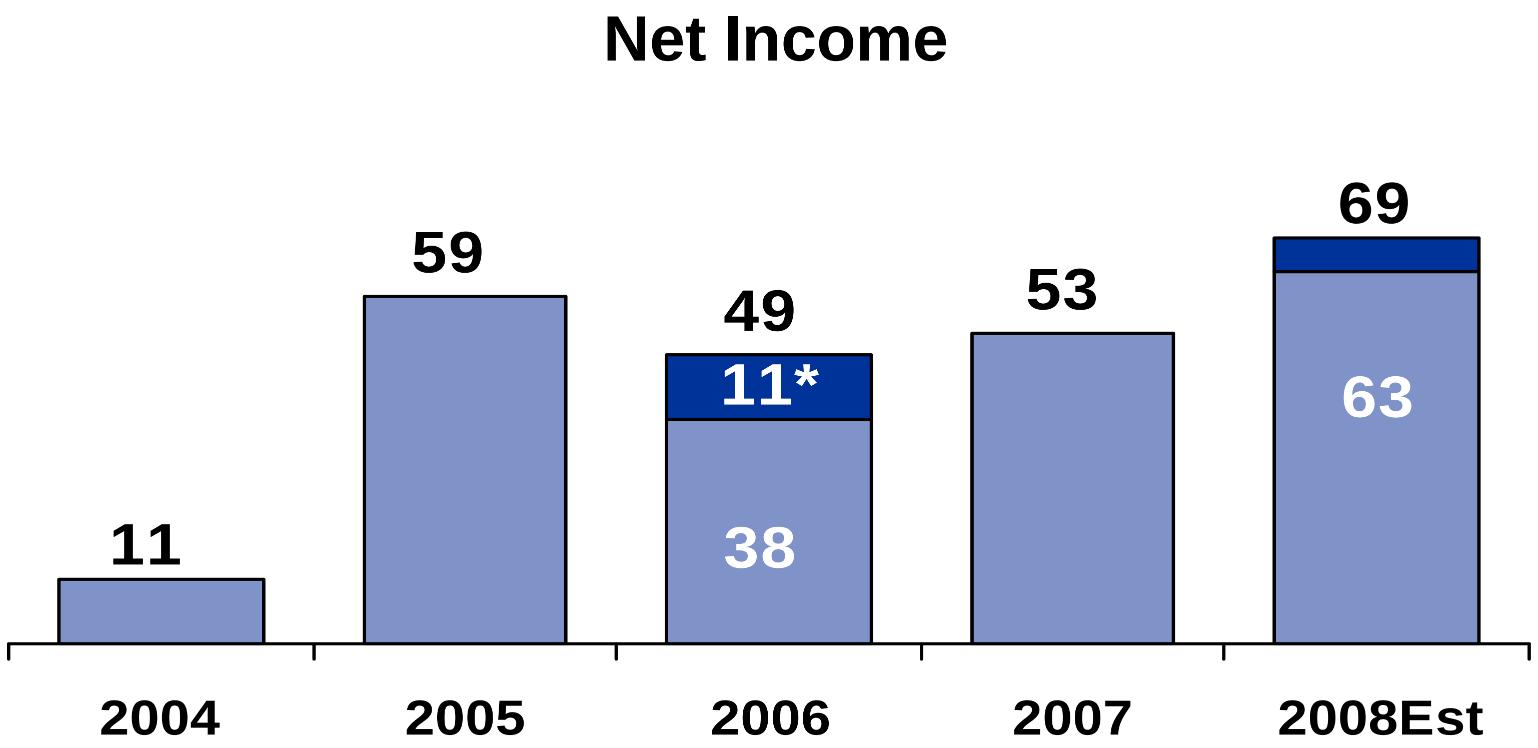
2008 1Q results…

(000's)	Three Months Ended March 31,			
	2008	2007	B(W)	% Change
Operating Revenues	385,975	366,565	19,410	5.3%
Cost of Sales	229,084	219,278	(9,806)	-4.5%
Gross Margin	**156,891**	**147,287**	**9,604**	**6.5%**
Operating Expenses				
Operating, general & administrative	60,071	62,448	2,377	3.8%
Property and other taxes	23,640	20,592	(3,048)	-14.8%
Depreciation	21,091	19,894	(1,197)	-6.0%
Total Operating Expenses	**104,802**	**102,934**	**(1,868)**	**-1.8%**
Operating Income	**52,089**	**44,353**	**7,736**	**17.4%**
Interest Expense	(16,080)	(13,220)	(2,860)	21.6%
Investment Income and Other	662	378	284	75.1%
Income (Loss) from Cont. Ops. Before Taxes	**36,671**	**31,511**	**5,160**	**16.4%**
Benefit (Provision) for Income Taxes	(13,220)	(12,369)	(851)	6.9%
Net Income (Loss)	**23,451**	**19,142**	**4,309**	**22.5%**

NorthWestern Energy
Delivering a Bright Future

earnings trend…

($ in millions)



Source: Company reports and SEC filings.
Note: Full year 2004 results show combined results for NorthWestern's predecessor company from January 1, 2004 to October 31, 2004 and for NorthWestern from November 1, 2004 to December 31, 2004 and excludes debt extinguishment income.

*Impact of Ammondson litigation.

NorthWestern Energy
Delivering a Bright Future

strong balance sheet…

Unaudited (Dollars in 000's)	March 31 2008	December 31 2007
Cash	33,755	12,773
Restricted Cash	13,904	14,482
Accounts Receivable, Net	142,280	143,482
Inventories	29,579	63,586
Other Current Assets	51,619	44,031
Goodwill	355,128	355,128
PP&E and Other Non-current Assets	1,922,041	1,913,898
Total Assets	$ 2,548,306	$ 2,547,380
Payables	65,989	91,588
Other Current Liabilities	234,642	209,245
Long & Short Term Capital Leases	39,877	40,391
Long & Short Term Debt	776,212	805,977
