2020 Second Quarter Earnings Webcast

July 29, 2020

NorthWestern Energy
Delivering a Bright Future

Presenting Today

Bob Rowe,
President & CEO

Brian Bird,
Chief Financial Officer

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.

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Second Quarter Highlights

- **Net income for the second quarter decreased $26.2 million as compared to the same period in 2019.** This decrease was primarily due to an income tax benefit in 2019, lower gross margin due to impacts of the COVID-19 pandemic, and higher depreciation expense. These were offset in part by a decrease in operating, general and administrative expenses and customer growth.
- Diluted earnings per share decreased $0.51 as compared to the same period in 2019.
- Diluted Non-GAAP earnings per share decreased $0.08 per share after adjusting for the income tax benefit, mentioned above, and normal weather.
- The Board of Directors declared a quarterly dividend of $0.60 per share payable September 30th to shareholders of record as of September 15th, 2020.

Employee safety and customer satisfaction remain at, or near, all-time highs with COVID emergency operating structure in place.

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Summary Financial Results

(Second Quarter)

(in millions except per share amounts)

	Three Months Ended June 30,			
	2020	2019	Variance	% Variance
Operating Revenues	$ 269.3	$ 270.8	$ (1.5)	(0.6%)
Cost of Sales	61.0	55.8	5.2	9.3%
Gross Margin (1)	**208.3**	**215.0**	**(6.7)**	**(3.1%)**
Operating Expenses				
Operating, general & administrative	71.7	80.8	(9.1)	(11.3%)
Property and other taxes	47.0	44.3	2.7	6.1%
Depreciation and depletion	44.8	41.0	3.8	9.3%
Total Operating Expenses	**163.5**	**166.1**	**(2.6)**	**(1.6%)**
Operating Income	**44.8**	**48.8**	**(4.0)**	**(8.2%)**
Interest Expense	(24.3)	(23.5)	(0.8)	(3.4%)
Other Income	0.2	0.1	0.1	100.0%
Income Before Taxes	**20.8**	**25.5**	**(4.7)**	**(18.4%)**
Income Tax Benefit	0.7	22.2	(21.5)	96.8%
Net Income	**$ 21.5**	**$ 47.7**	**$ (26.2)**	**(54.9%)**
Effective Tax Rate	(3.5%)	(87.4%)	83.9%	
Diluted Shares Outstanding	50.6	50.8	(0.2)	-0.2%
Diluted Earnings Per Share	$0.43	$ 0.94	$ (0.51)	(54.3%)
Dividends Paid per Common Share	$ 0.60	$ 0.575	$ 0.025	4.3%

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

Gross Margin
(Second Quarter)

(dollars in millions)

	Three Months Ended June 30,			
	2020	2019	Variance	
Electric	$ 169.6	$ 177.0	($ 7.4)	(4.2%)
Natural Gas	38.7	38.0	0.7	1.8%
Total Gross Margin [(1)]	**$ 208.3**	**$ 215.0**	**($ 6.7)**	**(3.1%)**

Decrease in gross margin due to the following factors:

($4.4)	Montana electric supply cost recovery
(3.3)	Electric QF liability adjustment
(0.5)	Electric transmission
(0.2)	Electric retail volumes and demand
(0.1)	Montana natural gas rates
0.4	Natural gas retail volumes
(0.1)	Other
($8.2)	**Change in Gross Margin Impacting Net Income**
$2.1	Property taxes recovered in trackers
0.5	Operating expenses recovered in trackers
(1.1)	Production tax credits flowed-through trackers
$1.5	**Change in Gross Margin Offset Within Net Income**
($6.7)	**Decrease in Gross Margin**

Covid-19
We estimate a net $3-4 million impact of lower commercial and industrial usage (demand and loads) partially offset by increased retail usage.

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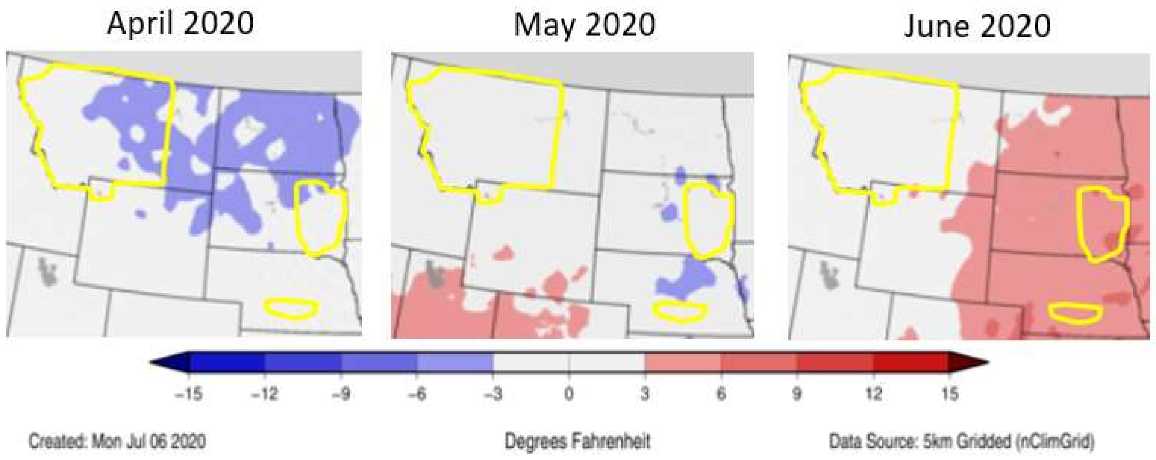
(1) *Gross Margin, defined as revenues less cost of sales, is a non-GAAP Measure See appendix for additional disclosure.*

Weather
(Second Quarter)

Heating Degree - Days	**Qtr 2 Degree Days**			**Q2 2020 as compared with:**	
	2020	**2019**	**Historic Average**	**2019**	**Historic Average**
Montana	1,265	1,199	1,225	6% cooler	3% cooler
South Dakota	1,464	1,681	1,540	13% warmer	5% warmer
Nebraska	1,136	1,215	1,262	7% warmer	10% warmer

Cooling Degree-Days	**Qtr 2 Degree Days**			**Q2 2020 as compared with:**	
	2020	**2019**	**Historic Average**	**2019**	**Historic Average**
Montana	55	38	52	45% warmer	6% warmer
South Dakota	89	54	60	65% warmer	48% warmer

Mean Temperature Departures from Average



Created: Mon Jul 06 2020

Degrees Fahrenheit

Data Source: 5km Gridded (nClimGrid)

We estimate favorable weather in Q2 2020 resulted in a $0.5M pretax benefit as compared to normal and $0.8M pretax benefit as compared to Q2 2019.

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Operating Expenses
(Second Quarter)

(dollars in millions)

	Three Months Ended June 30,			
	2020	2019	Variance	
Operating, general & admin.	$ 71.7	$ 80.8	($ 9.1)	(11.3%)
Property and other taxes	47.0	44.3	2.7	6.1%
Depreciation and depletion	44.8	41.0	3.8	9.3%
Operating Expenses	**$ 163.5**	**$ 166.1**	**($ 2.6)**	**(1.6%)**

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

($3.7)	Employee benefits *(incl. $0.9 million Covid-related lower medical)*
(2.6)	Generation maintenance
(1.8)	Labor *(incl. $0.7 million Covid-related lower in-home customer work)*
(1.2)	Hazard trees
(1.2)	Travel and training *(estimated to be all Covid-related)*
3.1	Uncollectible accounts *(estimated to be all Covid-related)*
(2.3)	Other
($9.7)	**Change in OG&A Items Impacting Net Income**
$1.5	Pension and other postretirement benefits
0.5	Operating expenses recovered in trackers
(1.4)	Non-employee directors deferred compensation
$0.6	**Change in OG&A Items Offset Within Net Income**
($9.1)	**Decrease in Operating, General & Administrative Expense**

Covid-19

$3.1 million in increased uncollectable accounts expense was partially offset by an estimated $2.8M of lower Covid-related expense.

$2.7 million increase in property and other taxes due primarily to increase in Montana state and local taxes offset in part by lower MPSC tax and invasive species taxes.

$3.8 million increase in depreciation expense primarily due to a lower depreciation expense in the 2nd quarter 2019 as a result of our MT rate case settlement and to a lesser extent plant additions.

