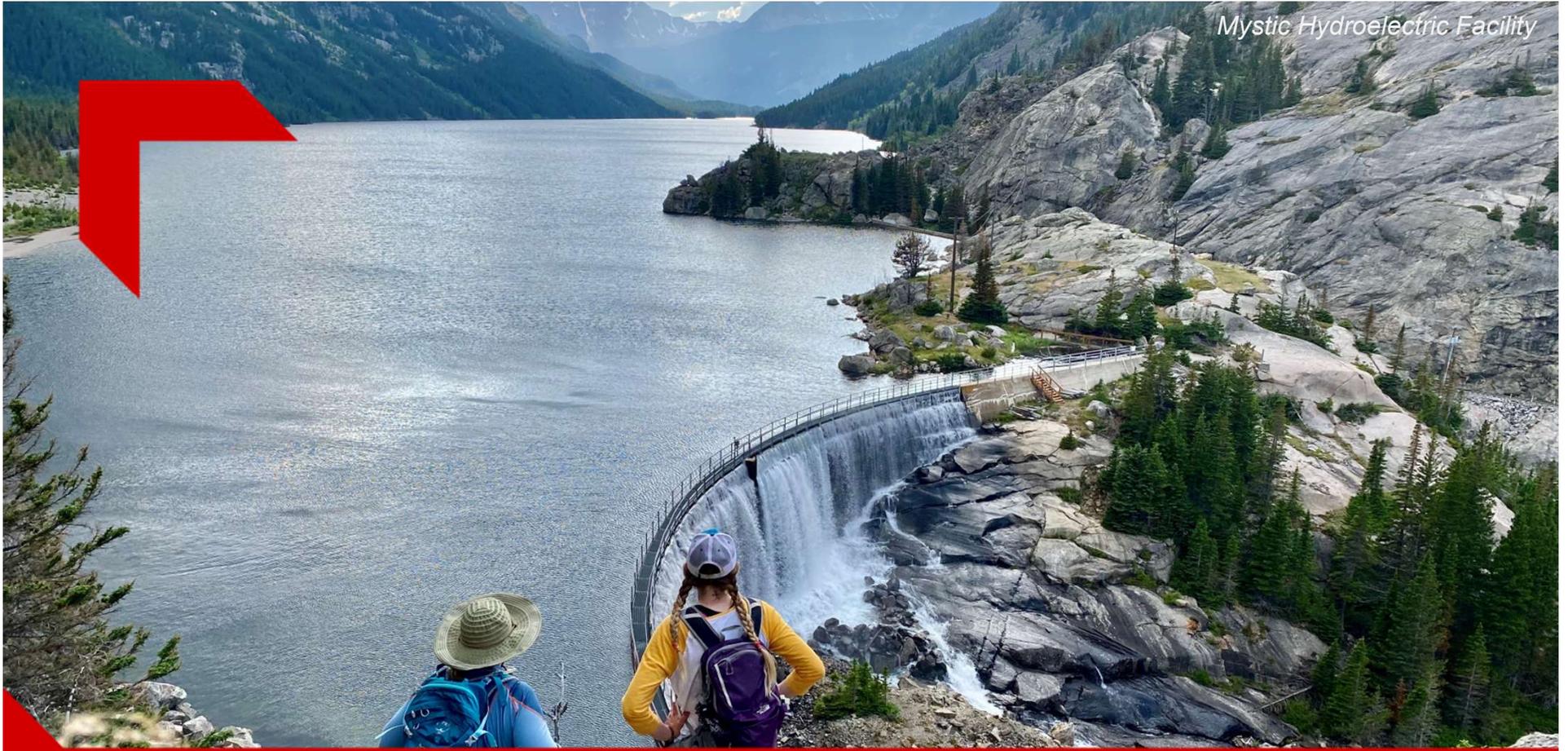


Mystic Hydroelectric Facility



## Credit Suisse Utilities, Power & Clean Tech Virtual Conference

May 13, 2021

8-K'ed on May 13, 2021

**NorthWestern**  
**Energy**

*Delivering a Bright Future*



# Forward Looking Statements

## 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 hereof 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 most recent Form 10-K and 10-Q along with other public filings with the SEC.

## Company Information

### NorthWestern Corporation

dba: NorthWestern Energy

Ticker: NWE (Nasdaq)

[www.northwesternenergy.com](http://www.northwesternenergy.com)

### Corporate Office

3010 West 69<sup>th</sup> Street

Sioux Falls, SD 57108

(605) 978-2900

### Investor Relations Officer

Travis Meyer

605-978-2967

[travis.meyer@northwestern.com](mailto:travis.meyer@northwestern.com)

*Boulder River in Montana*





# NorthWestern Energy Value Proposition

***A pure electric and natural gas utility serving as stewards of critical energy infrastructure that provides essential services to a broad service territory spanning across Montana, South Dakota, Nebraska and Yellowstone National Park.***

## **A Strong Financial Foundation and Investment for the Long Term**

- Over 100 years of operating history
- History of strong earnings growth
  - 3.7% Non-GAAP EPS CAGR from 2011-2020
  - 3%-6% long-term EPS growth going forward
- History of annual dividend increases
  - Growing from \$1.00 per share in 2005 to \$2.48 in 2021 (annualized)
  - Competitive current dividend yield of 3.6%
- Growing capital investment program
  - \$400+ million annual investment and approximately 2.4x depreciation in 2021
- Significant generation capacity deficit with opportunity for investment
- Diverse energy supply portfolio - already 65% carbon-free (MWh's delivered)
- Award winning and best practices corporate governance
- Stable and flexible investment grade balance sheet
- Ample liquidity (>\$100 Millions) to weather uncertainty
- History of stable customer growth, in excess of national average
- Customer bills well below national average
- Highest ever customer satisfaction scores



# NWE - An Investment for the Long Term

## Pure Electric & Gas Utility

- 100% pure electric & natural gas utility business with over 100 years of operating history
- Solid economic indicators in service territory
- Diverse electric supply portfolio ~65% hydro, wind & solar

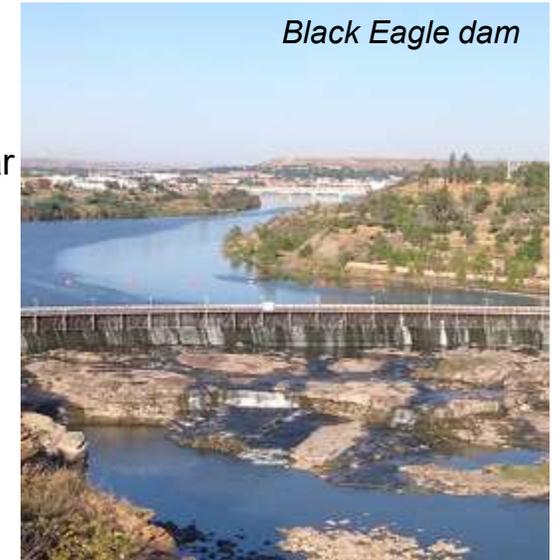
*Black Eagle dam*

## Solid Utility Foundation

- Residential electric & gas rates below national average
- Solid system reliability
- Low leaks per 100 miles of pipe
- Solid JD Power Overall Customer Satisfaction scores

## Strong Earnings & Cash Flow

- Consistent track record of earnings & dividend growth
- Strong cash flows aided by net operating loss carry-forwards anticipated to be available into 2021
- Strong balance sheet & investment grade credit ratings



## Attractive Future Growth Prospects

- Disciplined maintenance capital investment program to ensure safety and reliability
- Significant investment in renewable resources (hydro & wind) will provide long-term energy supply pricing stability for the benefit of customers for many years to come
- Further opportunity for energy supply investment to meet significant capacity shortfalls

## Financial Goals & Metrics

- Target debt to capitalization ratio of 50%-55% with liquidity of \$100 million or greater
- Target 3%-6% EPS growth plus dividend yield to provide competitive total return
- Target dividend payout ratio of 60%-70%

## Best Practices Corporate Governance



5<sup>th</sup> Best Governance Score



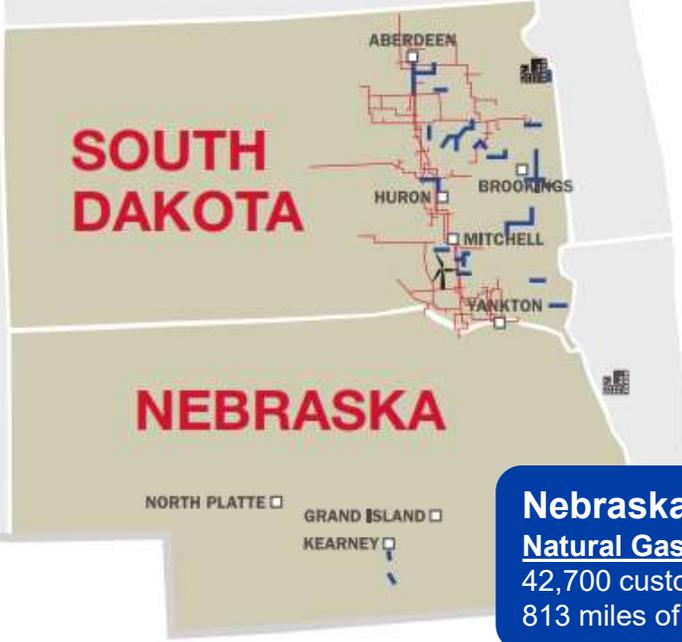
# About NorthWestern



**South Dakota Operations**

Electric  
 63,900 customers  
 3,622 miles – transmission & distribution lines  
 411 MW nameplate owned power generation

Natural Gas  
 48,000 customers  
 1,766 miles of transmission and distribution pipeline



**Montana Operations**

Electric  
 384,700 customers  
 24,877 miles – transmission & distribution lines  
 871 MW maximum capacity owned power generation

Natural Gas  
 203,700 customers  
 7,057 miles of transmission and distribution pipeline  
 17.75 Bcf of gas storage capacity  
 Own 43.1 Bcf of proven natural gas reserves

**Nebraska Operations**

Natural Gas  
 42,700 customers  
 813 miles of distribution pipeline

- Electric
- Natural Gas
- Wind Farm
- Hydro Facilities
- Thermal Generating Plants
- Natural Gas Reserves
- Peaking Plants

Data as of 12/31/2020

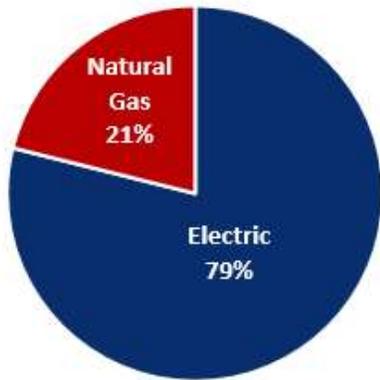




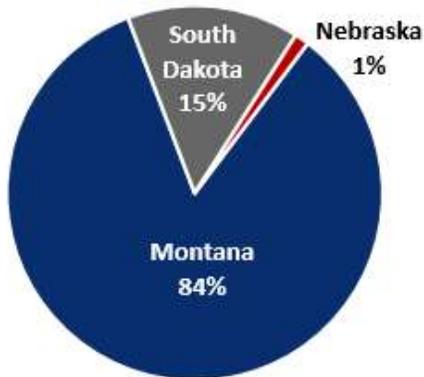
# A Diversified Electric and Gas Utility

(1)

### Gross Margin

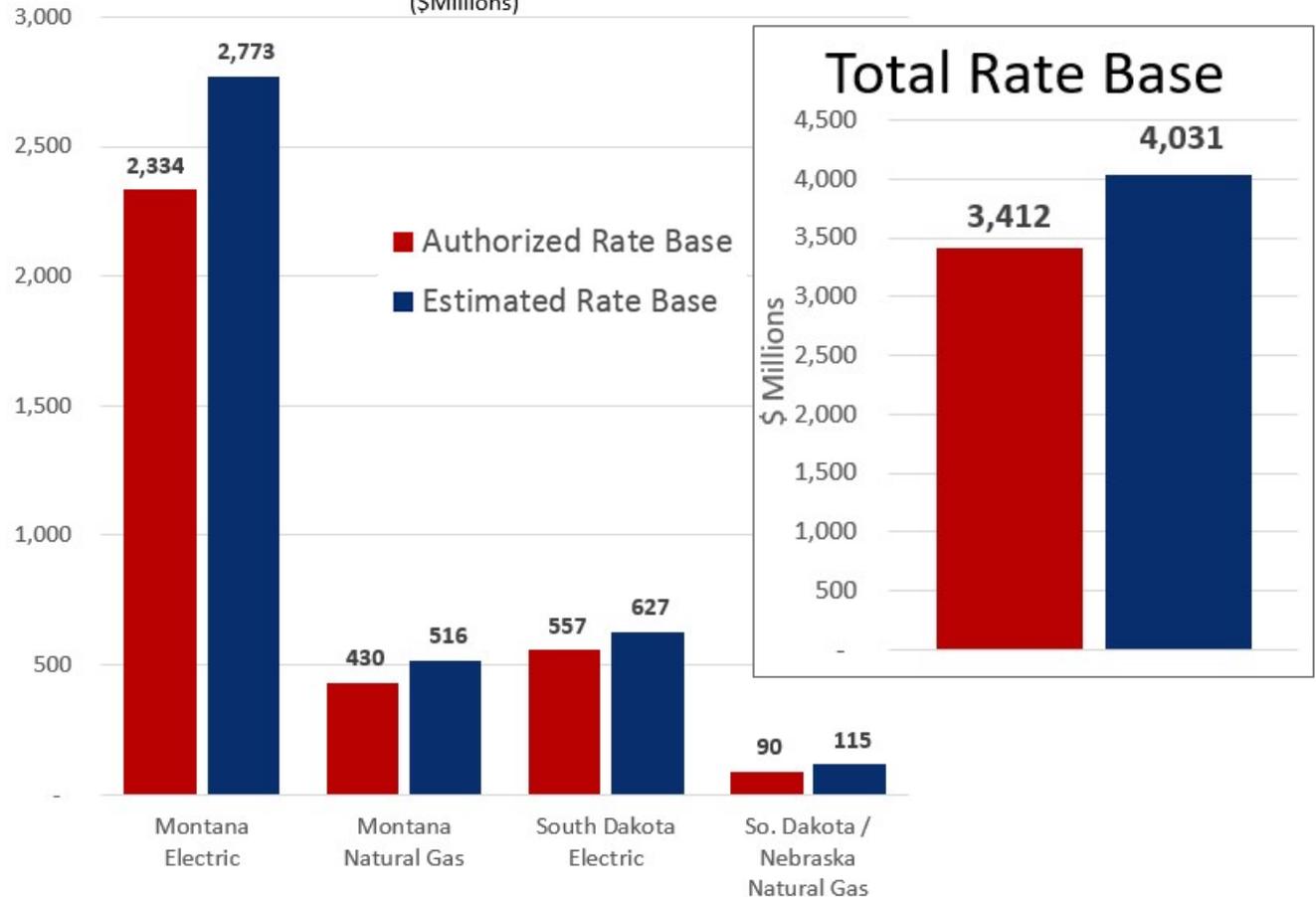


### Gross Margin



## Rate Base by Service Territory

(\$Millions)