Other Non-current Liabilities	597,158	577,155
Shareholders' Equity	834,428	823,024
Total Liabilities and Equity	$ 2,548,306	$ 2,547,380
Long & Short Term Debt / Total Capitalization	48.2%	49.5%

NorthWestern Energy
Delivering a Bright Future

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:

Rates - MT	$ 0.23
Rates - FERC	$ 0.01
Rates - SD	$ 0.04
Rates - NE	$ 0.02
Anticipated reduction to CU4 earnings in 2008	$ (0.04)
Anticipated yr over yr changes	$ 0.26 per share

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

* Estimates by the three sell side firms covering NWEC average $1.71/fully diluted share for 2008.

NorthWestern Energy
Delivering a Bright Future

NorthWestern's future…

- **Operationally strong**
  - » Cost competitive
  - » Above-average reliability
  - » Award-winning customer service
- **Financially strong**
  - » Steady earnings growth
  - » Strong cash flows
  - » Approximately a 50/50 debt to total capitalization ratio
  - » Secured credit ratings of A-(MT) BBB+(SD) / BBB / Baa2
  - » Unsecured credit ratings of investment grade from Moody's, S&P, Fitch
- **Utilize excess cash flow and debt capacity to invest in the business**
  - » Organic growth in existing service territories
  - » Electric generation opportunities in Montana and South Dakota
  - » Electric transmission opportunities (Colstrip 500 kV upgrade and MSTI)
  - » Gas transmission expansion in Nebraska and South Dakota

NorthWestern Energy
Delivering a Bright Future

generation growth highlights…

Mill Creek Generating Unit in Montana

- ***What:*** **120-150 MW – built for regulation services to balance supply and load; estimated to cost around $200 million to complete**
- ***Why:*** **Existing services are becoming more expensive and scarce**
  - » **Anticipated 3Q 2008 filing with the MPSC**