Operating to Net Income

(Second Quarter)

(dollars in millions)

	Three Months Ended June 30,			
	2020	2019	Variance	
Operating Income	**$ 44.8**	**$ 48.8**	**$ (4.0)**	**(8.2%)**
Interest Expense	(24.3)	(23.5)	(0.8)	(3.4%)
Other Income	0.2	0.1	0.1	100.0%
Income Before Taxes	**20.8**	**25.5**	**(4.7)**	**(18.4%)**
Income Tax Benefit	0.7	22.2	(21.5)	(96.8%)
Net Income	**$ 21.5**	**$ 47.7**	**($ 26.2)**	**(54.9%)**

$0.8 million increase in interest expense, including approximately $0.7 million as a result of higher borrowings, as a precautionary measure in order to increase our cash position and preserve financial flexibility in light of uncertainty in the markets.

$0.1 million increase in other income was due to a decrease in other pension expense of $1.5 million partially offset by a $1.4 million decrease in the value of deferred shares held in trust for non-employee directors deferred compensation, both of which are offset in operating, general and administrative expense with no impact to net income.

$21.5 million decrease in income tax benefits due primarily to the release of approximately $23.2 million of unrecognized tax benefits, including $2.7 million of accrued interest and penalties, due to the lapse of statutes of limitations in the second quarter of 2019.

Income Tax Reconciliation

(Second Quarter)

(in millions)	Three Months Ended June 30,				
	2020		2019		Variance
Income Before Income Taxes	**$20.8**		**$25.5**		**($4.7)**
Income tax calculated at federal statutory rate	4.4	21.0%	5.3	21.0%	(0.9)
Permanent or flow through adjustments:					
State income, net of federal provisions	-	-	0.2	0.9%	(0.2)
Flow - through repairs deductions	(3.2)	(15.4%)	(2.1)	(8.5%)	(1.1)
Production tax credits	(1.7)	(8.5%)	(1.4)	(5.5%)	(0.3)
Amortization of excess deferred income tax	(0.2)	(0.7%)	(0.2)	(0.7%)	-
Plant and depreciation of flow-through items	0.1	0.3%	(0.6)	(2.6%)	0.7
Recognition of unrecognized tax benefit	-	-	(23.2)	(91.2%)	23.2
Other, net	(0.1)	(0.2%)	(0.2)	(0.8%)	0.1
Sub-total	(5.1)	(24.5%)	(27.5)	(108.4%)	22.4
Income Tax Benefit	**$ (0.7)**	**(3.5%)**	**$ (22.2)**	**(87.4%)**	**$ 21.5**

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Balance Sheet

(dollars in millions)		As of June 30, 2020		As of December 31, 2019
Cash and cash equivalents	$	7.5	$	5.1
Restricted cash		8.9		6.9
Accounts receivable, net		125.1		167.4
Inventories		61.2		53.9
Other current assets		60.8		68.3
Goodwill		357.6		357.6
PP&E and other non-current assets		5,350.6		5,251.4
Total Assets	**$**	**5,971.8**	**$**	**5,910.7**
Payables		69.4		96.7
Current Maturities - debt and leases		102.6		2.5
Other current liabilities		256.9		235.1
Long-term debt & capital leases		2,173.9		2,250.7
Other non-current liabilities		1,315.5		1,286.6
Shareholders' equity		2,053.6		2,039.1
Total Liabilities and Equity	**$**	**5,971.8**	**$**	**5,910.7**
Capitalization:				
Short-Term Debt & Short-Term Finance Leases		102.6		2.5
Long-Term Debt & Long-Term Finance Leases		2,173.9		2,250.7
Less: Basin Creek Finance Lease		(18.7)		(19.9)
Less: New Market Tax Credit Financing Debt		(27.0)		(27.0)
Shareholders' Equity		2,053.6		2,039.1
Total Capitalization	**$**	**4,284.3**	**$**	**4,245.4**
Ratio of Debt to Total Capitalization		**52.1%**		**52.0%**

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Cash Flow

	Six Months Ending June 30,	
(dollars in millions)	2020	2019
Operating Activities		
Net Income	$ 72.2	$ 120.5
Non-Cash adjustments to net income	94.3	73.5
Changes in working capital	56.9	(42.3)
Other non-current assets & liabilities	(4.2)	(7.1)
Cash provided by Operating Activities	**219.2**	**144.6**
Investing Activities		
PP&E additions	(176.5)	(147.0)
Cash used in Investing Activities	**(176.5)**	**(147.0)**
Financing Activities		
Treasury stock activity, net	(2.1)	1.1
Borrowings (repayments) of line of credit, net	25.0	57.0
Dividends on common stock	(60.2)	(57.6)
Financing costs	(1.1)	(0.9)
Cash used in Financing Activities	**(38.4)**	**(0.4)**
Increase (Decrease) in Cash, Cash Equiv. & Restricted	**4.3**	**(2.8)**
Beginning Cash, Cash Equiv. & Restricted Cash	12.1	15.3
Ending Cash, Cash Equiv. & Restricted Cash	**$ 16.4**	**$ 12.5**

Cash from operating activities increased by ~$75M primarily due to the improved collections of energy supply costs in the current period, as compared with higher procured supply costs, credits to Montana customers of approximately $20.5 million in the first quarter of 2019, and transmission generation interconnection refunds all in the prior period. These improvements were offset in part by reduced net income.

Adjusted Non-GAAP Earnings
(Second Quarter)

(in millions)	GAAP				Non GAAP	Non-GAAP Variance		Non GAAP					GAAP
	Three Months Ended June 30, 2020	Favorable Weather	(1) Move Pension Expense to OG&A (disaggregated with ASU 2017-07)	Non-employee Deferred Compensation	Three Months Ended June 30, 2020	Variance $	%	Three Months Ended June 30, 2019	Remove Benefit Related to Release of Previously Unrecognized Tax Benefits	Non-employee Deferred Compensation	(1) Move Pension Expense to OG&A (disaggregated with ASU 2017-07)	Unfavorable Weather	Three Months Ended June 30, 2019
Revenues	$269.3	(0.5)			$268.8	($2.3)	-0.8%	$271.1				0.3	$270.8
Cost of sales	61.0				61.0	5.2	9.3%	55.8					55.8
Gross Margin (1)	**208.3**	**(0.5)**	-	-	**207.8**	**(7.5)**	**-3.5%**	**215.3**	-	-	-	**0.3**	**215.0**
Op. Expenses													
OG&A	71.7		0.2	1.1	73.0	(9.2)	-11.2%	82.2		(0.3)	1.7		80.8
Prop. & other taxes	47.0				47.0	2.7	6.1%	44.3					44.3
Depreciation	44.8				44.8	3.8	9.3%	41.0					41.0
Total Op. Exp.	**163.5**	-	**0.2**	**1.1**	**164.8**	**(2.7)**	**-1.6%**	**167.5**	-	**(0.3)**	**1.7**	-	**166.1**
Op. Income	**44.8**	**(0.5)**	**(0.2)**	**(1.1)**	**43.0**	**(4.7)**	**-9.9%**	**47.7**	-	**0.3**	**(1.7)**	**0.3**	**48.8**
Interest expense	(24.3)				(24.3)	(0.8)	-3.4%	(23.5)					(23.5)
Other (Exp.) Inc., net	0.2		0.2	1.1	1.5	-	0.0%	1.5		(0.3)	1.7		0.1
Pretax Income	**20.8**	**(0.5)**	-	-	**20.2**	**(5.6)**	**-21.7%**	**25.8**	-	-	-	**0.3**	**25.5**
Income tax	0.7	0.1	-	-	0.8	1.5	221.9%	(0.7)	(22.8)	-	-	(0.1)	22.2
Net Income	**$21.5**	**(0.4)**	-	-	**$21.1**	**($4.0)**	**-15.9%**	**$25.1**	**(22.8)**	-	-	**0.2**	**$47.7**
ETR	-3.5%	25.3%	-	-	-4.1%			2.6%	-	-	-	25.3%	-87.4%
Diluted Shares	50.6				50.6	(0.2)	-0.4%	50.8					50.8
Diluted EPS	**$0.43**	(0.01)	-	-	$0.42	($0.08)	-16.0%	$0.50	(0.45)	-	-	0.01	**$0.94**

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.