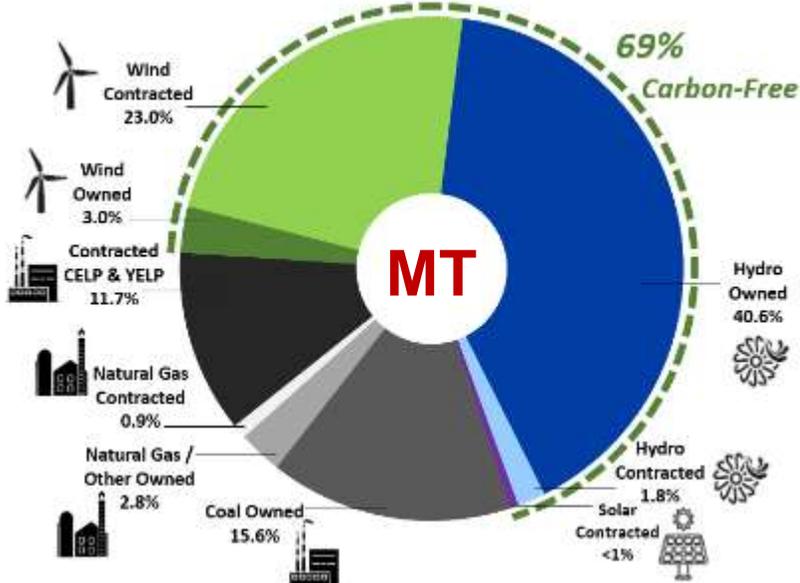
**NorthWestern's '80/20' rules:  
 Approximately 80% Electric and 80% Montana.  
 Over \$4.0 billion of rate base investment to serve our customers**

Data as reported in our 2020 10-K

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

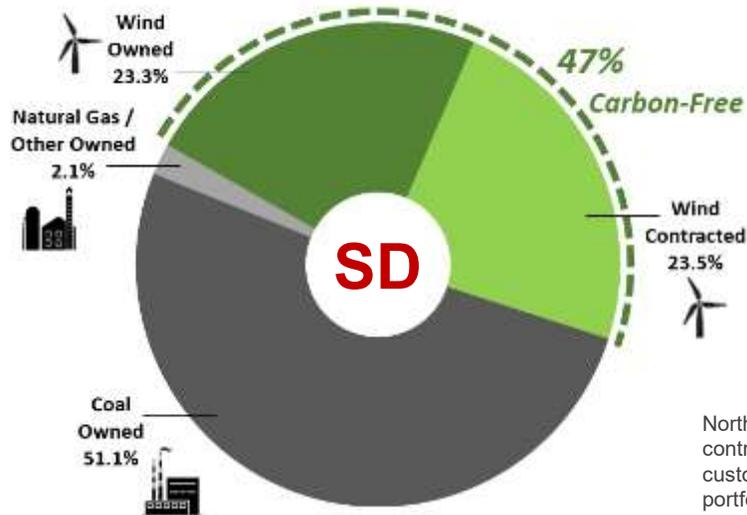
# Highly Carbon-Free Supply Portfolio

2020 Electric Generation Portfolio - Montana

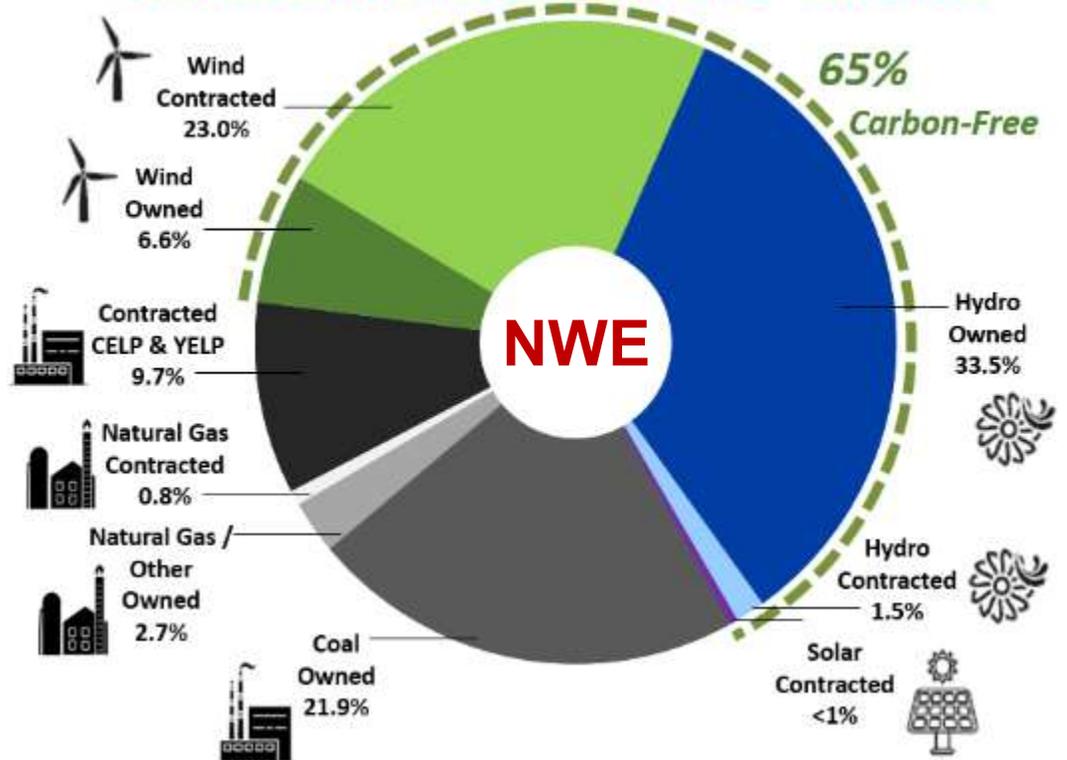


Contracted energy from Colstrip Energy Limited Partners (CELP), Yellowstone Energy Limited Partners (YELP) as well as a majority of the contracted wind, hydro and solar are federally mandated Qualifying Facilities, as defined under the Public Utility Regulatory Policies Act of 1978 (PURPA).

2020 Electric Generation Portfolio - South Dakota



2020 Electric Generation Portfolio - Total NWE



Based upon 2020 MWH's of owned and long-term contracted resources. Approximately 65% of our total company owned and contracted supply is carbon-free.

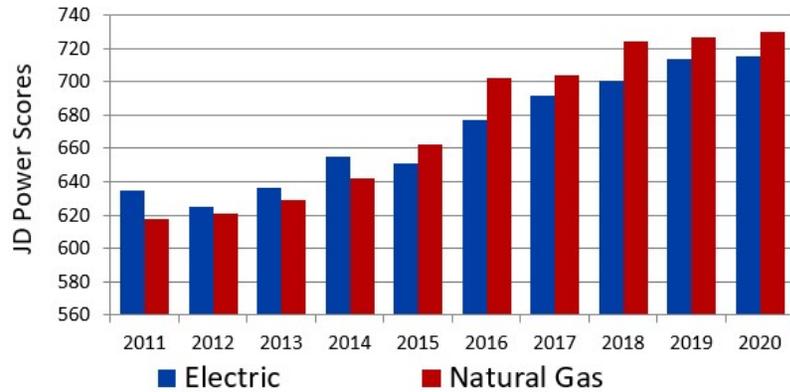
NorthWestern does not own all the renewable energy certificates (RECs) generated by contracted wind, and periodically sells its own RECs with proceeds benefiting retail customers. Accordingly, we cannot represent that 100% of carbon-free energy in the portfolio was delivered to our customers.



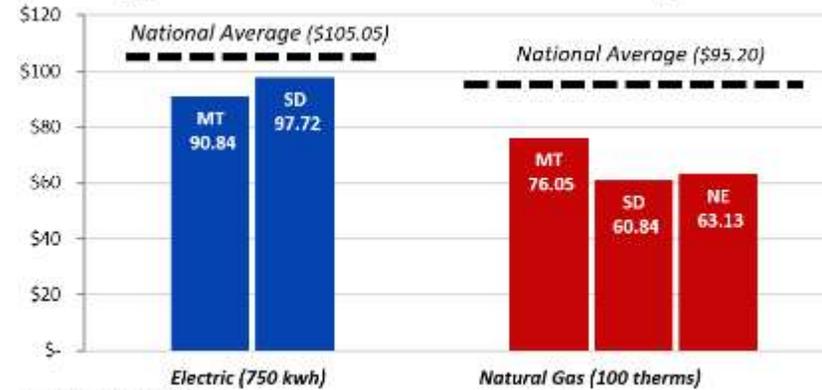


# Strong Utility Foundation

## NWE's Overall Customer Satisfaction Scores via JD Power Electric & Gas Residential Studies

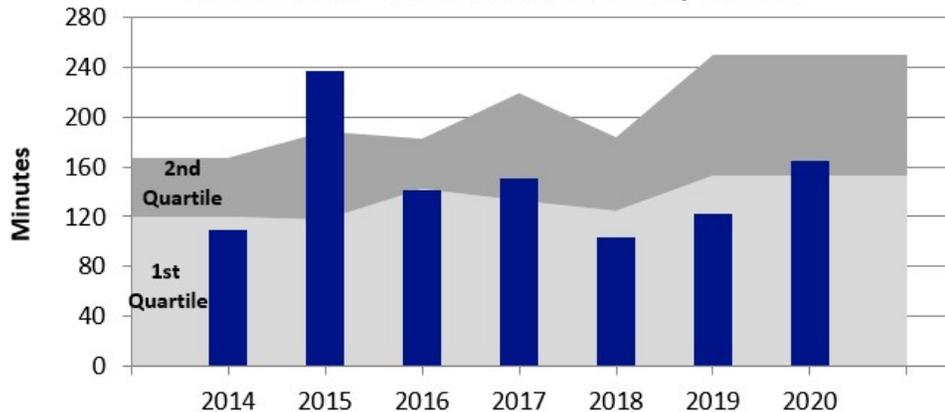


## "Typical Bill" Residential Rate Comparison

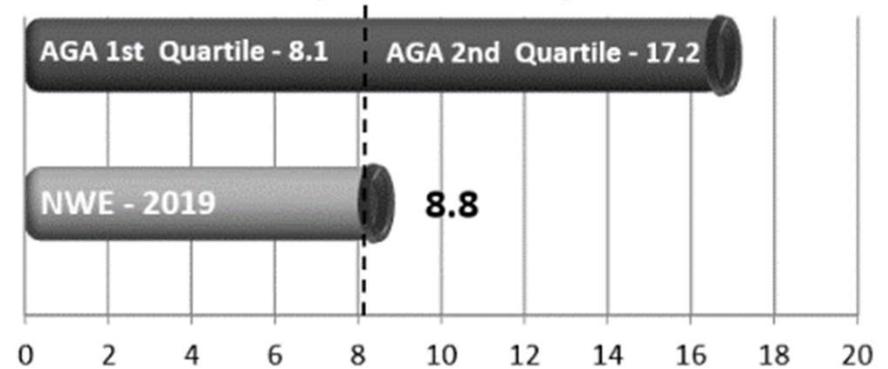


NWE rates as of 1/1/2021  
 Electric source: Edison Electric Institute (Typical Bills and Average Rates Report, 1/1/20)  
 Natural Gas source: US EIA - Monthly residential supply and delivery rates as of January 2020.

## System Average Interruption Duration Index (SAIDI) Includes MED's - NWE versus IEEE Reliability Quartiles



## Leaks per 100 Miles of Pipe Excluding Excavation Damages - 2019



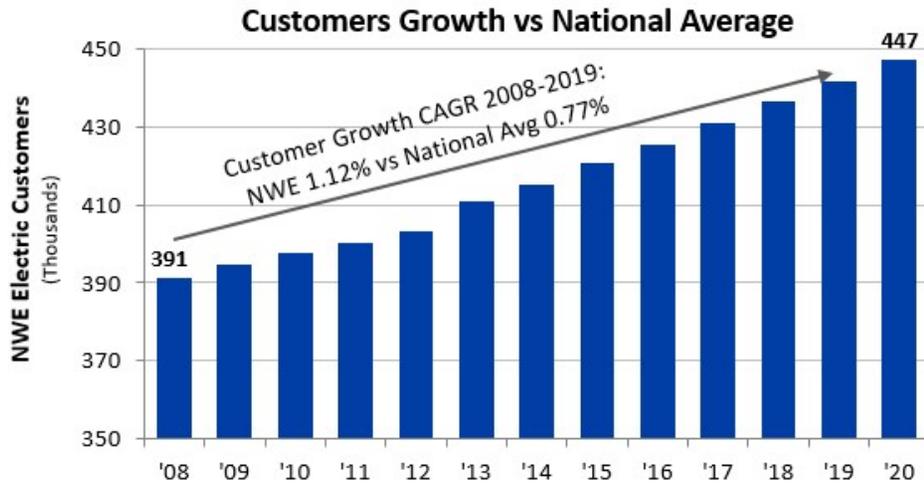
- Solid and improving JD Power Overall Customer Satisfaction Scores
- Residential electric and natural gas rates below national average
- Solid electric system reliability
- Low gas leaks per mile – just outside 1<sup>st</sup> quartile



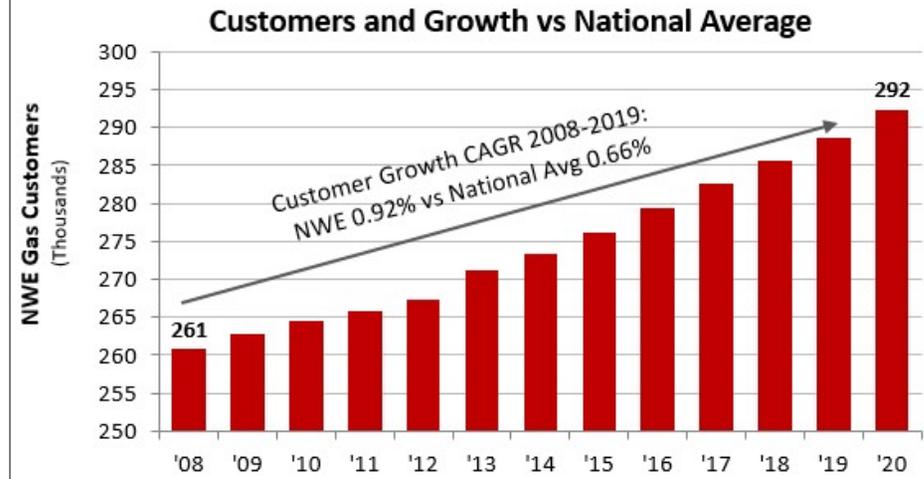


# Solid Economic Indicators

## Electric

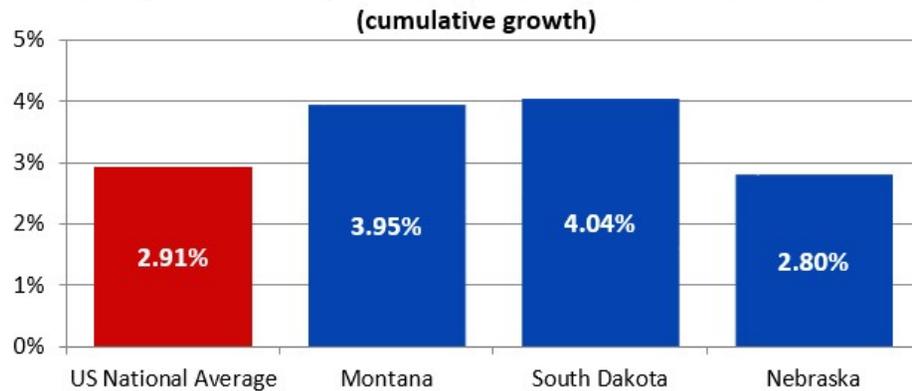


## Natural Gas



Source: Company 10K's, 2018/2019 EEI Statistical Yearbook – Table 7.1 and EIA.gov

## Projected Population Growth 2021 - 2026



Source: Claritas via S&P Global Market Intelligence 2-18-21



Black Eagle Power House

- Customer growth rates historically exceed National Averages.
- Projected population growth in our service territories better than the National Average.