South Dakota Peaking Generation

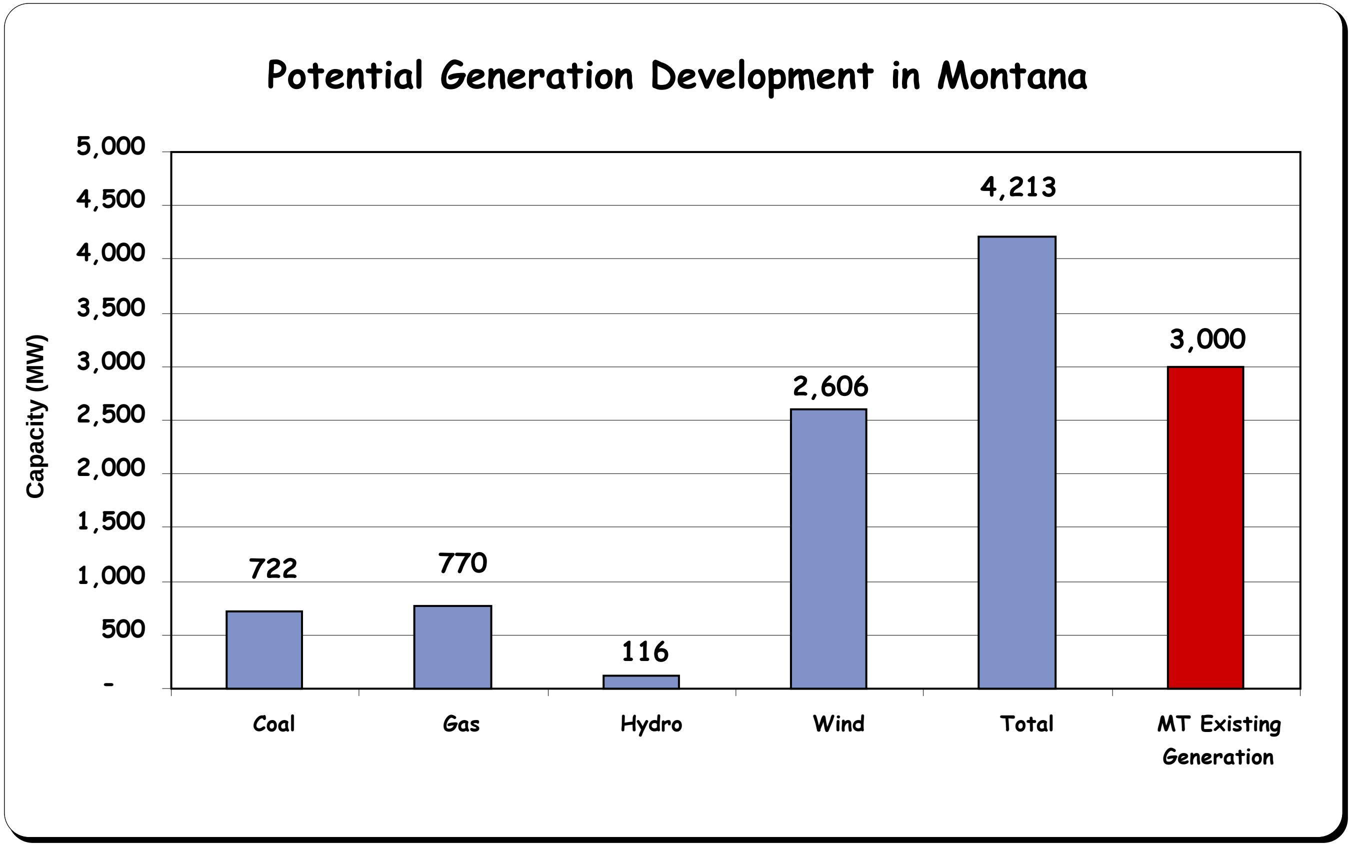
- ***What:*** **Construction of two 45 MW combustion turbines – one unit in Mitchell and the second in Aberdeen; estimated to cost approx. $80-$90 million**
- ***Why:***
  - » **To meet rapidly increasing peak demand within our South Dakota service territory**
  - » **Load growth projections for 2008-2010 are 15% versus historical 1%-2%**
  - » **South Dakota's peaking contract with MidAmerican Energy expires in 2009 with no option of renewal and replacement contracts are not available in the region**