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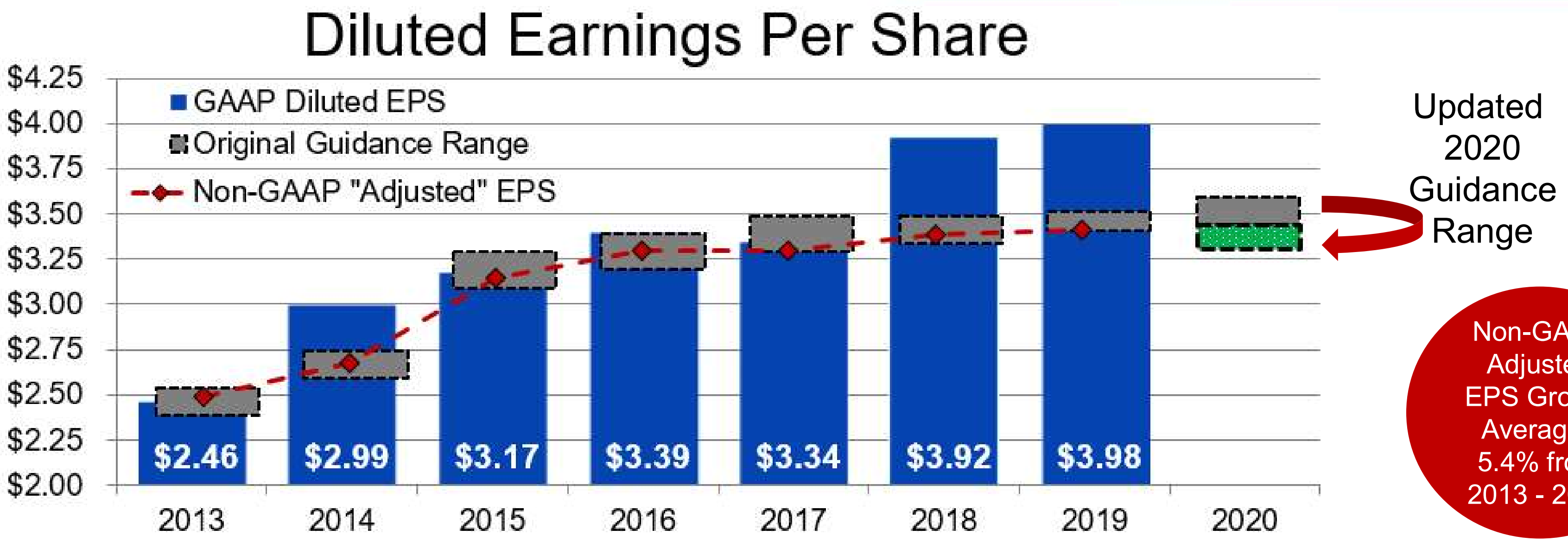
(1) *As a result of the adoption of Accounting Standard Update 2017-07 in March 2018, pension and other employee benefit expense is now disaggregated on the GAAP income statement with portions now recorded in both OG&A expense and Other (Expense) Income lines. To facilitate better understanding of trends 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 5.4% from 2013 - 2019

NorthWestern is <u>affirms</u> its 2020 previously revised earnings guidance range of $3.30 to $3.45 per diluted share based upon, but not limited to, the following major assumptions and expectations:

- **COVID-19 related business slowdowns and closures in our service territory continue to ease during the third quarter and nearly fully recovered in the fourth quarter 2020;**
- **Regulatory recovery of COVID-19 related uncollectable account expense**;
- Normal weather in our electric and natural gas service territories;
- A consolidated income tax rate of approximately (5%) to 0% of pre-tax income; and
- Diluted shares outstanding of approximately 50.9 million.

Continued investment in our system to serve our customers and communities is expected to provide a targeted long-term 6-9% total return to our investors through a combination of earnings growth and dividend yield.

See "Non-GAAP Financial Measures" slide in appendix for "Non-GAAP Adjusted EPS"

2019 Non-GAAP to 2020 Revised EPS Bridge

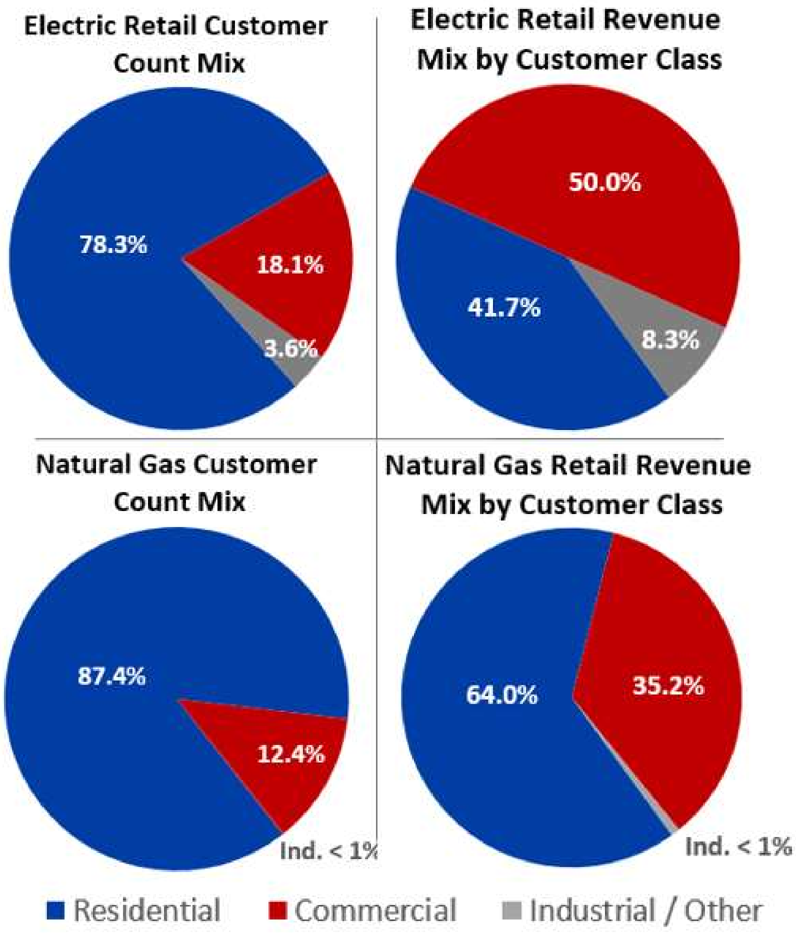
After-tax earnings per share increase (decrease)

				Full Year			
	Actual	Q3 - Q4 Forecast		Affirmed Revised Guidance		Revised Guidance (@ Q1 Earnings)	
	Q1 - Q2	Low	High	Low	High	Low	High
2019 Non-GAAP Diluted EPS	$1.73	$1.69	$1.69	$3.42	$3.42	$3.42	$3.42
2020 Earnings Drivers							
Gross margin	($0.20)	$0.11	$0.17	($0.09)	($0.03)	($0.12)	($0.06)
OG&A expense	0.13	0.08	0.11	0.21	0.24	0.19	0.22
Property & other tax expense	(0.04)	(0.12)	(0.11)	(0.16)	(0.15)	(0.09)	(0.08)
Depreciation expense	(0.06)	(0.05)	(0.05)	(0.11)	(0.11)	(0.13)	(0.12)
Interest expense	(0.02)	(0.02)	(0.01)	(0.04)	(0.03)	(0.04)	(0.03)
Other income	0.00	0.03	0.04	0.03	0.04	0.03	0.04
Incremental tax impact*	(0.06)	0.10	0.14	0.04	0.08	0.04	0.07
Subtotal of anticipated changes	($0.25)	$0.13	$0.29	($0.12)	$0.04	($0.12)	$0.04
2020 EPS Non-GAAP Estimate	$1.48	$1.82	$1.98	$3.30	$3.46	$3.30	$3.46
Dilution from higher share count	-	-	($0.01)	-	($0.01)	-	($0.01)
2020 EPS Estimate (post equity dilution)	$1.48	$1.82	$1.97	$3.30	$3.45	$3.30	$3.45
2020 Non-GAAP Adjusted Diluted EPS (Midpoint)				$3.38		$3.38	

* 2020 earnings drivers shown above are calculated using a 25.3% effective tax rate. The incremental tax impact line included above reflects anticipated changes in discrete tax items (such as tax repairs and meter deductions, production tax credits, and other permanent or flow-through items) from 2019 actual earnings to 2020 forecast.

Since first quarter earnings, the primary change reflected in the earnings bridge above is increased property tax expense (based on Montana Dept. of Revenue's valuation finalized in second quarter) partially offset by increased gross margin (due to increased property taxes recoverable through tax tracker).