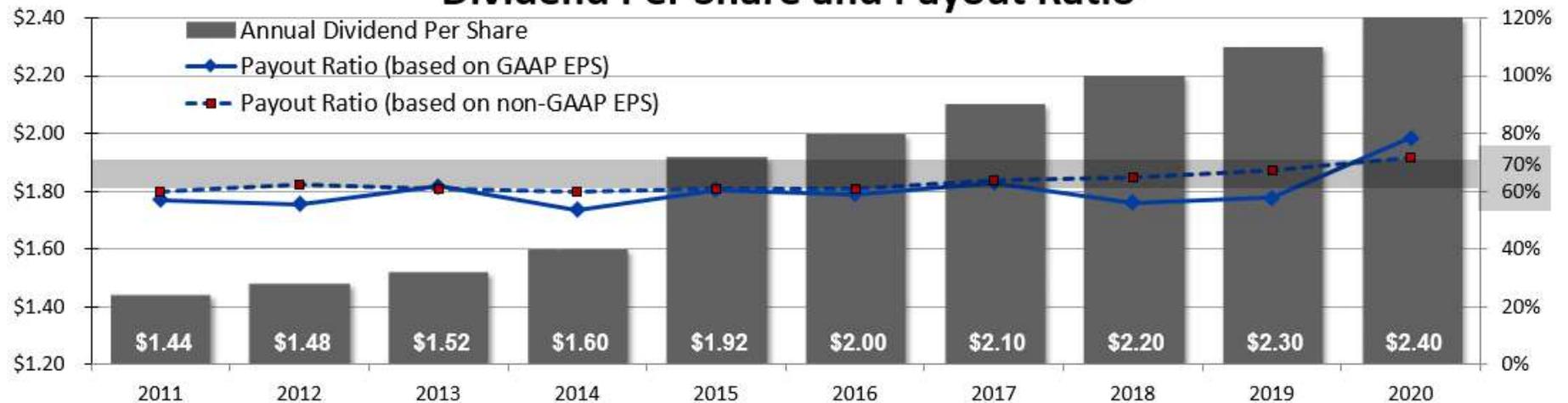


# A History of Growth

## Diluted Earnings Per Share



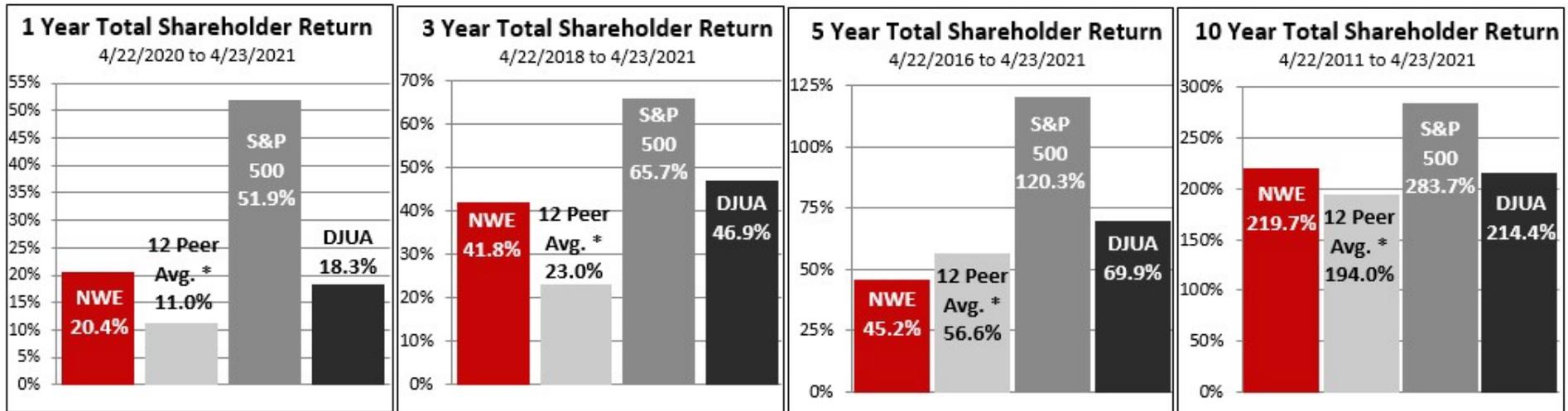
## Dividend Per Share and Payout Ratio



2011-2020 CAGR's: GAAP EPS: 2.1% - Non-GAAP EPS: 3.7% - Dividend: 5.8%  
See appendix for "Non-GAAP Financial Measures"

# Track Record of Delivering Results

### Return on Average Equity



\* Peer Group: ALE, AVA, BKH, IDA, MGEE, NWN, OGE, OGS, OTTR, PNM, POR & SR

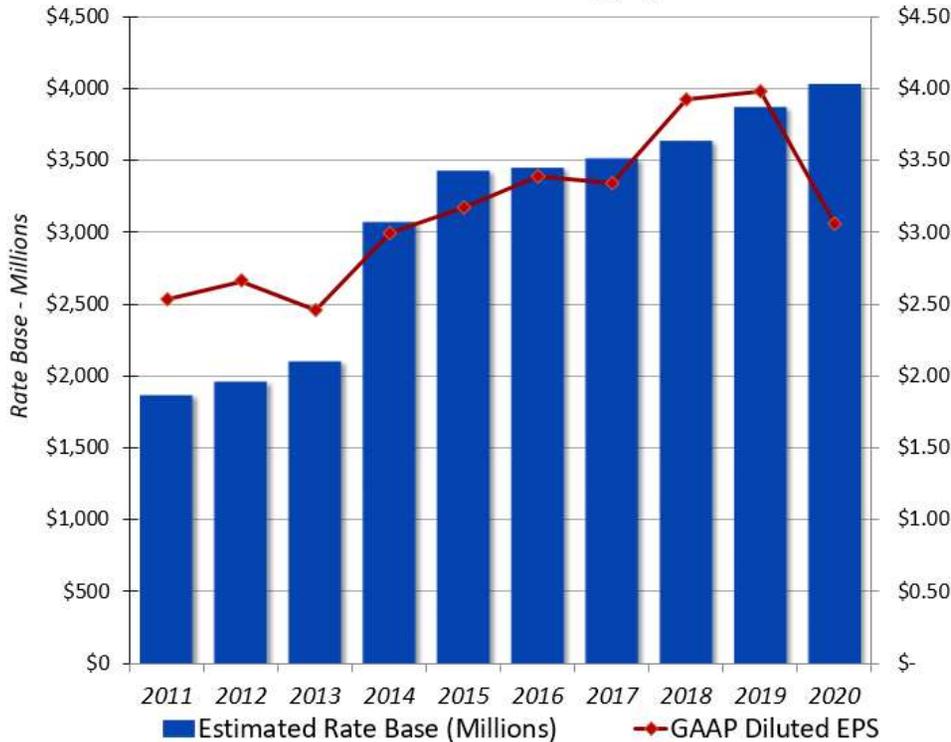
Return on Equity on Non- GAAP Earnings within 8.3% - 10.5% band over the last 10 years with average of 9.4%. Total Shareholder Return is in line or better than our 12 peer average for the 1, 3 & 10 year periods but lags in the 5 year period, due in part to regulatory concerns in Montana during this period.

See appendix for "Non-GAAP Financial Measures"



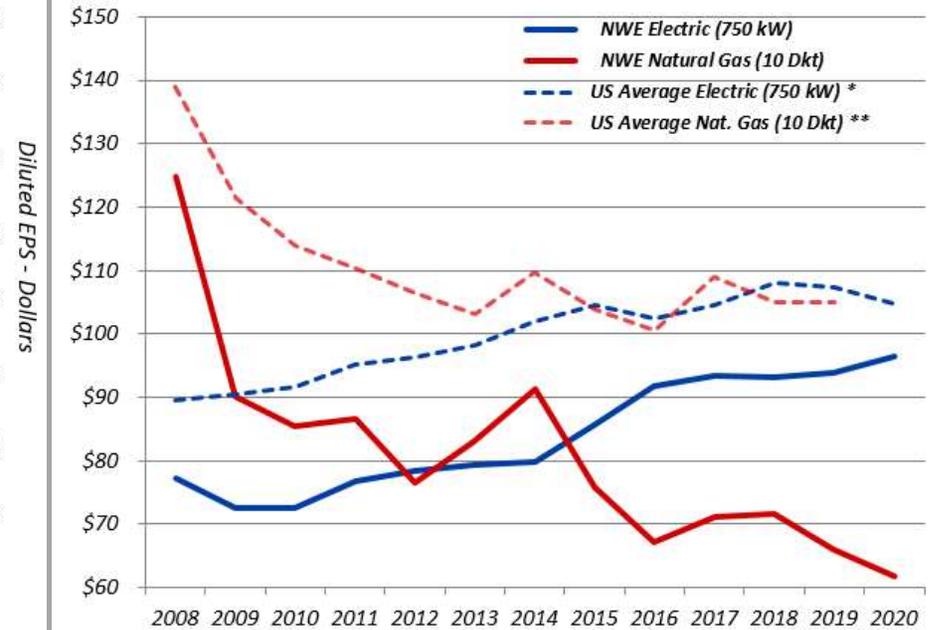
# Investment for Our Customers' Benefit

### Rate Base and Earnings per Share



### Typical Residential Electric and Natural Gas Bill

(average Montana, South Dakota and Nebraska monthly residential customer bill)



\* Electric - EEI Typical Bills and Average Summer and Winter Rates Report (2008-2020)

\*\* Natural Gas - EIA U.S. Price of Natural Gas Delivered to Residential Customers (2008-2019)

Over the past decade we have been reintegrating our Montana energy supply portfolio and making additional investments across our entire service territory to enhance system safety, reliability and capacity.

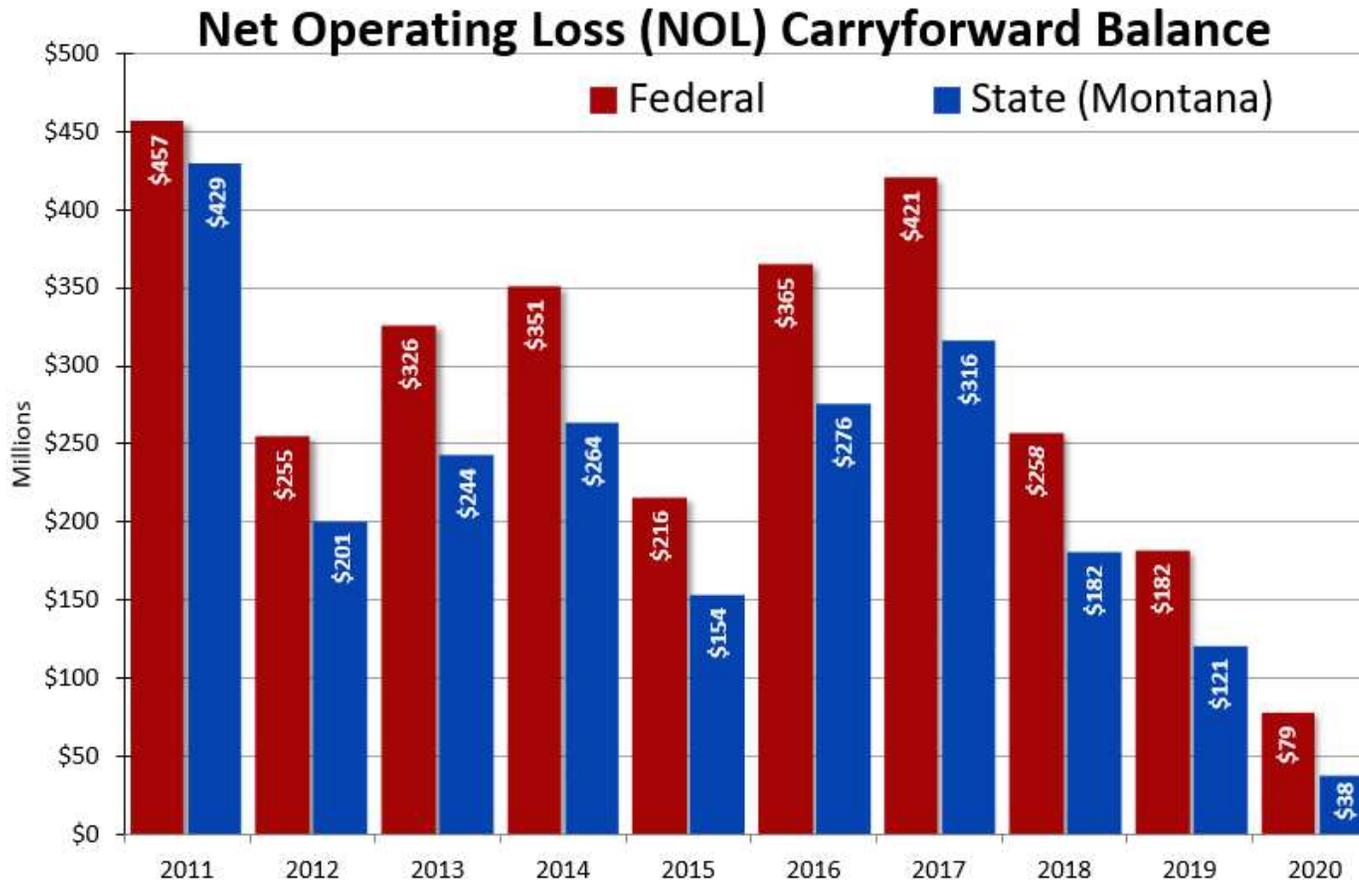
We have made these enhancements with minimal impact to customers' bills while maintaining bills lower than the US average. As a result we have also been able to deliver solid earnings growth for our investors.

2011-2020 CAGRs  
2008-2020 CAGRs  
2008-2020 CAGRs

Estimated Rate Base: 8.9%  
 NWE typical electric bill: 1.9%  
 US average electric bill: 1.3%\*

GAAP Diluted EPS: 2.1%  
 NWE typical natural gas bill: (5.7%)  
 US average natural gas bill: (2.5%)\*\*

# Net Operating Losses & Effective Tax Rate



## Cash Taxes:

We anticipate NOLs to be available into 2021 with production tax and other credits to largely offset federal cash tax obligations into 2023.