South Dakota Base Load Generation

- ***What:*** **Evaluate ownership participation in regional coal-based plants that are currently permitted and under development**
- ***Why:***
  - » **Increased demand for energy in our South Dakota service territory.**
  - » **Load forecasts for 2008-2010 are 15% versus a historical 1%-2% CAGR**

NorthWestern Energy
Delivering a Bright Future

Montana proposed generation landscape…



New transmission is needed to support new generation

NorthWestern Energy
Delivering a Bright Future

transmission project developments…

- **Colstrip 500 KV Upgrade**
  - » **NorthWestern may partner with others on the project**
    - ♦ **Renewed interest by certain of the other line owners**
  - » **Significant proposed generation but mix is changing**
  - » **May effect the timing and the configuration of the project**
    - ♦ **Looking to make the upgrade a “wind collector system”**
    - ♦ **Represents a change in scope of the project**
  - » **Cost estimate of entire project = $200M - $250M**
    - ♦ **Inclusive of the collector system**
  - » **Estimated to be on-line beginning of 2013**

NorthWestern Energy
Delivering a Bright Future

transmission 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
  - » Major Facility Siting Act (MFSA) Application filed with Mont. Department of Environmental Quality (MDEQ) in July 2008
    - ♦ Environmental review process takes about 2 years
  - » Environmental review to be submitted to BLM in July 2008
  - » Construction begins after environmental review
  - » Indications of interest currently at 639 MW
  - » Considering strategic partnering

NorthWestern Energy
Delivering a Bright Future

distribution growth highlights…

South Dakota/Nebraska Natural Gas Pipeline Expansions

- ***What:***
  - Potential acquisition of a South Dakota pipeline
  - Upgrade that pipeline for POET, Big Stone Ethanol expansion in SD ($10.5M)
  - Construction of a 44-mile pipeline from Trailblazer pipeline to Grand Island, Nebraska and the St. Paul Ethanol Plant ($30M)
- ***Why:*** **Meet growing demand by ethanol plants for natural gas**

Organic Growth

- ***What:*** **Currently our maintenance capital expenditures exceed our depreciation by about $20 million annually**
- ***Why:*** **Meet the organic growth of the communities we serve**

NorthWestern Energy
Delivering a Bright Future

growth project potential…

(in millions)	Annual Earnings Opportunity *	Current Estimated Cost of Project	Estimated Timing
Mill Creek Generation Station	**$ 8.8 to $ 10.0**	**$ 175.0 to $ 200.0**	**Jan 2011**
South Dakota Peaking generation	**$ 3.8 to $ 4.5**	**$ 75.0 to $ 90.0**	**Jan 2011**
South Dakota Baseload generation	**$ 6.3 to $ 10.0**	**$ 125.0 to $ 200.0**	**Jan 2014**
Natural Gas Pipeline Extensions	**$ 1.0 to $ 2.0**	**$ 20.0 to $ 40.0**	**Thru 2009**
MSTI transmission line (500 kV scenario)	**$ 37.5 to $ 45.0**	**$ 750.0 to $ 900.0**	**Jan 2013**
Colstrip 500 kV transmission upgrade	**$ 10.0 to $ 12.5**	**$ 200.0 to $ 250.0**	**Jan 2013**