COVID-19: Margin Expectations



High-Level COVID Load Impacts vs Planned 2020 Loads

	Q2 - Forecast	Q2 - Actual	Q3	Q4
Industrial	(4.0%)	(1.2%)	(1.5%)	(0.3%)
Commercial	(12.0%)	(11.0%)	(4.5%)	(0.8%)
Residential	4.0%	3.3%	1.5%	0.3%

Applying our high-level estimated impacts above to customer loads results in the following overall impact to load by class:

Electric: Q3-Q4 Period-over-Period Volume Comparison

	2020 Est. (Covid) vs. 2019 Normalized	2020 Est. (Covid) vs. 2020 Est. (Pre-Covid)
Industrial	(1.0%)	(1.0%)
Commercial	(2.2%)	(3.0%)
Residential	3.1%	1.0%

Natural Gas: Q3-Q4 Period-over-Period Volume Comparison

	2020 Est. (Covid) vs. 2019 Normalized	2020 Est. (Covid) vs. 2020 Est. (Pre-Covid)
Commercial	(0.6%)	(1.9%)
Residential	1.1%	0.6%

Second quarter gross margin was generally in line with our Covid assumptions. We experienced a decline in gross margin of approximately $3 - $4 million by reduced commercial and industrial offset in part by increased residential usage.

We expect the Covid usage trends to continue with slow reversion to 'normal' by year-end.

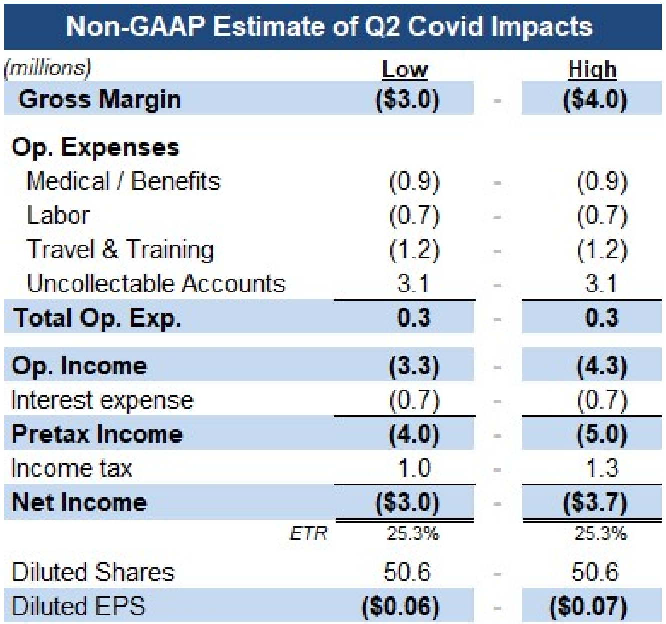
COVID-19: Expense Expectations

Expenses we expect to increase:

- Bad debt expense
  - We assume significant recovery through a regulatory mechanism
- COVID related charitable contributions

Expenses we expect to decrease:

- Distribution customer work
- Contract services and material costs
- Fleet fuel costs
- Travel and employee education
- Lower medical expense and incentive pay



Non-GAAP Estimate of Q2 Covid Impacts

(millions)	Low		High
Gross Margin	**($3.0)**	-	**($4.0)**
Op. Expenses			
Medical / Benefits	(0.9)	-	(0.9)
Labor	(0.7)	-	(0.7)
Travel & Training	(1.2)	-	(1.2)
Uncollectable Accounts	3.1	-	3.1
Total Op. Exp.	**0.3**	-	**0.3**
Op. Income	**(3.3)**	-	**(4.3)**
Interest expense	(0.7)	-	(0.7)
Pretax Income	**(4.0)**	-	**(5.0)**
Income tax	1.0	-	1.3
Net Income	**($3.0)**	-	**($3.7)**
ETR	25.3%		25.3%
Diluted Shares	50.6	-	50.6
Diluted EPS	**($0.06)**	-	**($0.07)**

Areas unchanged but will monitor and manage appropriately

- Capital spending still expected at approximately $400 million
- Supply chain – No significant issues anticipated as nearly all vendors in USA
- Staffing levels – No layoffs expected and still hiring for critical positions

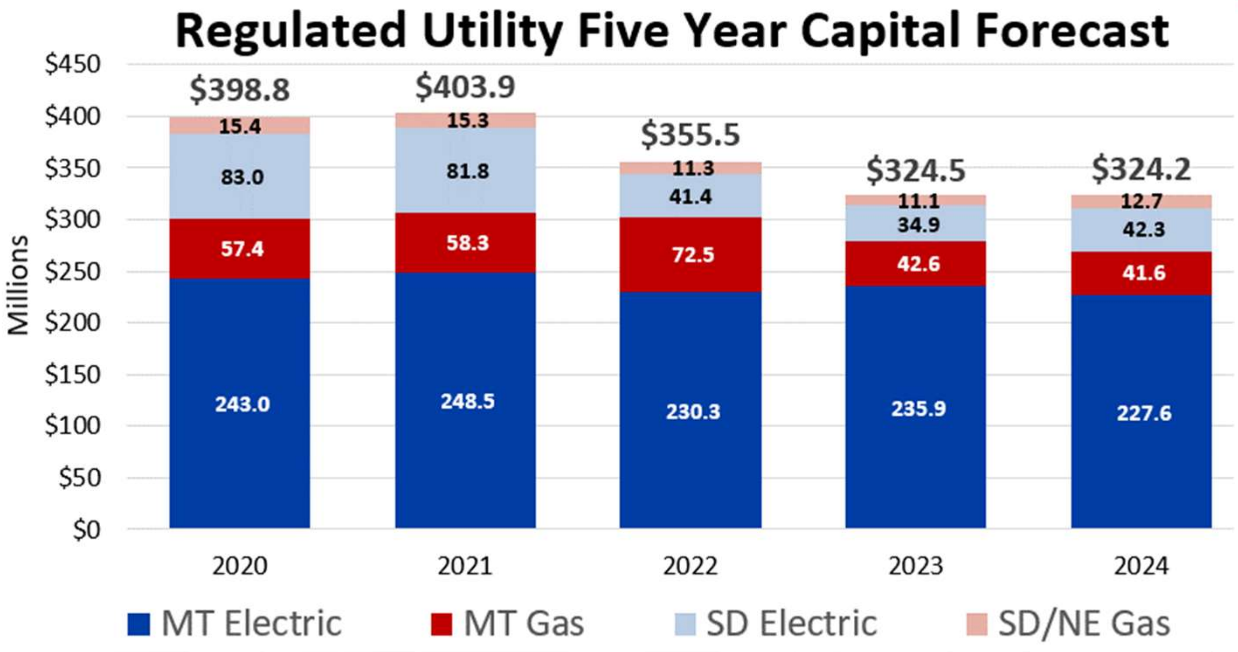
Estimated Covid related expense reductions were generally in line with our expectations. However, without an approved recovery mechanism in place, increased uncollectable accounts expense and increased interest expense from higher liquidity needs more than offset Covid related savings.

Maintaining Capital Investment Forecast

$1.8 billion of total capital investment over five years

We anticipate financing this capital with a combination of cash flow from operations (aided by NOLs available into 2021), first mortgage bonds and equity issuances. Based on current expectations, any equity issuance would be late 2020 or early 2021 and would be sized to maintain and protect current credit ratings.

Significant capital investments that are not in the projections or negative regulatory actions could necessitate additional equity funding.



$ Millions	**2020**	**2021**	**2022**	**2023**	**2024**
Electric	$ 326.1	$ 330.3	$ 271.7	$ 270.8	$ 269.9
Naural Gas	72.7	73.6	83.8	53.7	54.4
Total Capital Forecast	$ 398.8	$ 403.9	$ 355.5	$ 324.5	$ 324.2

Based on the results of the recent competitive solicitation process in South Dakota, $80 million of incremental investment for SD generation is included above (spread between 2020-2021). Capital projections above do not include investment necessary to address identified generation capacity issues in Montana. These additions could increase the capital forecast above in excess of $200 million over the next five years.

Looking Forward

Regulatory

- The MPSC recently approved a pilot **Fixed Cost Recovery Mechanism (FCRM)** effective July 1, 2020. We asked the MPSC to delay the start of the pilot for one year until July 1, 2021 due to the uncertainty created by the COVID-19 pandemic. The MPSC granted the requested one-year delay of implementation but requested 'shadow accounting' to inform the commission of the impacts had the FCRM been implemented as scheduled.
- In June 2019, the **FERC** issued an order accepting our **filing of Montana transmission assets**, granting interim rates, establishing settlement procedures and terminating our related Tax Cuts and Jobs Act filing. A settlement judge has been appointed and settlement negotiations are ongoing. We expect to submit a compliance filing with the MPSC upon resolution of our case adjusting the FERC credit in our retail rates.
- NorthWestern's application to acquire an additional 92.5MW of Colstrip Unit 4 for $1.00 from Puget Sound Energy has been filed with the MPSC. On July 14, the MPSC voted to suspend the **Colstrip procedural schedule** until an updated purchase and sale agreement, reflecting Talen's exercise of right of first refusal, has been filed.
- Each year we submit filings for recovery of electric, natural gas and property taxes. The respective commissions review these tracker filings and make cost recovery determinations based on prudency.