## Effective Tax Rate:

We anticipate the effective tax rate (ETR) for 2021 to be approximately (2.5%) to 2.5% of pre-tax income. Additionally, we anticipate our effective tax rate to reach approximately 10% by 2023.

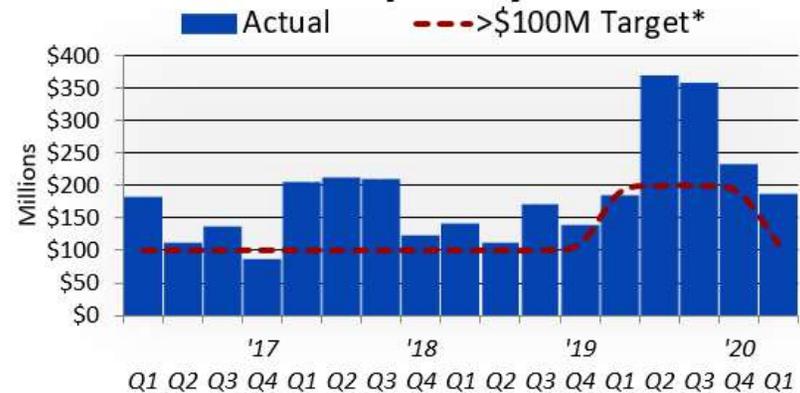
# Balance Sheet Strength and Liquidity

## Credit Ratings

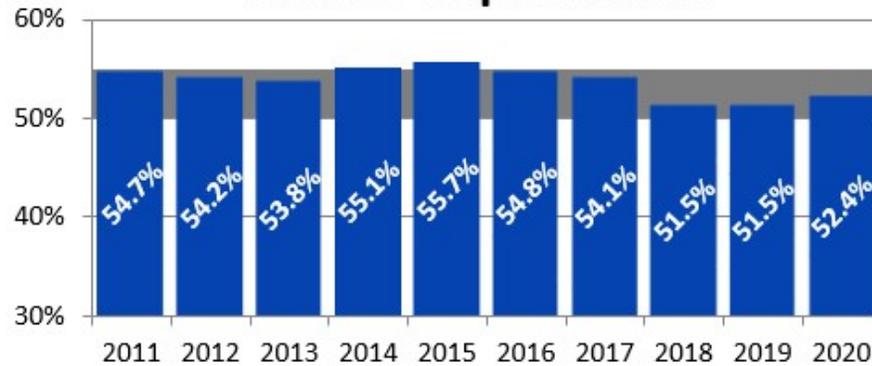
	<u>Fitch</u>	<u>Moody's</u>	<u>S&amp;P</u>
Senior Secured Rating	A	A3	A-
Senior Unsecured Rating	A-	Baa2	BBB
Commerical Paper	F2	Prime-2	A-2
Outlook	Stable	Negative	Stable

A security rating is not a recommendation to buy, sell or hold securities. Such ratings may be subject to revisions or withdrawal at any time by the credit rating agency and each rating should be evaluated independently of any other rating.

## Liquidity

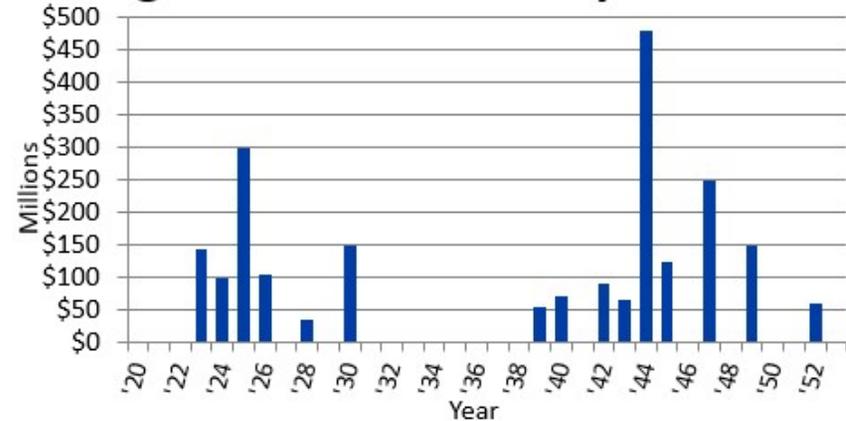


## Debt to Capital Ratio



Target: 50% - 55% - Annual ratio based on average of each quarter's debt/cap ratio  
Excludes Basin Creek capital lease and New Market Tax Credit Financing

## Long-Term Debt Maturity Schedule



Investment grade credit ratings (placed on negative outlook by Moody's on March 12, 2021), liquidity in excess of \$100 million target, debt to cap within our targeted 50%-55% range and no long-term debt maturities until 2023.

\*Liquidity target temporarily increased to \$200 million due to uncertain economic conditions brought about by COVID-19.



# Earnings Growth



Non-GAAP  
Adjusted  
EPS Growth  
Averaged  
4.3% from  
2013 - 2020

NorthWestern affirms its 2021 earnings guidance range of \$3.40 to \$3.60 per diluted share based upon, but not limited to, the following major assumptions and expectations:

- **COVID-19 related reduction in our commercial and industrial sales volumes, offset in part by an increase in usage by residential customers through the second quarter of 2021;**
- Normal weather for the remainder of the year in our electric and natural gas service territories;
- A consolidated income tax rate of approximately (2.5%) to +2.5% of pre-tax income; and
- Diluted shares outstanding of approximately 51.5 million to 51.8 million.

**Continued investment in our system to serve our customers and communities is expected to provide annualized 4% - 5% growth in rate base and a targeted long-term earnings per share growth rate of 3% - 6%. Maintaining our 60% - 70% targeted dividend payout ratio, we anticipate the dividend growth rate to be in line with the EPS growth rate going forward.**

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

# 2020 Non-GAAP to 2021 EPS Bridge

	2021 Guidance Bridge	
	Low	High
<b>2020 Non-GAAP Adjusted Diluted EPS</b>	<b>\$3.35</b>	<b>\$3.35</b>
<b>2021 Earnings Drivers (after-tax and per share)</b>		
Gross Margin	0.39 -	0.54
OG&A expense	(0.05) -	(0.03)
Property & other tax expense	(0.14) -	(0.12)
Depreciation expense	(0.13) -	(0.12)
Interest expense	- -	0.01
Other income	0.04 -	0.05
Incremental tax impact*	(0.01) -	(0.02)
<b>Subtotal of anticipated changes</b>	<b>0.10 -</b>	<b>0.31</b>
<b>2021 EPS guidance range prior to potential equity dilution</b>	<b>\$3.45</b>	<b>\$3.66</b>
Dilution from higher outstanding shares	(0.05) -	(0.06)
<b>EPS guidance range after potential equity dilution</b>	<b>\$3.40</b>	<b>\$3.60</b>

\* 2021 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 2020 actual earnings to 2021 forecast.

We anticipate narrowing the 20 cent guidance range (to the standard 15 cent range) in the 2<sup>nd</sup> or 3<sup>rd</sup> quarter when we have a better sense Covid-19 impacts.

Non-GAAP 2020 to 2021 midpoint EPS growth rate of 4.5%.

\$2.48 annualized dividend is expected to be at the upper end of our 60%-70% targeted payout of EPS.

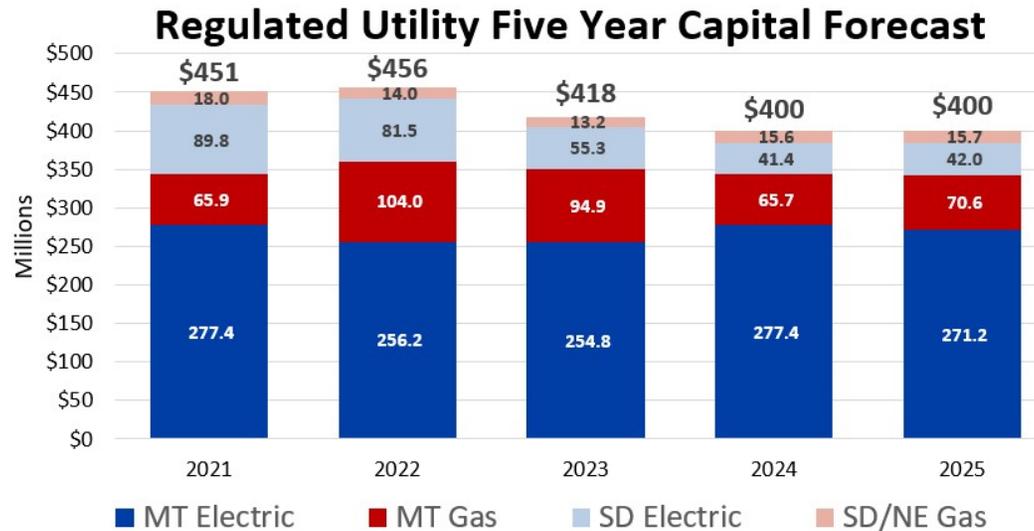
## Assumptions included in the 2021 Guidance includes, but not limited to, the following major assumptions:

- Normal weather in our electric and natural gas service territories;
- Continued Covid-19 related reduction in our commercial and industrial sales volumes, offset in part by an increase in usage by residential customers through the second quarter of 2021;
- A consolidated income tax rate of approximately (2.5%) to +2.5% of pre-tax income; and
- Diluted average shares outstanding of approximately 51.5 million to 51.8 million.

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

# Maintaining Capital Investment Forecast

- **\$2.1 billion** of total capital investment over the five year period.
- We expect to finance this capital with a combination of cash flows from operations, first mortgage bonds and equity issuances. **We initiated a \$200 million At-the-Market (ATM) offering during the second quarter of 2021.** Any equity issuances will be sized to maintain and protect our current credit ratings.
- **Financing plans are subject to change,** depending on capital expenditures, regulatory outcomes, internal cash generation, market conditions and other factors.



\$ Millions	2021	2022	2023	2024	2025
Electric	\$367	\$338	\$310	\$319	\$313
Natural Gas	\$84	\$118	\$108	\$81	\$87
<b>Total Capital Forecast</b>	<b>\$451</b>	<b>\$456</b>	<b>\$418</b>	<b>\$400</b>	<b>\$400</b>

Based on the results of the competitive solicitation process in South Dakota, approximately \$100 million of incremental investment for SD generation is included in the projections above (2021-2023).

**This level of capital investment is anticipated to result in annualized rate base growth of 4%-5%.**

The projections do not include the results of the Montana RFP. Independent third-party analyses selected a portfolio of projects including our proposed 175 MW natural gas-fired generation plant near Laurel, Montana. If approved by the MPSC, our cost to construct this project is expected to be approximately \$250 million (primarily over 2022-2023).



## Montana

- Initial bids for the January 2020 RFP were received in July 2020. Bid submissions were evaluated by an independent party with the following portfolio of projects selected:
  - Laurel Generation Station - **Construction of 175 MW of flexible reciprocating internal combustion engines (RICE) near Laurel, MT, which we will own.** If we receive MPSC approval to build, the cost to construct this plant is expected to be approximately \$250 million and be available for **commercial operation in late 2023 / early 2024**; and
  - Powerex Transaction – a 5-year **power purchase agreement** for 100 MW of capacity and energy products originating predominately from hydroelectric resources.
  - esVolta Energy Storage Contract – A 20-year agreement to fill the 5-hour duration tier identified in the January 2020 RFP. This 50 MW facility is to be located near Billings, MT and expected to be in operations on October 1, 2023.

We expect to request MPSC approval of the Laurel Generation Station, and possibly the energy storage contract, in May 2021 with a decision approximately 9 - 12 months after filing.



## South Dakota

- Construction continues for a **60MW RICE project** in Huron, SD **to be online in late 2021** with total construction costs of approximately \$80 million (~\$40 million invested in 2020).
- An **additional 30-40 MW of flexible generation** in Aberdeen, SD is in the planning stages and expected to be **online in 2023** with a cost of approximately \$60 million.



## Electric Transmission:

- Continue planned retirements of generating resources in Montana in conjunction with increasing demand is placing more stress on the transmission system (two record peaks in the last three seasons). As a result, we are experiencing less available transmission capacity throughout the system.
- Continued investment is critical to address aging infrastructure, capacity concerns, reliability and compliance requirements.

## Gas Transmission:

- Continued investment is critical to address aging infrastructure, capacity concerns, reliability and compliance (including the Pipeline and Hazardous Materials Safety Administration proposed rules).
- Three primary factors leading to the need for additional investment to address:
  - Overall reliability and capacity on the gas transmission system to withstand single large contingencies and to address the decline in on-system gas production;
  - The need to provide additional capacity for existing gas-fired electric generation (given expected growing dependence); and
  - The need to serve new gas-fired capacity generation in South Dakota.



Significant investment needs identified for transmission reliability, capacity and gas / electric interdependence.



# Distribution Grid Update

## Accomplishments

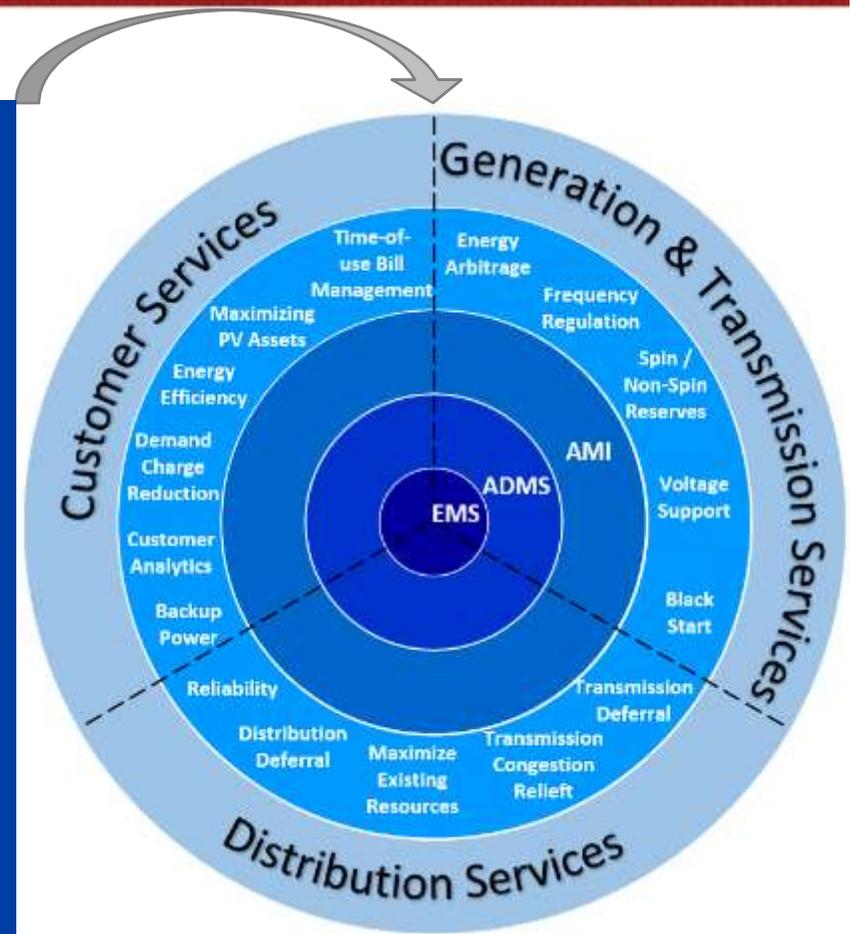
- Emergency Management System (EMS)
- Mobile Work Force Management (MWM)
- Advanced Distribution Management System (ADMS)
- SD/NE Advanced Meters Infrastructure (AMI)
- Distribution Operations Center (DOC)
- Smart Switch Program
- Electric Segment I.D.
- Missoula Educational Solar Pilot Project
- Community Solar Pilots Projects in Bozeman, Helena, Missoula and Yellowstone Nat. Park
- Smart Grid Demonstration Project