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

NorthWestern Energy
Delivering a Bright Future

Colstrip Unit 4 update…

- ***Announced proposed transaction with Bicent on June 10, 2008***
  - **Proposal to pay NorthWestern $404 million in cash**
  - **Offer for the balance of plant (111 MW to 222 MWs) to NorthWestern at price of Mid C minus $3/MWh from Nov 2010 to Dec 2020**
  - **Offer for an additional 50 MW to NorthWestern at price below Mid C from Nov 2010 to Dec 2020**
  - **Allows NorthWestern the ability to work with interested parties on the viability of placing into rate base at economics similar to the Bicent proposal**
- ***Submitted filing to rate base on June 27, 2008***
  - **Filed for $407 million into rate base ($404M + $6.25M break up fee - $3.25M avoided transaction cost)**
  - **Requested cap structure = 50% debt/50% equity**
  - **Requested authorized ROE = 10.75%**
  - **Procedural schedule set by MPSC shows an October 2008 decision**
- ***Either conclusion is good news***
  - **If sold, capital infusion for growth projects and/or share repurchase**
  - **If rate based at requested structure, annual earnings potential of $21.8 M**
    - **2007 earnings at CU4 = $10.3 million**
  - **Consistent with NWE's strategy to be a purely regulated entity**

NorthWestern Energy
Delivering a Bright Future

NorthWestern scorecard…

What we said at EEI (Nov 6, 2007) –

- Rate case revenue opportunity
  - » up to $57 million annually
- Natural Gas generation for wind firming in Montana
  - » $110 million project
  - » Completion expected July 2010
- Colstrip 500 kV upgrade
  - » $125 million project
  - » Completion expected Jan 2011
- MSTI
  - » 500 kV line
  - » $800 million project
  - » Completion expected Jan 2013

What occurred since then –

- Rate increases approved
  - » of approx. $21 million annually
- Mill Creek site selected
  - » $175 -$200 million project
  - » Completion expected Jan 2011
  - » Application with MPSC est. 3Q '08
- Colstrip 500 kV upgrade
  - » Wind collection system (scope change)
  - » $200 - $250 million project
  - » Completion expected 2013
- MSTI
  - » Between 230 kV and 500 kV line
  - » $250 million - $900 million project
  - » Completion expected 2013

Steady progress at the Company

NorthWestern Energy
Delivering a Bright Future

NorthWestern scorecard cont'd…

What we said at EEI (Nov 6, 2007) –

- GE Lease opportunity
- Colstrip Unit 4
  - » Reprice opportunity approx. $23 million
- Earnings Guidance for 2007
  - » $1.45 - $1.50 share
  - » 37 million shares outstanding

- Ending Stock price – November 5, 2007
  - » $27.14
- Ending index value – November 5, 2007
  - » DJU = 529.58
  - » UTY = 565.88

What occurred since then –

- GE Lease bought out
  - » Approx $4 million annual savings
- Colstrip Unit 4
  - » Transaction announced with Bicent at approx. $200 million over book value
  - » Option to rate base at Bicent's purchase price and economic value
- Earnings Guidance for 2008
  - » $1.60 - $1.75 share
  - » 39 million shares outstanding

- Ending Stock price – July 18, 2008
  - » $24.47 (-6.19% - including dividends of $.99/share paid since Nov. 5, 2007)
- Ending index value – July 18, 2008
  - » DJU = 493.40 (-6.83%)
  - » UTY = 516.33 (-8.71%)

This analysis does not include the conclusion of Magten litigation and introduction of share repurchase program.

NorthWestern Energy
Delivering a Bright Future

Northwestern – value and growth…

- **Value**
  - » **Dividend yield of 5.4%**
  - » **Currently trading at approximately 1.14x book value**
- **Opportunity for Growth**
  - » **Possibility of rate base growth in excess of $1 billion**
    - ♦ **Potential additional annual earnings of more than $50 million by 2013**
  - » **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**

NorthWestern Energy
Delivering a Bright Future

summary…

Core regulated business

- Nearly all consolidated earnings from regulated business
- Rate relief received in all jurisdictions
- Outstanding bankruptcy litigation nearly completed
- Attained investment grade ratings

Solid foundation

- Superior cash flows
- Strong balance sheet
- Investment grade rated debt
- Poised for growth

Excellent Growth Prospects

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

NorthWestern Energy
Delivering a Bright Future