Electric Resource Planning

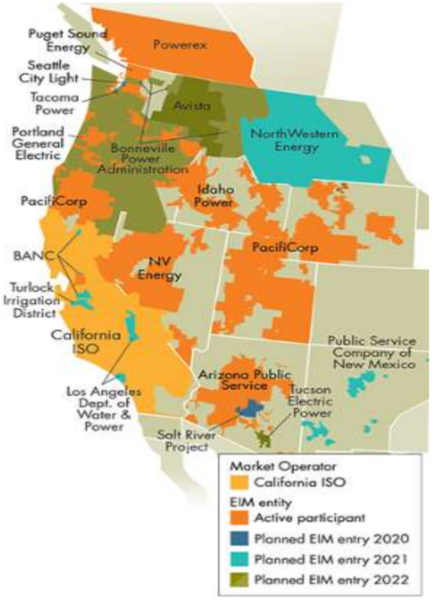
- South Dakota: Construction of approximately 60MW / $80 million flexible reciprocating internal combustion engines in Huron, SD to be online by late 2021.
- Montana: Competitive all-source solicitation for up to 280 MWs of flexible capacity issued February 2020 with project(s) selection in first quarter 2021 and online in early 2023.

Continue to Invest in our Transmission & Distribution Infrastructure

- Comprehensive grid modernization and infrastructure program to ensure safety, capacity and reliability.

Plans to join Western Energy Imbalance Market (EIM) in April 2021

- Real-time energy market could mean lower cost of energy for Montana customers, more efficient use of renewables and greater power grid reliability.



Conclusion

- Pure Electric & Gas Utility
- Solid Utility Foundation
- Best Practices Corporate Governance
- Attractive Future Growth Prospects
- Strong Earnings & Cash Flows

Appendix

25% of Colstrip Unit 4 Acquisition

On December 9, 2019 NorthWestern (NWE) executed a Purchase and Sale Agreement for the acquisition of Puget Sound Energy's (PSE) 25% ownership interests in Colstrip Unit 4 (CU4).

- Generating Capacity: 185 MW (bringing our total ownership to 407 MW, or 55% of CU4)
- Purchase Price: $1.00
- PSE will remain responsible for its current pro rata ownership share of environmental and pension liabilities attributed to events or conditions existing prior to closing of the transaction and for any demolition, reclamation, or remediation costs associated with the existing facilities that comprise CU4.
- PSE will enter a Power Purchase Agreement (PPA) with NWE to purchase 90 MW of power for approximately 5 years – indexed to hourly Mid-Columbia power prices.
  - Net proceeds from the PPA will be placed in a fund and applied against future decommissioning and remediation costs related to the existing 30%, or 222 MW, ownership in CU4.
  - PPA includes a price floor that reflects the recovery of all fixed operating and maintenance and variable generation costs.
- **The transaction is conditioned upon MPSC Pre-Approval (filed in February 2020).**
- Entered a separate agreement (predicated on approval of generation transaction) to acquire an additional 90MW interest in the 500 kV Colstrip Transmission System for net book value at time of sale – expected to be $2.5 to $3.8 million.
- **Update to transaction**
  - April 2020, Talan Energy, LLC exercised it's right of first refusal to accept ½ the offer made by Puget Sound Energy to NWE
  - Talen's proportionate share of the 185 MW capacity is 92.5 MW.
  - Talen, while not a co-owner of the Colstrip Transmission System, has claimed that its right of first refusal extends to the transmission assets. We disagree with Talen's claim and will oppose Talen's efforts to obtain interest in the 45 MW of transmission assets.
  - We supplemented our application with the MPSC to reflect this development, but have not completed negotiations.
  - **MPSC suspended the procedural schedule until an updated purchase and sale agreement, reflecting Talen's interest is provided**.

NWE currently has a 46% reserve margin deficit during peak periods. This exposes our customers to greater market exposure than any of our regional peers. In addition, planned retirements in the Pacific Northwest region exceeding 3,600 MW will compound our market exposure. Acquiring incremental interest in Colstrip Unit 4 will limit this impact and provide a bridge to future generation technologies.

Segment Results

(Second Quarter)

(Unaudited) (in thousands)

Three Months Ending June 30, 2020	**Electric**	**Gas**	**Other**	**Total**
Operating revenues	$ 217,938	$ 51,422	$ -	$ 269,360
Cost of sales	48,305	12,738	-	61,043
Gross margin [(1)]	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

Three Months Ending June 30, 2019	**Electric**	**Gas**	**Other**	**Total**
Operating revenues	$ 219,659	$ 51,060	$ -	$ 270,719
Cost of sales	42,661	13,083	-	55,744
Gross margin [(1)]	176,998	37,977	-	214,975
Operating, general and administrative	59,328	20,965	533	80,826
Property and other taxes	34,834	9,474	2	44,310
Depreciation & depletion	33,720	7,296	-	41,016
Operating Income (loss)	49,116	242	(535)	48,823
Interest expense	(19,285)	(1,501)	(2,725)	(23,511)
Other (expense) income	(220)	(53)	397	124
Income tax (expense) benefit	(1,713)	(354)	24,293	22,226
Net income (loss)	$ 27,898	$ (1,666)	$ 21,430	$ 47,662

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

Electric Segment

(Second Quarter)

(dollars in millions)	Results			
	2020	2019	Change	% Change
Retail revenues	$ 204.2	$ 198.9	$ 5.3	2.7 %
Regulatory amortization	(0.1)	6.2	(6.3)	(101.6)
Total retail revenue	204.1	205.1	(1.0)	(0.5)
Transmission	12.9	13.4	(0.5)	(3.7)
Wholesale and other	0.9	1.2	(0.3)	(25.0)
Total Revenues	**217.9**	**219.7**	**(1.8)**	**(0.8)**
Total Cost of Sales	**48.3**	**42.7**	**5.6**	**13.1**
Gross Margin (1)	**169.6**	**177.0**	**(7.4)**	**(4.2) %**

	Revenues		Megawatt Hours (MWH)		Avg. Customer Count	
	2020	2019	2020	2019	2020	2019
	(in thousands)					
Retail Electric						
Montana	$ 70,589	$ 62,828	577	521	306,797	302,642
South Dakota	14,597	13,441	123	123	50,660	50,553
Residential	**85,186**	**76,269**	**700**	**644**	**357,457**	**353,195**
Montana	77,426	82,820	684	755	69,837	68,690
South Dakota	23,190	21,763	243	253	12,830	12,822
Commercial	**100,616**	**104,583**	**927**	**1,008**	**82,667**	**81,512**
Industrial	9,192	10,264	730	725	78	78
Other	9,242	7,757	50	38	6,403	6,067
Total Retail Electric	**$ 204,236**	**$ 198,873**	**2,407**	**2,415**	**446,605**	**440,852**

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

Appendix

Natural Gas Segment
(Second Quarter)

(dollars in millions)	Results 2020	 2019	 Change	 % Change
Retail revenues	$ 38.7	$ 44.1	$ (5.4)	(12.2) %
Regulatory amortization	4.0	(1.9)	5.9	(310.5)
Total retail revenue	42.7	42.2	0.5	1.2
Wholesale and other	8.7	8.9	(0.2)	(2.2)
Total Revenues	**51.4**	**51.1**	**0.3**	**0.6**
Total Cost of Sales	**12.7**	**13.1**	**(0.4)**	**(3.1)**
Gross Margin [(1)]	**$ 38.7**	**$ 38.0**	**$ 0.7**	**$ 1.8 %**

	Revenues 2020	 2019	Dekatherms (Dkt) 2020	 2019	Avg. Customer Count 2020	 2019
	(in thousands)					
Retail Gas						
Montana	$ 17,483	$ 18,748	2,344	2,206	177,089	174,648
South Dakota	4,724	5,657	612	686	40,501	39,961
Nebraska	3,522	4,205	533	543	37,537	37,311
Residential	**25,729**	**28,610**	**3,489**	**3,435**	**255,127**	**251,920**
Montana	8,236	9,480	1,140	1,185	24,489	24,220
South Dakota	2,888	3,583	598	660	6,886	6,786
Nebraska	1,539	2,095	362	405	4,975	4,888
Commercial	**12,663**	**15,158**	**2,100**	**2,250**	**36,350**	**35,894**
Industrial	111	111	16	13	231	240
Other	177	209	30	32	152	166
Total Retail Gas	**$ 38,680**	**$ 44,088**	**5,635**	**5,730**	**291,860**	**288,220**

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

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Summary Financial Results

(Six Months Ended June 30)