## 5 Year Projects

- System Efficiencies**
  - ADMS Enhancements
  - Fault Location, Isolation and Service Restoration (FLISR) Implementation
  - Distribution Energy Resource (DER) Integration
- Operational Efficiencies**
  - DOC Transitions to Control
  - Montana AMI
- Customer Experiences**
  - Customer Portals
  - Smart Apps
- Actionable Data**
  - Key Performance Indicators
  - Predictive Analytics
  - Enterprise Connectivity

## Grid of the Future

- New Technology**
  - EV Charging
  - Micro Management System (MGMS)
  - Advanced DER Integration
- Customer Experiences**
  - Advanced Apps & Controls
  - Predictive Analytics (i.e. Customer Bills)
  - Home Area Network
  - Customized Solutions
- Data Sharing**
  - Multitenant Solutions
  - Transactive Controls



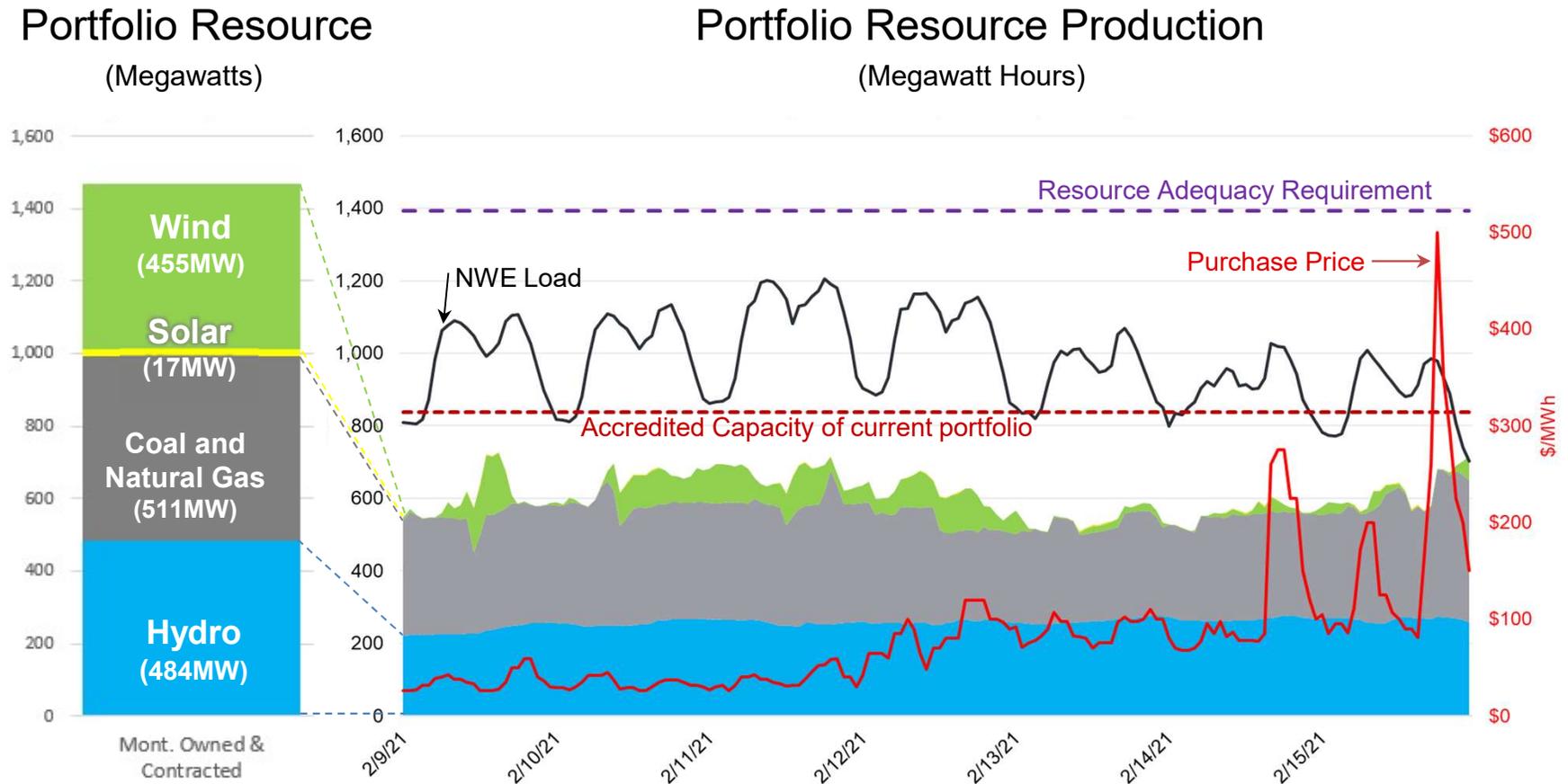
**VISION:**  
Turning risks into opportunities by evolving the business and adding new value systems.

# February Cold Weather Event

- In February 2021, a prolonged cold spell resulted in record winter peak demand for electricity and natural gas. In our SD & NE service territories, natural gas costs for the month of February 2021 exceeded the total cost for all of 2020.
  - We recorded a regulatory asset of approximately \$26 million for natural gas supply we incurred in Nebraska. Considering customer impacts, we proposed recovery of our costs over a two-year period. The Nebraska Public Service Commission issued an order allowing recovery over a two-year period, effective June 1, 2021
  - We recorded approximate \$17.8 million as a regulatory asset for supply costs incurred in our SD jurisdiction for natural gas supply costs in February. The South Dakota Public Utilities Commission (SDPUC) issued an order allowing recovery over a one-year period, effective March 1, 2021.
  - In Montana, while the impact was still significant, the degree of price excursion was not as significant due to availability of Canadian gas (AECO) from the north. Our combination electric and gas system performed exceptionally well. However, energy imports during this period were critical to maintain services in Montana.
- Each year we submit **filings for recovery of purchased power, natural gas and property tax costs**. The respective state commissions review these tracker filings and make cost recovery determinations based on prudence.

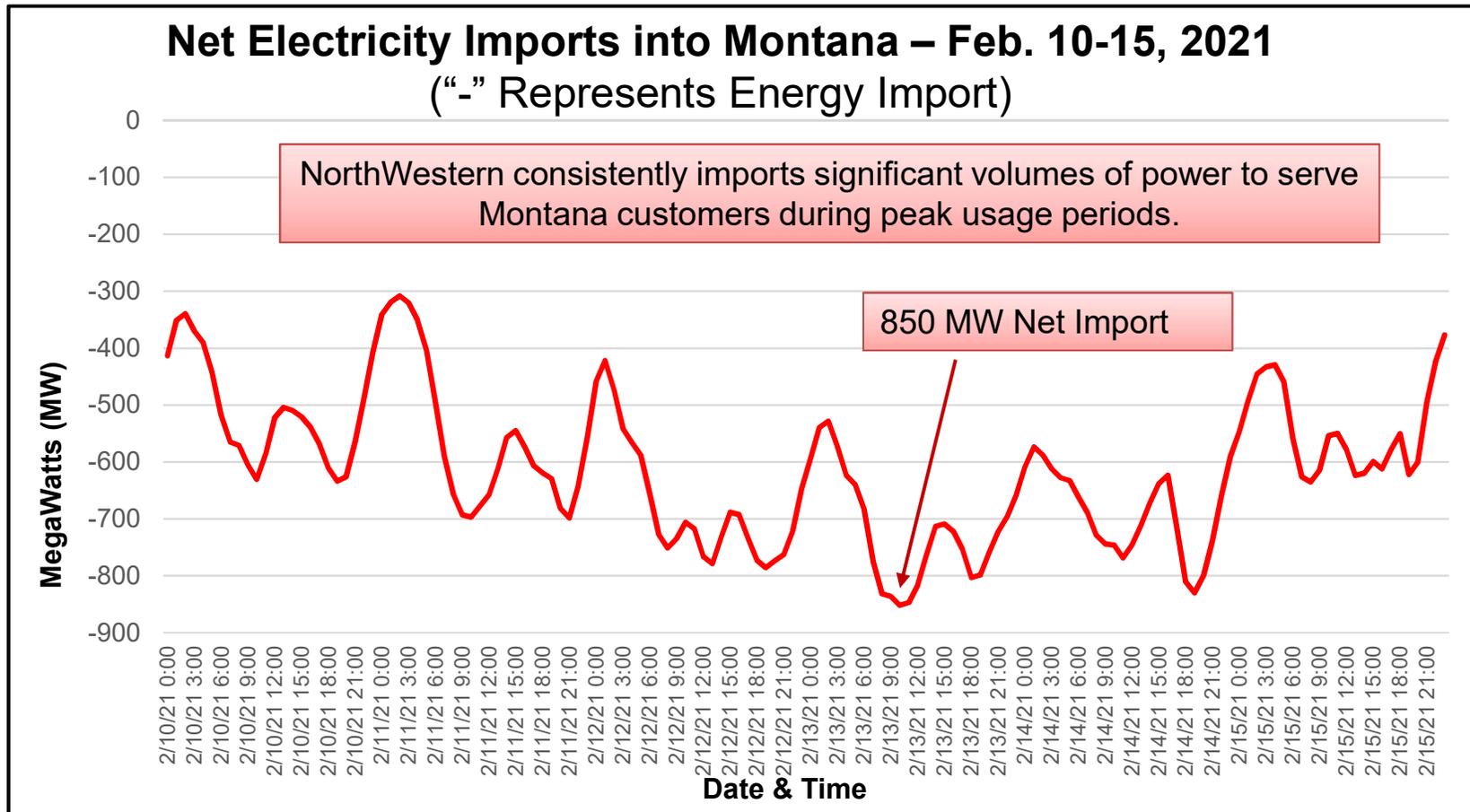


# February Cold Weather Event (Montana)



The chart illustrates the actual contribution of energy, by resource, during February's multi-day cold weather event, the capacity deficit, and the market price of power. (Thermal includes *all* thermal resources – 222 MW Colstrip Unit 4, mandatory-purchase Qualifying Facilities, and natural gas.)

# Large Electricity Imports Were Critical (Montana)

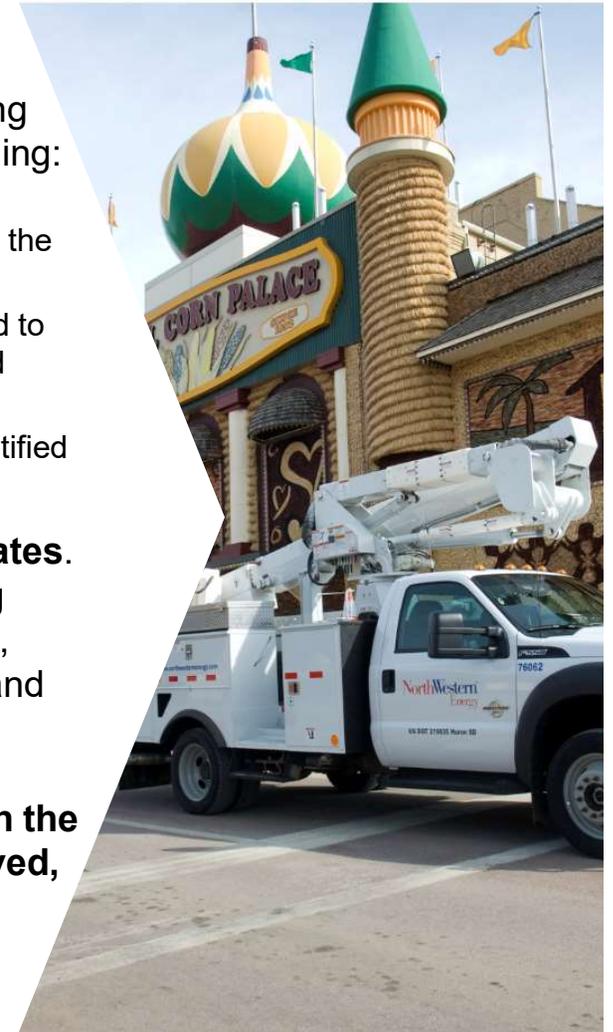


- Regional events helped avoid outages
  - Colder weather shifted to the east
  - Outages in Oregon meant more power was available to purchase
- Market prices spiked as the event went on
- Transmission system for imports significantly constrained



# Looking Forward (Regulatory)

- **We do not expect to make general rate case filings in any of our regulatory jurisdictions during 2021.** We have made or anticipate making several other regulatory filings, primarily in our Montana jurisdiction, including:
  - An April 15, 2021 filing requesting to delay the implementation of our fixed cost recovery mechanism pilot for another year until July 2022 or beyond, due to the continued uncertainties created by the COVID-19 pandemic;
  - An April 21, 2021 filing requesting approval to increase the forecasted costs used to develop rates for the recover of electric power costs through our Power Cost and Credit Adjustment Mechanism (PCCAM) by approximately \$17 million; and
  - A May 2021 filing requesting approval to acquire electric capacity resources identified through our January 2020 RFP.
- In May 2019, we **filed proposed revisions to our FERC transmission rates.** In November 2020 we **reached a settlement** with intervenors establishing formula rates. The settlement, and a motion to implement settlement rates, were filed on November 16<sup>th</sup>. The motion was granted on November 25<sup>th</sup> and we began charging settlement rates on December 1<sup>st</sup>. **We refunded approximately \$20.5 million to our wholesale customers in the first quarter of 2021.** In March 2021, we submitted a compliance filing with the MPSC adjusting the FERC credit in our retail rates. The MPSC approved, on an interim basis, both the updated revenue credit and the refund amount\* that will be completed over a one-year period, beginning April 1, 2021.



*\*As of March 31, 2021 we had cumulative deferred revenue for refund of approximately \$12.8 million.*

# ESG Advances

- NorthWestern has a new Environmental, Social and Governance landing page. The new page:
  - Consolidates existing ESG information;
  - Includes disclosures of 20 new and existing policies and standards necessary for a best-practices ESG program; and
  - Includes a new, easy reference, Sustainability Statistics Report to disclose 5-year trend of operational and financial ESG data and statistics.
- We continue to make progress on several ESG ratings with the most substantial improvement at MSCI (from BB to A in the latest report).