(in millions except per share amounts)	Six Months Ended June 30,			
	2020	2019	Variance	% Variance
Operating Revenues	$ 604.6	$ 654.9	$ (50.3)	(7.7%)
Cost of Sales	152.3	171.5	(19.2)	(11.2%)
Gross Margin [1]	**452.3**	**483.4**	**(31.1)**	**(6.4%)**
Operating Expenses				
Operating, general & administrative	150.7	161.9	(11.2)	(6.9%)
Property and other taxes	91.5	89.1	2.4	2.7%
Depreciation and depletion	90.0	86.6	3.4	3.9%
Total Operating Expenses	**332.2**	**337.6**	**(5.4)**	**(1.6%)**
Operating Income	**120.1**	**145.7**	**(25.5)**	**(17.5%)**
Interest Expense	(48.6)	(47.3)	(1.3)	(2.7%)
Other (Expense) / Benefit	(1.8)	1.3	(3.1)	238.5%
Income Before Taxes	**69.7**	**99.8**	**(29.9)**	**(30.0%)**
Income Tax Benefit	2.5	20.7	(18.2)	87.9%
Net Income	**$ 72.2**	**$ 120.5**	**$ (48.3)**	**(40.1%)**
Effective Tax Rate	(3.6%)	(20.7%)	17.10%	
Diluted: Average Shares Outstanding	50.6	50.7	(0.1)	(0.2%)
Diluted Earnings Per Share	$1.43	$2.38	($0.95)	(39.9%)
Dividends Paid per Common Share	$1.20	$ 1.15	$ 0.05	4.3%

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

Appendix

Gross Margin

(Six Months Ended June 30)

(dollars in millions)

	Six Months Ended June 30,			
	2020	**2019**	**Variance[1]**	
Electric	$ 350.4	$ 373.0	($ 22.6)	(6.1%)
Natural Gas	101.9	110.4	(8.5)	(7.7%)
Total Gross Margin	**$ 452.3**	**$ 483.4**	**($ 31.1)**	**(6.4%)**

Decrease in gross margin due to the following factors:

($8.9)	Electric retail volumes and demand
(8.0)	Natural gas retail volumes
(3.3)	Lower electric QF liability adjustment
(2.7)	Montana electric supply cost recovery
(1.5)	Montana transmission
(0.7)	Montana natural gas rates
1.6	Montana electric rates
(6.8)	Other
($30.3)	**Change in Gross Margin Impacting Net Income**
($3.0)	Production tax credits flowed-through trackers
(0.2)	Operating expenses recovered in trackers
2.4	Property taxes recovered in trackers
($0.8)	**Change in Gross Margin Offset Within Net Income**
($31.1)	**Decrease in Gross Margin**

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

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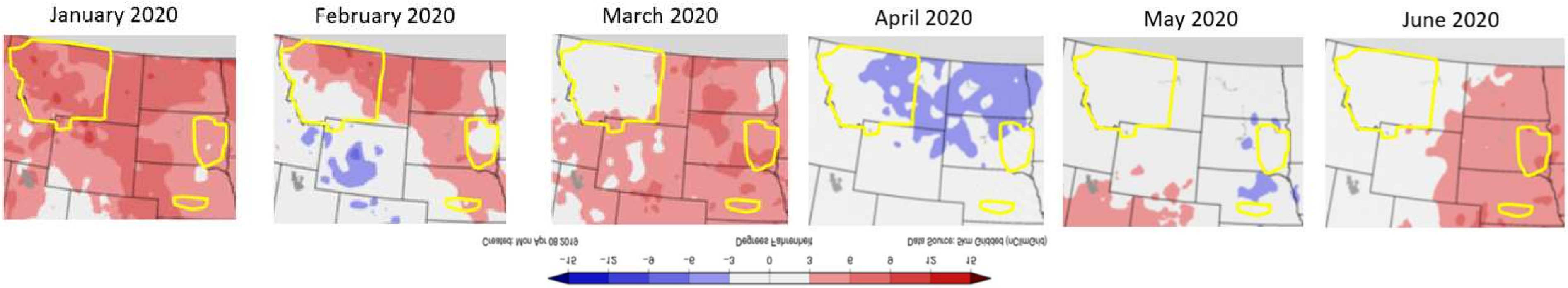
Appendix

Weather
(Six Months Ended June 30)

Heating Degree - Days	YTD thru 6/30 Degree Days			YTD 2020 as compared with:	
	2020	2019	Historic Average	2019	Historic Average
Montana	4,401	5,251	4,527	16% warmer	3% warmer
South Dakota	5,493	6,342	5,600	13% warmer	2% warmer
Nebraska	4,210	4,849	4,632	13% warmer	9% warmer

Cooling Degree-Days	YTD thru 6/30 Degree Days			YTD 2020 as compared with:	
	2020	2019	Historic Average	2019	Historic Average
Montana	55	38	52	45% warmer	6% warmer
South Dakota	89	54	60	65% warmer	48% warmer

Mean Temperature Departures from Average



We estimate unfavorable weather through the first 6 months of 2020 has contributed approximately $3.5M pretax detriment as compared to normal and $17.2M pretax detriment as compared to the same period in 2019.

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Appendix

Operating Expenses
(Six Months Ended June 30)

(dollars in millions)

	Six Months Ended June 30,			
	2020	**2019**	**Variance**	
Operating, general & admin.	$ 150.7	$ 161.9	($ 11.2)	(6.9%)
Property and other taxes	91.5	89.1	2.4	2.7%
Depreciation and depletion	90.0	86.6	3.4	3.9%
Operating Expenses	**$ 332.2**	**$ 337.6**	**($ 5.4)**	**(1.6%)**

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

($3.7)	Employee benefits
(1.8)	Labor
(1.2)	Hazard trees
(1.2)	Travel and training
(1.2)	Generation maintenance
3.1	Uncollectible accounts
(1.9)	Other
($7.9)	**Change in OG&A Items Impacting Net Income**
($6.3)	Non-employee directors deferred compensation
(0.2)	Operating expense recovered in trackers
3.2	Pension and other postretirement benefits
($3.3)	**Change in OG&A Items Offset Within Net Income**
($11.2)	**Decrease in Operating, General & Administrative Expenses**

$2.4 million increase in property and other taxes due primarily to plant additions and higher annual estimated property valuations in Montana.

$3.4 million increase in depreciation expense primarily due to a reduction in depreciation Q2 of 2019 as a result of our Montana electric rate case, and to a lesser extent plant additions

Operating to Net Income

(Six Months Ended June 30)

(dollars in millions)

	Six Months Ended June 30,			
	2020	2019	Variance	
Operating Income	**$ 120.1**	**$ 145.8**	**($ 25.7)**	**(17.6%)**
Interest Expense	(48.6)	(47.3)	(1.3)	(2.7%)
Other (Expense) / Income	(1.8)	1.3	(3.1)	(238.5%)
Income Before Taxes	**69.7**	**99.8**	**(30.1)**	**(30.2%)**
Income Tax Benefit	2.5	20.7	(18.2)	(87.9%)
Net Income	**$ 72.2**	**$ 120.5**	**($ 48.3)**	**(40.1%)**

$1.3 million increase in interest expense, including approximately $0.7 million as a result of higher borrowings in the second quarter 2020, to increase our cash position as a precautionary measure and preserve financial flexibility.

$3.1 million increase in other expense was due to a $6.3 million decrease in the value of deferred shares held in trust for non-employee directors deferred compensation that was partially offset by a $3.2 million decrease in other pension expense, both of which are offset in operating, general, and administrative expense with no impact to net income.

$18.2 million decrease in income tax benefit. The income tax benefit for 2019 reflects the release of approximately $22.8 million of unrecognized tax benefits, including approximately $2.7 million of accrued interest and penalties, due to the lapse of statutes of limitation in the second quarter of 2019. Our effective tax rate for the six months ended June 30, 2019 was (3.6%) as compared with (20.7%) for the same period of 2019. We expect our 2020 effective tax rate to range between negative 5% and 0%.