## ESG Rating history



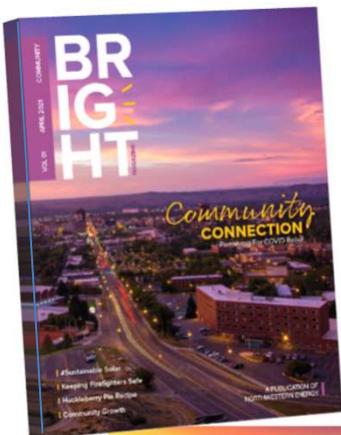
ESG Rating history shows five most recent rating actions

## ESG Rating distribution

Universe: MSCI ACWI Index constituents, Utilities, n=141



THE USE BY NORTHWESTERN CORP OF ANY MSCI ESG RESEARCH LLC OR ITS AFFILIATES ("MSCI") DATA, AND THE USE OF MSCI LOGOS, TRADEMARKS, SERVICE MARKS OR INDEX NAMES HEREIN, DO NOT CONSTITUTE A SPONSORSHIP, ENDORSEMENT, RECOMMENDATION, OR PROMOTION OF NORTHWESTERN CORP BY MSCI. MSCI SERVICES AND DATA ARE THE PROPERTY OF MSCI OR ITS INFORMATION PROVIDERS, AND ARE PROVIDED 'AS-IS' AND WITHOUT WARRANTY. MSCI NAMES AND LOGOS ARE TRADEMARKS OR SERVICE MARKS OF MSCI.



- The first volume of BRIGHT Magazine was published this week. This quarterly publication will showcase our employees, our customers, our communities, and our commitment to sustainability.

[www.northwesternenergy.com/our-company/investor-relations/ESG-Sustainability](http://www.northwesternenergy.com/our-company/investor-relations/ESG-Sustainability)



# ESG Publications

## Environmental



### Environmental Report

<http://www.northwesternenergy.com/environment/our-environment>

## Social



### BRIGHT magazine

[https://www.northwesternenergy.com/docs/default-source/brightmagazine/bright\\_magazine\\_vol1\\_community\\_final.pdf](https://www.northwesternenergy.com/docs/default-source/brightmagazine/bright_magazine_vol1_community_final.pdf)

### Code of Conduct

<http://www.northwesternenergy.com/docs/default-source/documents/corporategovernance/code-of-conduct.pdf>

### Community Works Report

<http://www.northwesternenergy.com/community-works/community-works>

## Governance



### Annual Report

<http://www.northwesternenergy.com/our-company/investor-relations/annual-reports>

### Proxy Statement

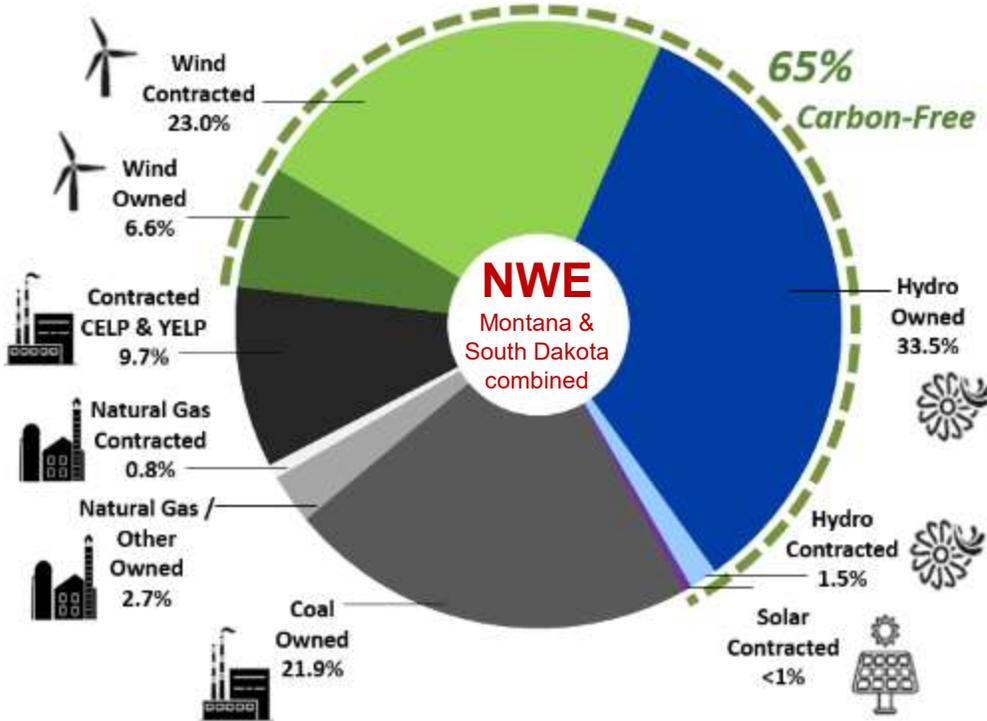
<http://www.northwesternenergy.com/our-company/investor-relations/proxy-materials>

These six publications provide valuable insight in NorthWestern Energy's Environmental, Social and Governance (ESG) Sustainability practices.



# ESG - Environmental

## 2020 Electric Generation Portfolio - Total NWE



Based upon 2020 MWH's of owned and long-term contracted resources.

**65% of NorthWestern Energy's 2020 Electric Generation Portfolio Delivered was Carbon-Free (based on megawatt hours)**



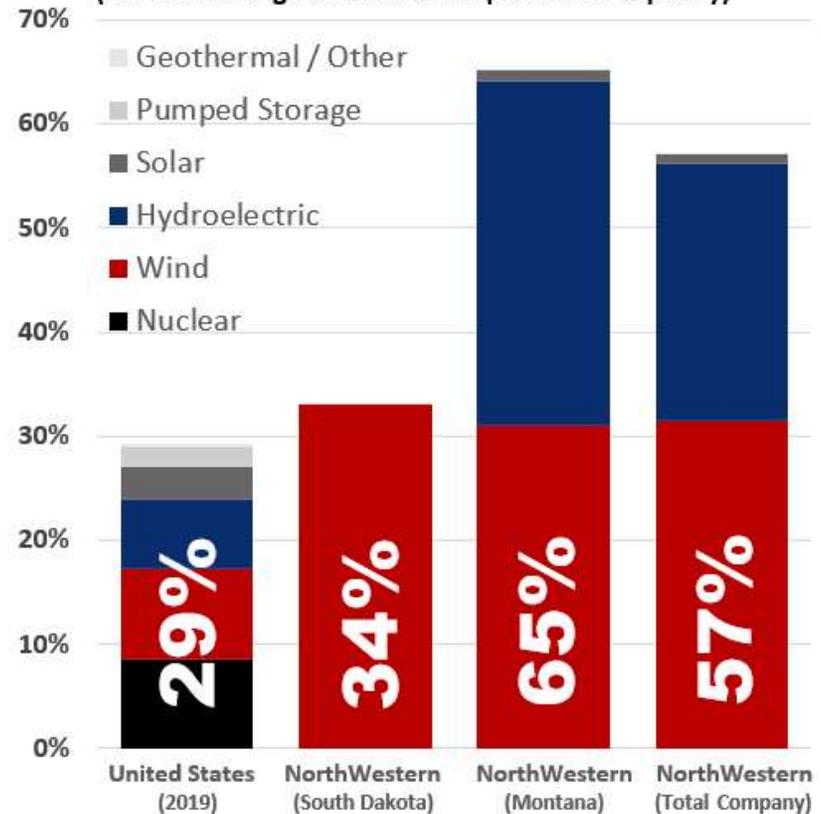
Mystic Dam



Beethoven Wind Farm

## 2020 Carbon-Free Owned & Long Term Contracted Nameplate Generation Resources

(As a Percentage of Total Nameplate MW Capacity)



**57% Carbon Free Nameplate Portfolio vs 29% National Average in 2019 (based nameplate megawatts via U.S. Energy Information Administration – form EIA-860)**



# ESG - Social

## Community

**\$2.3 Billion** Economic Output in 2020 (\$2.013B in Montana & \$249M in SD/NE)

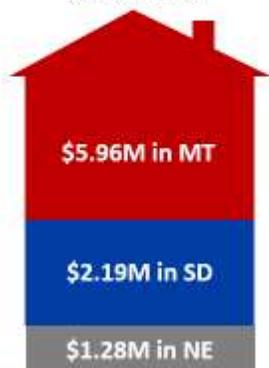
**Over \$5 million** Donations, Sponsorships, Economic Development, Scholarship Funding, Public Recreation Support, Safety Awareness and Volunteer Program Grants in 2020

**411** Number of nonprofits that received grants through Employee Volunteer Program

**\$9.4 Million** Low-Income Energy Assistance in 2020

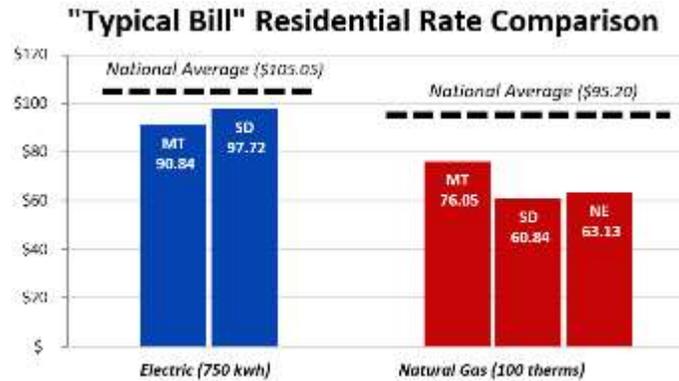
### Low-Income Assistance

We work closely with the federal Low Income Energy Assistance programs to provide critical short-term aid to our community's most vulnerable citizens



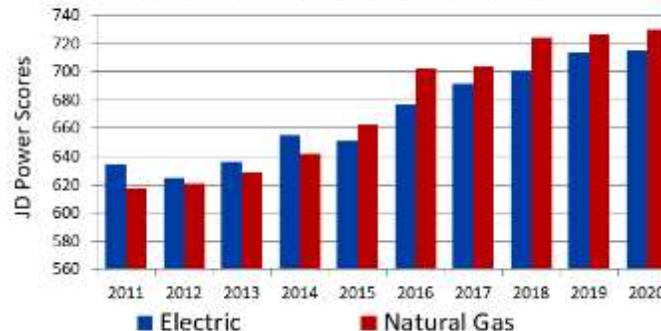
## Customers

Typical Residential Bills Lower than National Average



Building on Our Best – Improved Customer Satisfaction Scores

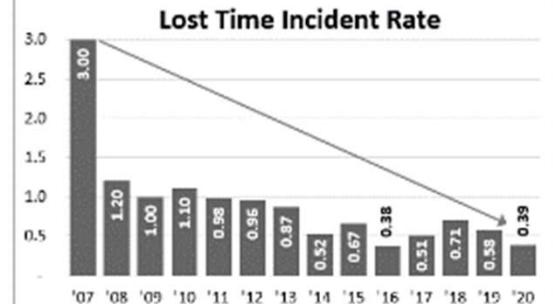
### NWE's Overall Customer Satisfaction Scores via JD Power Electric & Gas Residential Studies



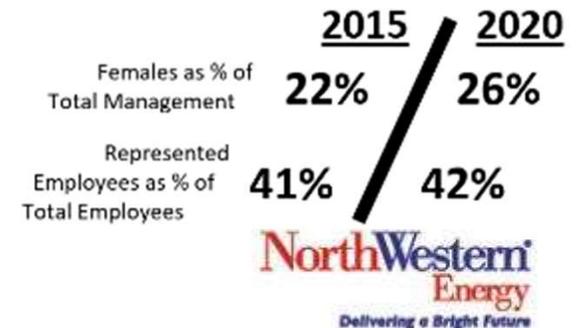
Over the last 13 years, our energy efficiency programs have helped customers save 685,041 MWh's of energy – enough to power 76,000 homes for a year.

## Employees

Safety Culture Transformation



Diverse Employment





# ESG - Governance

## 5<sup>th</sup> Best Score Among 50 Publicly Traded North American Utility and Power Companies by Moody's Investment Services on Best Governance Practices

### Corporate Governance

#### What We Do:

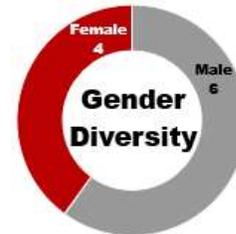
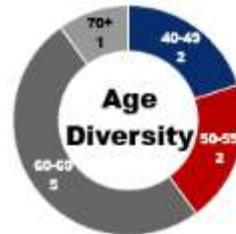
- Annual election of all directors.
- Majority vote plus resignation standard in uncontested elections. If a director receives more "WITHHOLD AUTHORITY" votes than "FOR" votes, the director must submit a resignation for the Board to consider.
- Allow shareholders owning 25 percent of our shares to call a special meeting.
- Independent Board of Directors, except our CEO.
- Independent Board Chair.
- Each of our Board committees (audit, compensation, and governance ) is made up solely of independent directors.
- Committee authority to retain independent advisors, which will be paid for by the company.
- Code of Conduct and Ethics. Applies to all employees and Board, with a separate Code of Ethics for Chief Executive Officers and Senior Financial Officers concerning financial reporting and other related matters.
- Robust stock ownership guidelines for executive officers and directors.

#### What We Don't Do:

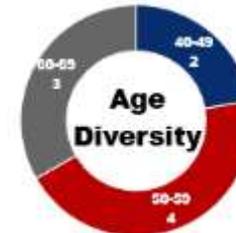
- Poison pill or a shareholder rights plan.
- Hedging of company securities.
- Corporate political contributions.
- Supermajority voting, except to approve certain business combinations or mergers.

### Diverse Leadership

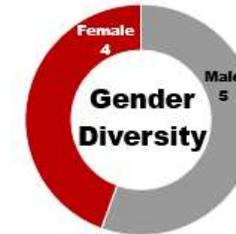
#### Board of Directors



#### Executive Team



On exec team



### Other Recent Governance Recognition



#### 20 / 20 – Women on Boards

Recognized for gender diversity on its board of directors by 2020 Women on Boards. Four of the company's ten directors are female.



#### Corporate Governance Award Winner

NorthWestern Corporation's proxy statement has won governance awards – *Best Proxy Statement (Small to Mid-Cap)* by Corporation Secretary magazine (2014 & 2019) and *Exemplary Compensation Discussion and Analysis* from NYSE Governance Services (2014) and NorthWestern was recognized as a finalist by Corporate Secretary magazine in the same category for our '12, '13, '16, '17 & '18 statements



### CEO Pay Ratio To Average Employee Salary

NWE

**25:1**

All Utilities Average

**58:1**

Peer Group Average

**37:1**



# Our Carbon Reduction Vision for NorthWestern Energy in Montana

1

## 90% carbon reduction by 2045

NorthWestern Energy commits to reduce the carbon intensity of our electric energy portfolio for Montana 90% by 2045.\*

\* As compared with our 2010 carbon intensity as a baseline

2

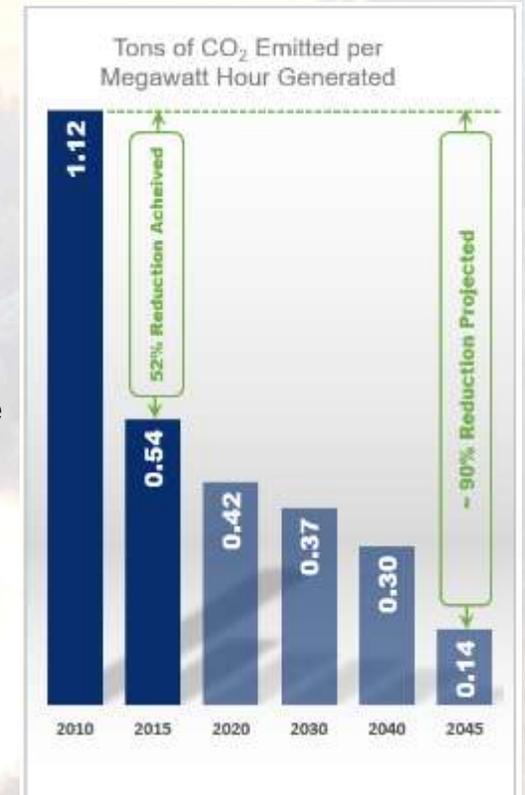
## Already over 60% carbon free

Today, NorthWestern Energy serves Montana with an electric portfolio that is over 60% carbon free and more than two times better than the total U.S electric power industry (28% carbon free – 2018 metric). Over the last decade, we have already reduced the carbon intensity of our energy generation in Montana by more than 50%.