Appendix

Income Tax Reconciliation

(Six Months Ended June 30)

(in millions)	Six Months Ended June 30,				
	2020		2019		Variance
Income Before Income Taxes	**$69.7**		**$99.7**		**($30.0)**
Income tax calculated at federal statutory rate	14.6	21.0%	21.0	21.0%	(6.4)
Permanent or flow through adjustments:					
State income, net of federal provisions	-	0.1%	1.2	1.2%	(1.2)
Flow - through repairs deductions	(10.6)	(15.3%)	(10.1)	(10.1%)	(0.5)
Production tax credits	(5.3)	(7.7%)	(5.9)	(5.8%)	0.6
Share-based compensation	(0.6)	(0.9%)	0.2	0.2%	(0.8)
Amortization of excess deferred income taxes	(0.5)	(0.7%)	(1.6)	(1.6%)	1.1
Plant and depreciation of flow-through items	0.2	0.3%	(2.2)	(2.2%)	2.4
Release of unrecognized tax benefit	-	-	(22.8)	(22.9%)	22.8
Other, net	(0.3)	(0.4%)	(0.5)	(0.5%)	0.2
Sub-total	(17.1)	(24.6%)	(41.7)	(41.7%)	24.6
Income Tax Benefit	**$ (2.5)**	**(3.6%)**	**$ (20.7)**	**(20.7%)**	**$ 18.2**

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Adjusted Non-GAAP Earnings

(Six Months Ended June 30)

	GAAP				Non GAAP	Non-GAAP Variance		Non GAAP					GAAP
(in millions)	Six Months Ended June 30, 2020	Unfavorable Weather	(1) Move Pension Expense to OG&A (disaggregated with ASU 2017-07)	Non-employee Deferred Compensation	Six Months Ended June 30, 2020	Variance $	%	Six Months Ended June 30, 2019	Remove Benefit Related to Release of Previously Unrecognized Tax Benefits	Non-employee Deferred Compensation	(1) Move Pension Expense to OG&A (disaggregated with ASU 2017-07)	Favorable Weather	Six Months Ended June 30, 2019
Revenues	$604.6	3.5	-	-	$608.1	($33.1)	-5.2%	$641.2	-	-	-	(13.7)	$654.9
Cost of sales	152.3	-	-	-	152.3	(19.2)	-11.2%	171.5	-	-	-	-	171.5
Gross Margin(1)	**452.3**	**3.5**	-	-	**455.8**	**(13.9)**	**-3.0%**	**469.7**	-	-	-	**(13.7)**	**483.4**
Op. Expenses													
OG&A	150.7	-	0.3	3.8	154.8	(8.1)	-5.0%	162.9	-	(2.5)	3.5	-	161.9
Prop. & other taxes	91.5	-	-	-	91.5	2.4	2.7%	89.1	-	-	-	-	89.1
Depreciation	90.0	-	-	-	90.0	3.4	3.9%	86.6	-	-	-	-	86.6
Total Op. Exp.	**332.2**	-	**0.3**	**3.8**	**336.3**	**(2.3)**	**-0.7%**	**338.6**	-	**(2.5)**	**3.5**	-	**337.6**
Op. Income	**120.1**	**3.5**	**(0.3)**	**(3.8)**	**119.5**	**(11.5)**	**-8.8%**	**131.0**	-	**2.5**	**(3.5)**	**(13.7)**	**145.8**
Interest expense	(48.6)	-	-	-	(48.6)	(1.3)	-2.7%	(47.3)	-	-	-	-	(47.3)
Other (Exp.) Inc., net	(1.8)	-	0.3	3.8	2.3	-	0.0%	2.3	-	(2.5)	3.5	-	1.3
Pretax Income	**69.7**	**3.5**	-	-	**73.2**	**(12.9)**	**-15.0%**	**86.1**	-	-	-	**(13.7)**	**99.8**
Income tax	2.5	(0.9)	-	-	1.6	0.2	14.6%	1.4	(22.8)	-	-	3.5	20.7
Net Income	**$72.2**	**2.6**	-	-	**$74.8**	**($12.7)**	**-14.5%**	**$87.5**	**(22.8)**	-	-	**(10.2)**	**$120.5**
ETR	-3.6%	25.3%	-	-	-2.2%			2.6%	-	-	-	25.3%	-20.7%
Diluted Shares	50.6				50.6	(0.1)	-0.2%	50.7					50.7
Diluted EPS	**$1.43**	0.05	-	-	$1.48	($0.25)	-14.5%	$1.73	(0.45)	-	-	(0.20)	**$2.38**

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.

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(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).

Segment Results

(Six Months Ended June 30)

(Unaudited) (in thousands)

Six Months Ending June 30, 2020	**Electric**	**Gas**	**Other**	**Total**
Operating revenues	$ 462,563	$ 142,052	$ -	$ 604,615
Cost of sales	112,139	40,176	-	152,315
Gross margin [(1)]	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)	$ 53,053	$ 20,714	$ (1,569)	$ 72,198

Six Months Ending June 30, 2019	**Electric**	**Gas**	**Other**	**Total**
Operating revenues	$ 492,696	$ 162,243	$ -	$ 654,939
Cost of sales	119,655	51,824	-	171,479
Gross margin (1)	373,041	110,419	-	483,460
Operating, general and administrative	117,111	41,973	2,834	161,918
Property and other taxes	69,881	19,214	4	89,099
Depreciation & depletion	71,771	14,829	-	86,600
Operating income (loss)	114,278	34,403	(2,838)	145,843
Interest expense	(38,820)	(3,011)	(5,470)	(47,301)
Other (expense) income	(781)	(530)	2,584	1,273
Income tax (expense) benefit	(3,522)	725	23,450	20,653
Net income	$ 71,155	$ 31,587	$ 17,726	$ 120,468

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

Appendix

Electric Segment

(Six Months Ended June 30)

	Results			
(dollars in millions)	2020	2019	Change	% Change
Retail revenues	$ 438.3	$ 437.6	$ 0.7	0.2 %
Regulatory amortization	(3.7)	25.3	(29.0)	(114.6)
Total retail revenue	434.6	462.9	(28.3)	(6.1)
Transmission	25.5	27.0	(1.5)	(5.6)
Wholesale and other	2.4	2.8	(0.4)	(14.3)
Total Revenues	**462.5**	**492.7**	**(30.2)**	**(6.1)**
Total Cost of Sales	**112.1**	**119.7**	**(7.6)**	**(6.3)**
Gross Margin (1)	**350.4**	**373.0**	**(22.6)**	**(6.1) %**

	Revenues		Megawatt Hours (MWH)		Avg. Customer Count	
	2020	2019	2020	2019	2020	2019
	(in thousands)					
Retail Electric						
Montana	$ 159,228	$ 156,924	1,310	1,329	306,384	302,399
South Dakota	33,515	31,456	303	318	50,651	50,611
Residential	**192,743**	**188,380**	**1,613**	**1,647**	**357,035**	**353,010**
Montana	163,432	169,530	1,476	1,573	69,764	68,477
South Dakota	49,685	44,923	534	537	12,782	12,796
Commercial	**213,117**	**214,453**	**2,010**	**2,110**	**82,546**	**81,273**
Industrial	17,951	21,845	1,405	1,426	78	78
Other	14,490	12,904	71	60	5,604	5,433
Total Retail Electric	**$ 438,301**	**$ 437,582**	**5,099**	**5,243**	**445,263**	**439,794**

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

NorthWestern Energy
Delivering a Bright Future

Appendix

Natural Gas Segment

(Six Months Ended June 30)

(dollars in millions)	Results 2020	 2019	 Change	 % Change
Retail revenues	$ 126.1	$ 150.9	$ (24.8)	(16.4) %
Regulatory amortization	(2.3)	(7.1)	4.8	(67.6)
Total retail revenue	123.8	143.8	(20.0)	(13.9)
Wholesale and other	18.3	18.4	(0.1)	(0.5)
Total Revenues	**142.1**	**162.2**	**(20.1)**	**(12.4)**
Total Cost of Sales	**40.2**	**51.8**	**(11.6)**	**(22.4)**
Gross Margin	**$ 101.9**	**$ 110.4**	**$ (8.5)**	**$ (7.7) %**

	Revenues		Dekatherms (Dkt)		Avg. Customer Count	
	2020	2019	2020	2019	2020	2019
	(in thousands)					
Retail Gas						
Montana	$ 55,778	$ 64,386	7,980	9,080	176,847	174,558
South Dakota	14,995	18,699	2,196	2,433	40,544	40,132
Nebraska	11,209	13,845	1,828	2,040	37,580	37,472
Residential	**81,982**	**96,930**	**12,004**	**13,553**	**254,971**	**252,162**
Montana	27,390	32,497	4,062	4,783	24,477	24,210
South Dakota	10,183	12,791	2,191	2,265	6,902	6,814
Nebraska	5,600	7,395	1,250	1,456	4,988	4,905
Commercial	**43,173**	**52,683**	**7,503**	**8,504**	**36,367**	**35,929**
Industrial	451	593	70	90	232	240
Other	520	649	93	110	152	166
Total Retail Gas	**$ 126,126**	**$ 150,855**	**19,670**	**22,257**	**291,722**	**288,497**