3

## How we're going to get there

Our vision for the future builds on the progress we have already made. Already, the foundation of our energy generation is our hydro system, which is 100% carbon free and is available 24 hours a day, 365 days a year. Wind generation is a close second and continues to grow. While utility-scale solar energy is not a significant portion of our energy mix today, we expect it to evolve along with advances in energy storage. We are committed to working with our customers and communities to help them achieve their sustainability goals and add new technology on our system.





# Conclusion

Pure  
Electric &  
Gas Utility

Solid Utility  
Foundation

Best  
Practices  
Corporate  
Governance

Attractive  
Future  
Growth  
Prospects

Strong  
Earnings &  
Cash Flows



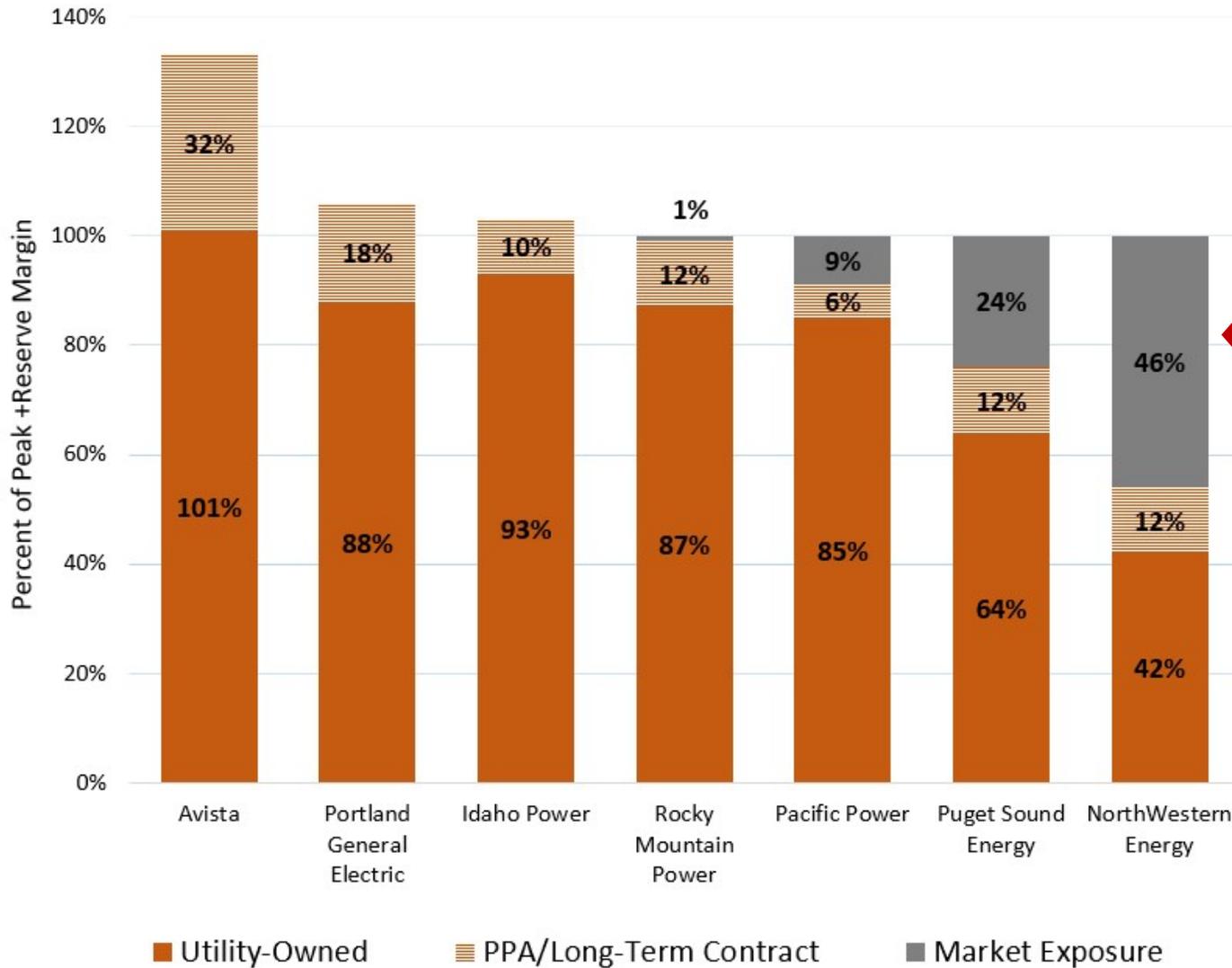


Delivering a  
**bright future**

NorthWestern<sup>®</sup>  
Energy



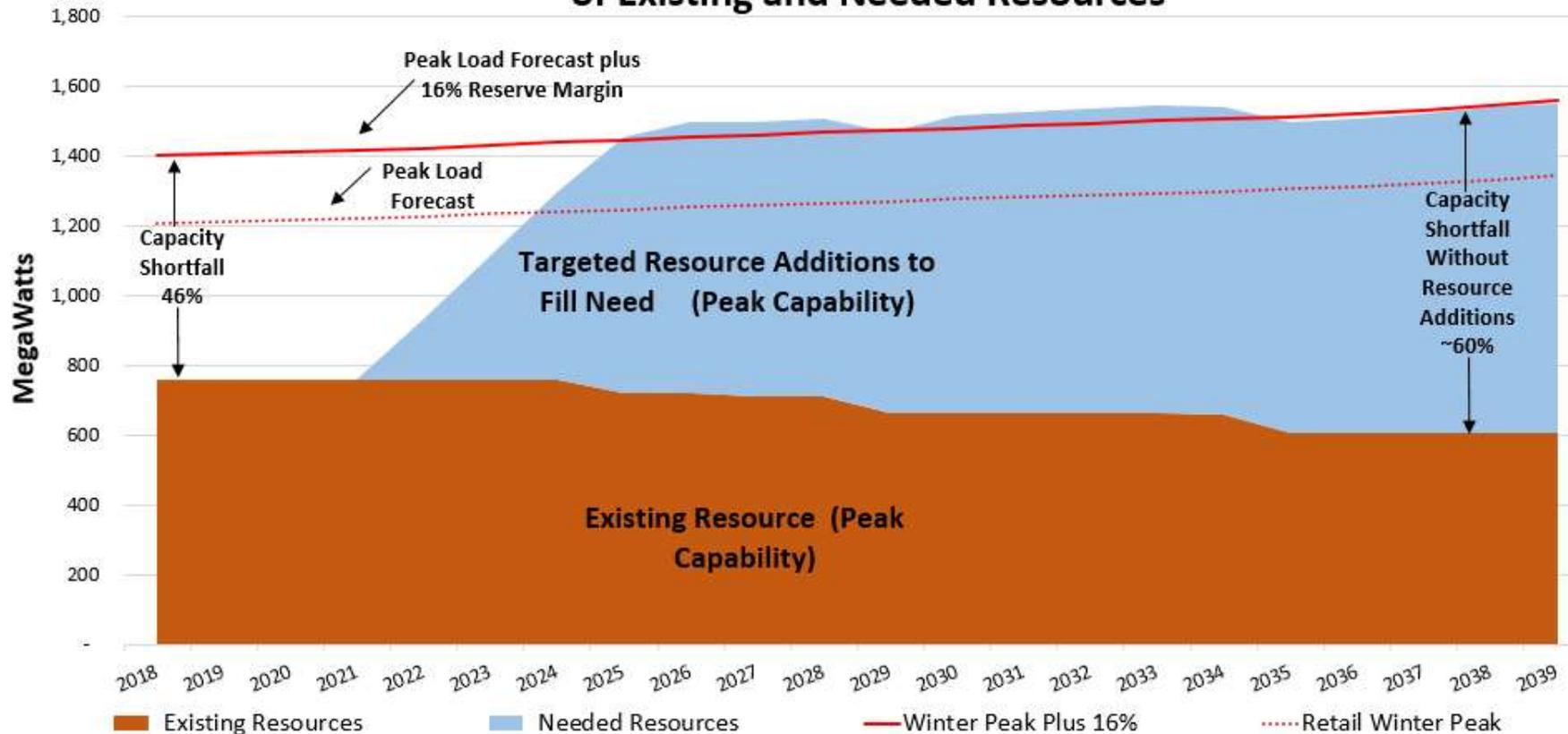
# NWE Capacity as compared to Regional Peers



NWE's capacity deficit exposes our customers to greater market exposure (price and availability) than any of our regional peers.

# Significant Capacity Deficit in Montana

## Winter Peak Loads and Capacity Contributions of Existing and Needed Resources

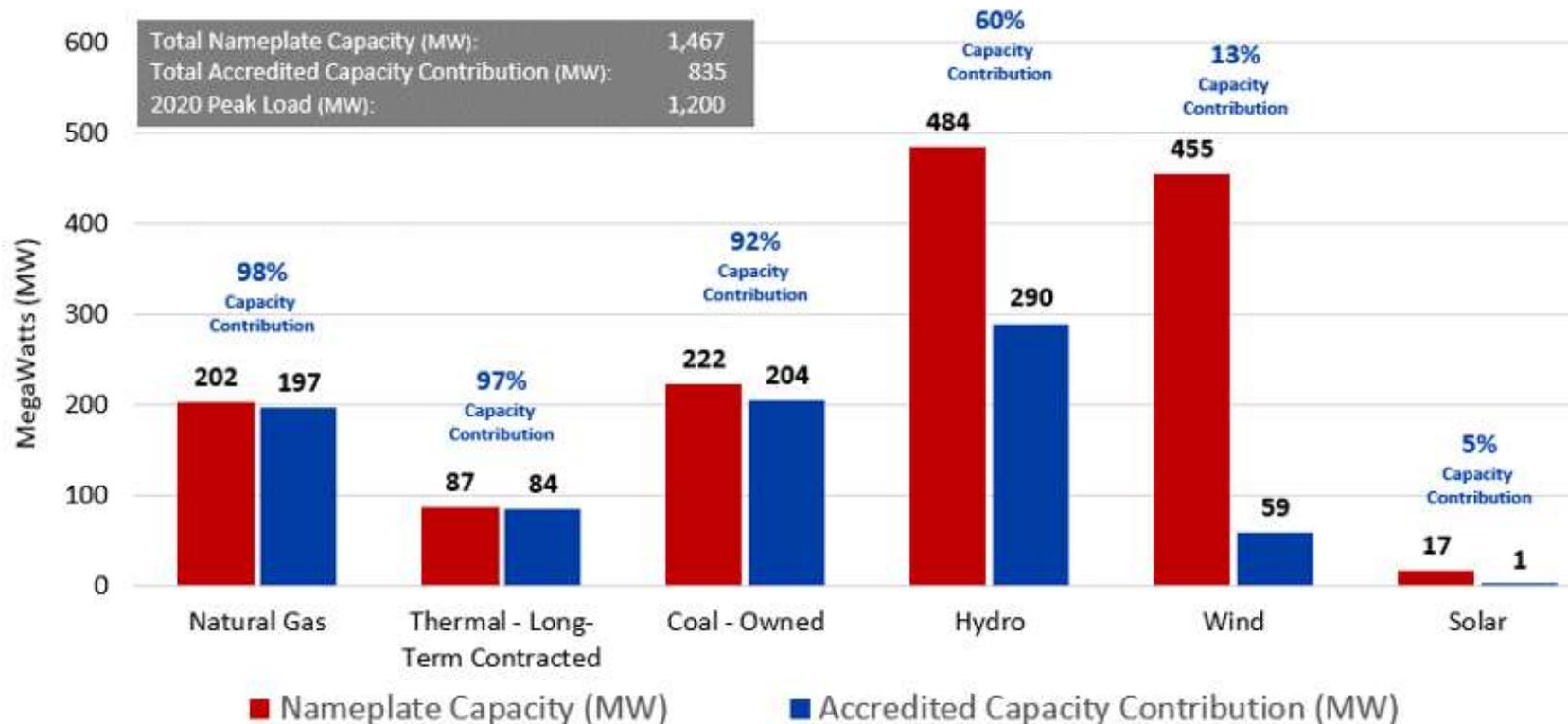


NorthWestern Energy's current resources provide about 755 MW of peaking capacity, which is the energy available during periods of our customers' highest demand. An additional 645 MW of peaking capacity must currently be purchased from the market to meet our needs. Without new capacity, the market exposure will increase to about 725 MW by 2025 (including reserve margins).

This need assumes continued development of cost effective demand side management (conservation) and small distributed generators (net-metering). Meeting peak load with market purchases means being exposed to the market at the worst possible time – when the market is most volatile and prices are high.