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

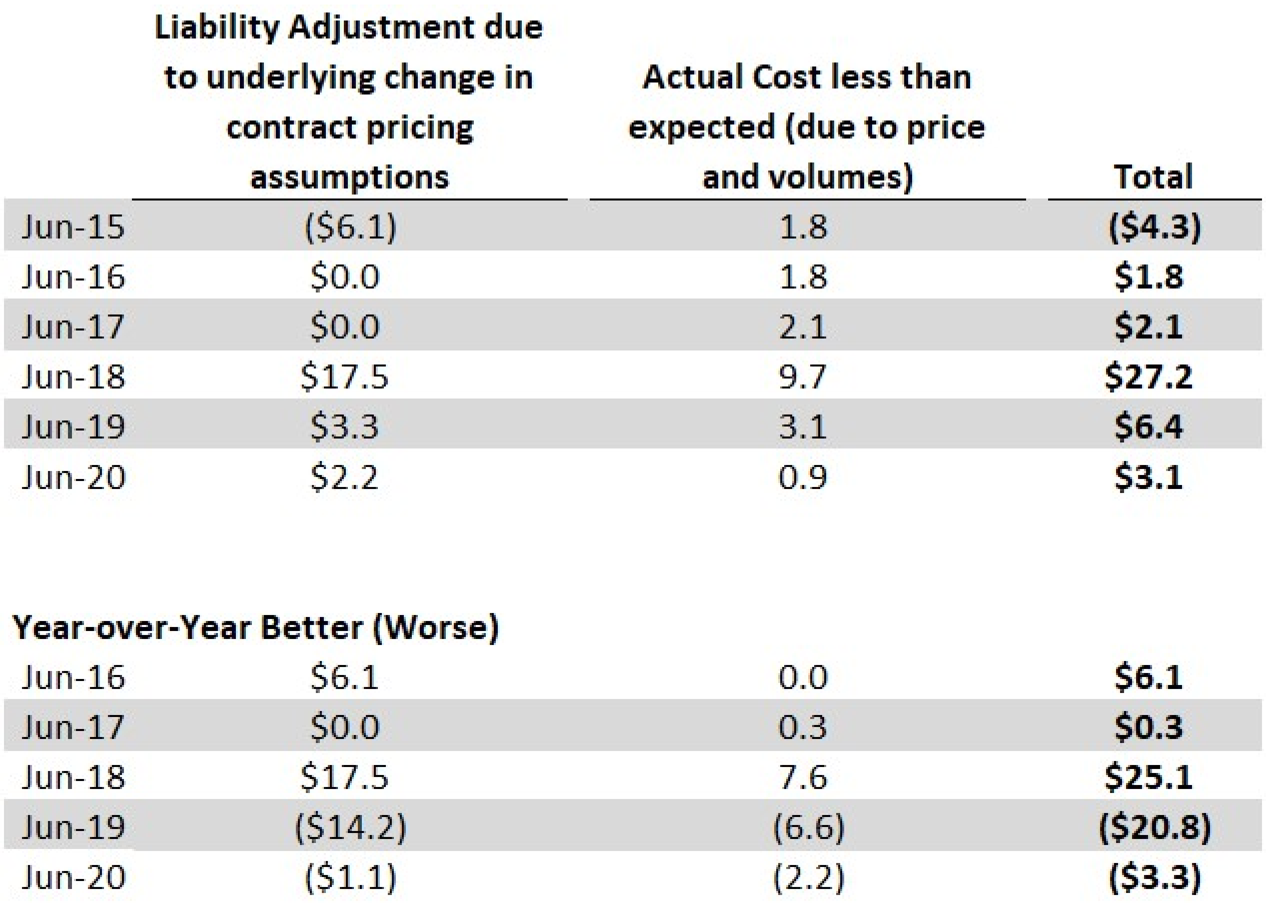
Appendix

Quarterly PCCAM Impacts

	Q1	***Q2***	***Q3***	***Q4***	***Full Year***
'17/'18 Tracker	Full year recorded in Q3		$3.3		$3.3
'18/'19 Tracker			($5.1)	$0.3	(4.8)
2018 (Expense) Benefit	**$0.0**	**$0.0**	**($1.8)**	**$0.3**	**($1.5)**
					Full Year
'18/'19 Tracker	($1.6)	$4.6			$3.0
'19/'20 Tracker			$0.1	($0.7)	(0.6)
2019 (Expense) Benefit	**($1.6)**	**$4.6**	**$0.1**	**($0.7)**	**$2.4**
					Year-to-Date
'19/'20 Tracker	$0.1	$0.2			$0.3
'20/'21 Tracker					-
2019 (Expense) Benefit	**$0.1**	**$0.2**			**$0.3**
Year-over-Year Variance	***$1.7***	***($4.4)***			***($2.7)***

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



	Liability Adjustment due to underlying change in contract pricing assumptions	Actual Cost less than expected (due to price and volumes)	Total
Jun-15	($6.1)	1.8	**($4.3)**
Jun-16	$0.0	1.8	**$1.8**
Jun-17	$0.0	2.1	**$2.1**
Jun-18	$17.5	9.7	**$27.2**
Jun-19	$3.3	3.1	**$6.4**
Jun-20	$2.2	0.9	**$3.1**
Year-over-Year Better (Worse)			
Jun-16	$6.1	0.0	**$6.1**
Jun-17	$0.0	0.3	**$0.3**
Jun-18	$17.5	7.6	**$25.1**
Jun-19	($14.2)	(6.6)	**($20.8)**
Jun-20	($1.1)	(2.2)	**($3.3)**

The gain in 2020 for our QF liability was $3.1 million in total, it was comprised of $2.2 million adjustment to the liability and $0.9 million lower actual costs over last 12 months (QF contract year). This $3.1 million benefit is $3.3 million less than the $6.4 million total benefit we recognized in Q2 last year.

Due to our expectations regarding the remeasurement frequency of our QF liability, we no longer reflect this adjustment as a non-GAAP measure.

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.

Appendix

Non-GAAP Financial Measures

Pre-Tax Adjustments ($ Millions)	2013	2014	2015	2016	2017	2018	2019
Reported GAAP Pre-Tax Income	**$ 108.3**	**$ 110.4**	**$ 181.2**	**$ 156.5**	**$ 176.1**	**$ 178.3**	**$ 182.2**
Non-GAAP Adjustments to Pre-Tax Income:							
Weather	(3.7)	(1.3)	13.2	15.2	(3.4)	(1.3)	(7.3)
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	-	-	-
Income tax adjustment	-		-		-	9.4	-
Unplanned Equity Dilution from Hydro transaction						-	-
Adjusted Non-GAAP Pre-Tax Income	**$ 109.8**	**$ 115.8**	**$ 179.7**	**$ 169.7**	**$ 172.7**	**$ 168.9**	**$ 174.9**

Tax Adjustments to Non-GAAP Items ($ Millio	2013	2014	2015	2016	2017	2018	2019
GAAP Net Income	**$ 94.0**	**$ 120.7**	**$ 151.2**	**$ 164.2**	**$ 162.7**	**$ 197.0**	**$ 202.1**
Non-GAAP Adjustments Taxed at 38.5%:							
Weather	(2.3)	(0.8)	8.1	9.3	(2.1)	(1.0)	(5.5)
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	-	-	-
Income tax adjustment	-	(18.5)	-	(12.5)	-	(12.8)	(22.8)
Unplanned Equity Dilution from Hydro transaction							
Non-GAAP Net Income	**$ 94.9**	**$ 105.5**	**$ 150.3**	**$ 159.8**	**$ 160.6**	**$ 170.1**	**$ 173.8**

Non-GAAP Diluted Earnings Per Share	2013	2014	2015	2016	2017	2018	2019
Diluted Average Shares (Millions)	*38.2*	*40.4*	*47.6*	*48.5*	*48.7*	*50.2*	*50.8*
Reported GAAP Diluted earnings per share	**$ 2.46**	**$ 2.99**	**$ 3.17**	**$ 3.39**	**$ 3.34**	**$ 3.92**	**$ 3.98**
Non-GAAP Adjustments:							
Weather	(0.05)	(0.02)	0.17	0.19	(0.04)	(0.02)	(0.11)
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	-	-	-
Income tax adjustment	-	(0.47)	-	(0.26)	-	(0.25)	(0.45)
Unplanned Equity Dilution from Hydro transaction	-	0.08	-	-	-	-	-
Non-GAAP Diluted Earnings Per Share	**$ 2.50**	**$ 2.68**	**$ 3.15**	**$ 3.30**	**$ 3.30**	**$ 3.39**	**$ 3.42**

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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NorthWestern Energy