# Accredited Capacity Contribution in Montana

## NorthWestern Energy Montana - Accredited Capacity Contribution of Resources (2020 Resource Mix of Owned and Long-Term Contracted Resources)



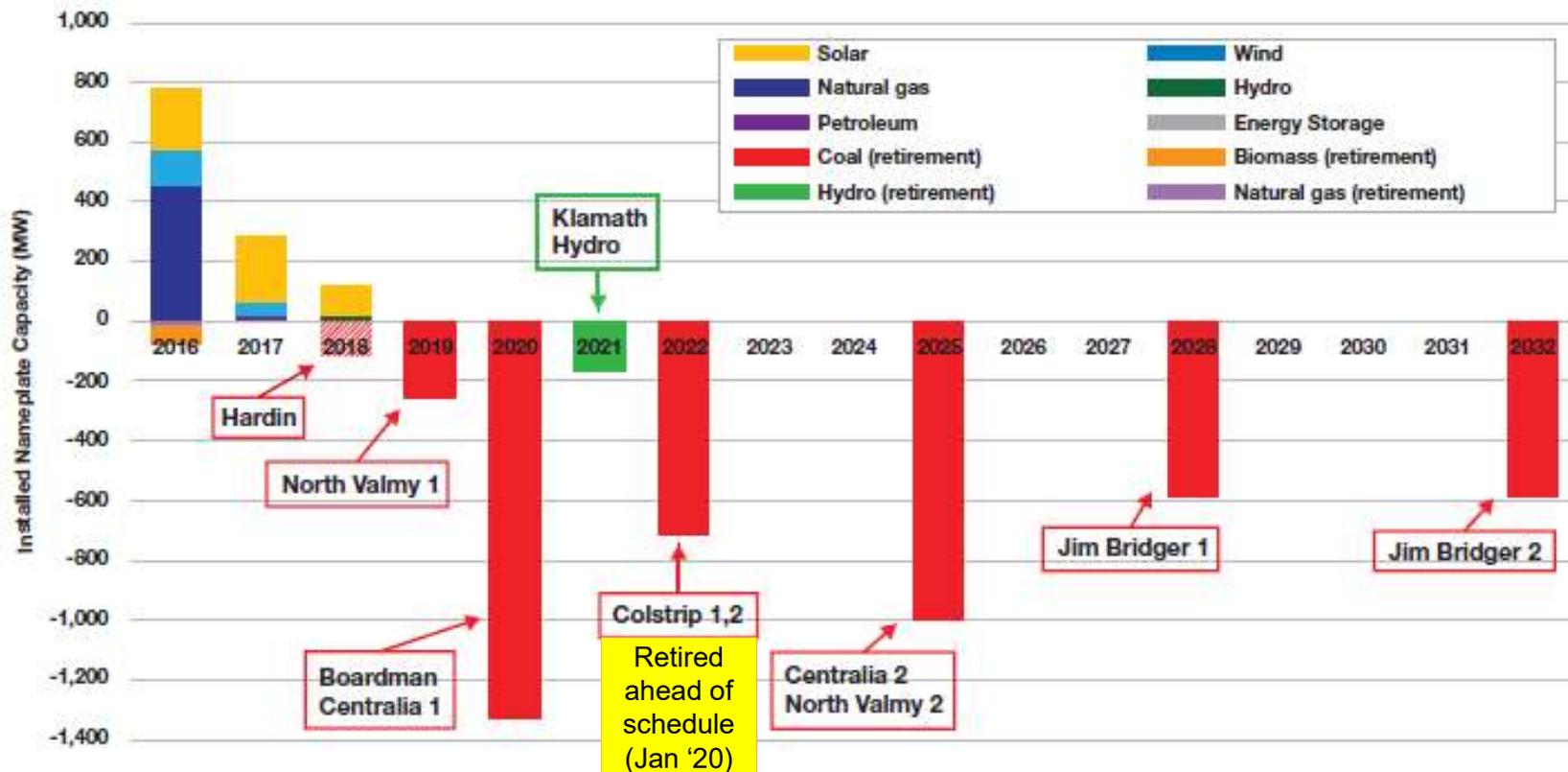
Accredited Capacity Contribution is the ability of each resource fuel-type to contribute to meet demand during peak energy usage by customers.

Accredited Capacity Contribution or Peak Load Contribution is based on Effective Load Carrying Capability (ELCC) E3 Study on Peak Load Measurement included in NorthWestern Energy's 2020 Supplement to the 2019 Montana Electric Supply Resource Procurement Plan.

Note: 2020 Nameplate Capacity MW's include resources that are on-line or in service as of 12/31/2020. Thermal long-term contracted resources of Yellowstone Energy Limited Partnership (YELP) and Colstrip Energy Limited Partnership (CELP) are listed at their contracted capacity rather than nameplate capacity.

On a megawatt basis, wind generation comprises a very significant portion of our electric generation portfolio. However, based upon its 13% accredited capacity, it provides a much less significant contribution to our overall capacity deficit.

# Significant Capacity Retirements in the Pacific NW



Source: Northwest Power and Conservation Council. Note: Hardin is idle, but has not been retired.

**Planned retirements in the Pacific Northwest region exceed 3,600 MW and the Northwest Power and Conservation Council forecasts regional capacity shortfalls as early as 2021. NorthWestern's continued reliance on the market to purchase energy to fill the gap during peak customer demand will significantly increase price and reliability risk for NorthWestern's customers because of the reduced energy supply availability.**

# Existing Colstrip Ownership



## Colstrip Power Plant

Facility Owner (%)	Unit 1	Unit 2	Unit 3	Unit 4
AVISTA Corporation	-	-	15%	15%
NorthWestern Energy	-	-	-	30%
PacifiCorp	-	-	10%	10%
Portland General	-	-	20%	20%
Puget Sound Energy	50%	-	25%	25%
Talen Energy	-	50%	30%	-
<b>Total</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>

Colstrip Units 1 & 2 were closed in January 2020

Facility Owner (MW)	Unit 1	Unit 2	Unit 3	Unit 4
AVISTA Corporation	-	-	111.0	111.0
NorthWestern Energy	-	-	-	222.0
PacifiCorp	-	-	74.0	74.0
Portland General	-	-	148.0	148.0
Puget Sound Energy	185.0	-	185.0	185.0
Talen Energy	-	153.5	222.0	-
<b>Total</b>	<b>307.0</b>	<b>307.0</b>	<b>740.0</b>	<b>740.0</b>

Colstrip Units 1 & 2 were closed in January 2020



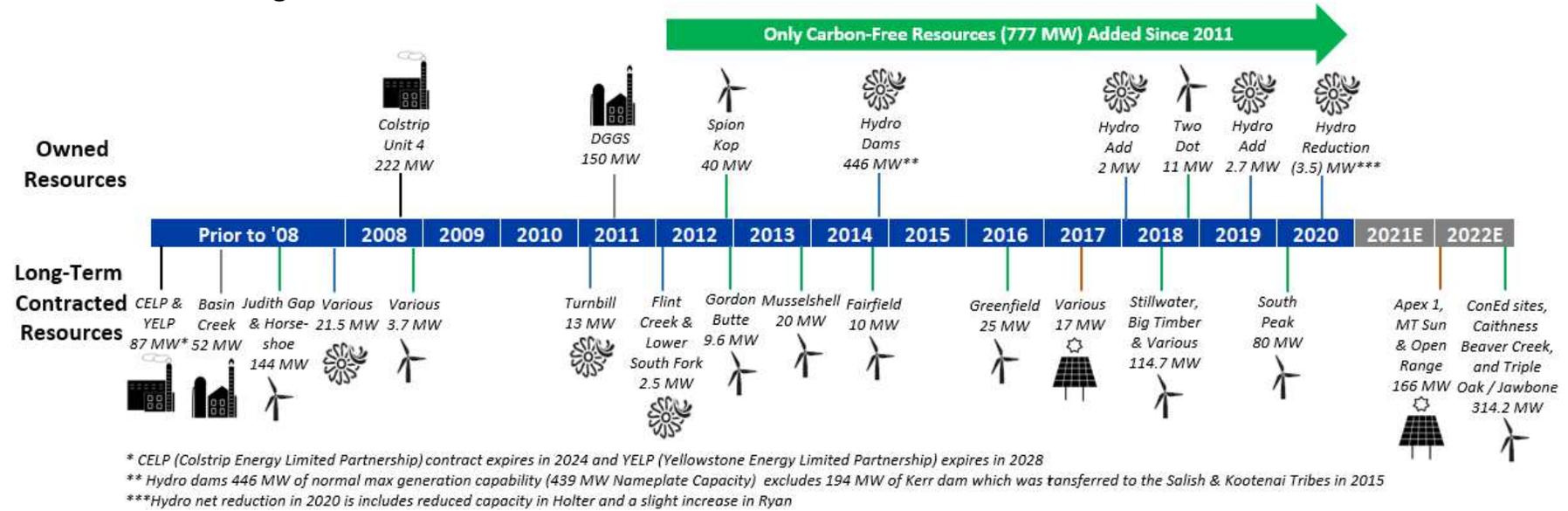
## Colstrip Transmission System



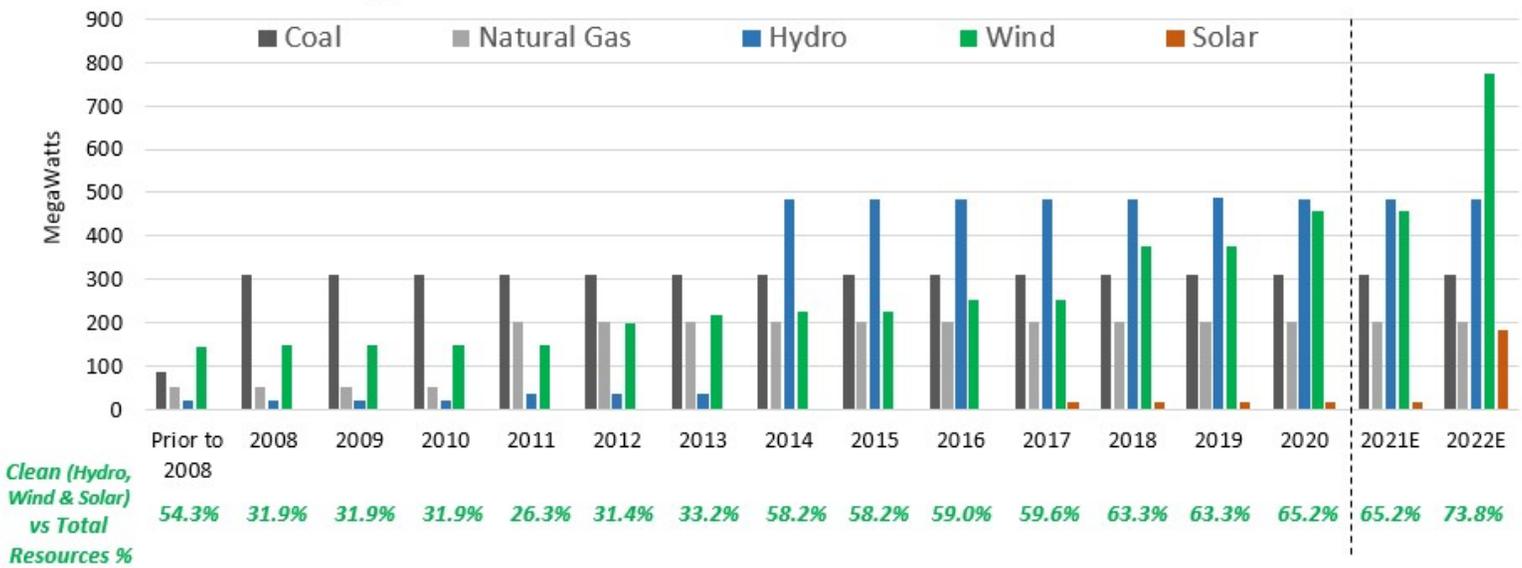
System Owner	Segment A	Segment B
AVISTA Corporation	10.2%	12.1%
NorthWestern Energy	36.4%	24.3%
PacifiCorp	6.8%	8.1%
Portland General	13.6%	16.2%
Puget Sound Energy	33.0%	39.3%

# Timeline of Montana Generation Portfolio

## Owned and Long-Term Resource Portfolio Timeline



NorthWestern Energy Montana - Cumulative Timeline of Owned and Contracted Electric Resources



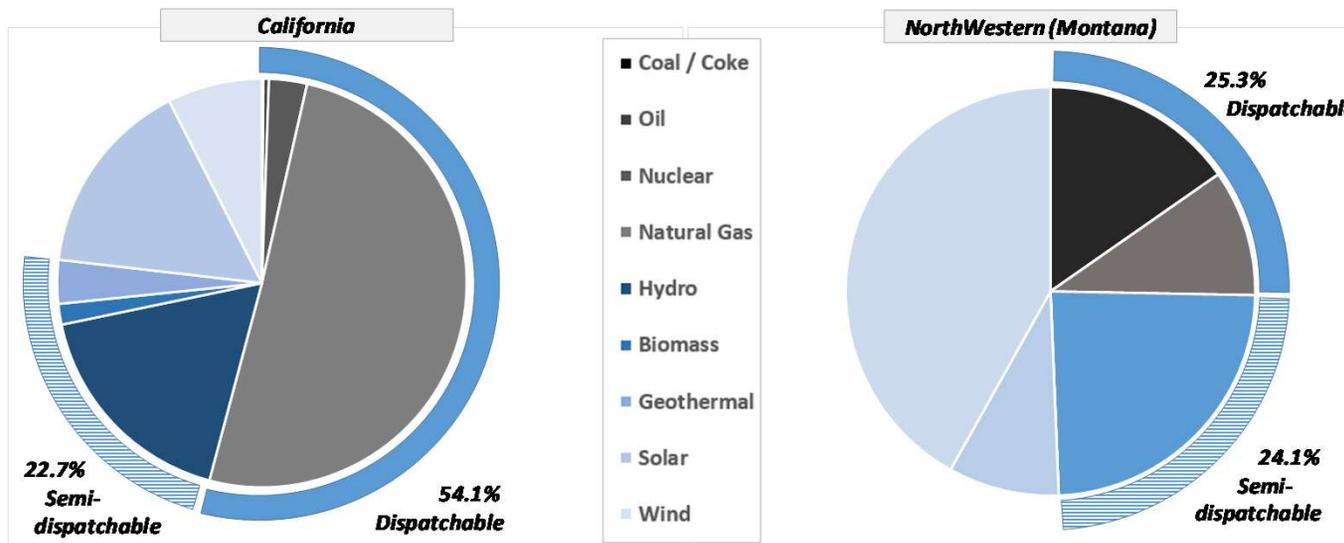
Since 2011, we have added over 775 MW of generation, both owned and long-term contract, to our generation portfolio, all of which is from carbon-free resources.

# Comparison of Installed Capacity

Comparison of Installed Capacity (MW) - Dispatchability and Carbon Emitting

	California		
	MW 2019	Percent of Total	Percent Dispatchable Non-Carbon
Coal / Coke	91	0.1%	0.1%
Oil	351	0.4%	0.4%
Nuclear	2,393	3.0%	3.0%
Natural Gas	40,382	50.6%	50.6%
Hydro	14,039	17.6%	17.6%
Biomass	1,308	1.6%	
Geothermal	2,760	3.5%	3.5%
Solar	12,527	15.7%	15.7%
Wind	5,973	7.5%	7.5%
<b>Total</b>	<b>79,824</b>	<b>100.0%</b>	<b>54.1%</b>

	NorthWestern Energy (Montana)		
	MW 2019	QF Adds Proforma 2021	Percent of Total Dispatchable Non-Carbon
Coal / Coke	309	309	15.3%
Oil	0	0	0.0%
Nuclear	0	0	0.0%
Natural Gas	202	202	10.0%
Hydro	486	486	24.1%
Biomass	0	0	0.0%
Geothermal	0	0	0.0%
Solar	17	160	8.8%
Wind	455	391	41.9%
<b>Total</b>	<b>1,469</b>	<b>2,020</b>	<b>25.3%</b>



**California is dealing with significant capacity issues DESPITE having a greater amount of dispatchable generation and fewer renewables than NorthWestern Energy in Montana (as a percentage of the total).**



# Summary Financial Results (First Quarter)

(in millions except per share amounts)

	Three Months Ended March 31,			
	2021	2020	Variance	% Variance
<b>Operating Revenues</b>	\$ 400.8	\$ 335.2	\$ 65.6	19.6%
Cost of Sales	144.5	91.2	53.3	58.4%
<b>Gross Margin <sup>(1)</sup></b>	<b>256.3</b>	<b>244.0</b>	<b>12.3</b>	<b>5.0%</b>
<b>Operating Expenses</b>				
Operating, general & administrative	80.9	79.0	1.9	2.5%
Property and other taxes	47.5	44.5	3.0	6.7%
Depreciation and depletion	47.0	45.3	1.7	3.8%
<b>Total Operating Expenses</b>	<b>175.4</b>	<b>168.8</b>	<b>6.6</b>	<b>3.9%</b>
<b>Operating Income</b>	<b>80.9</b>	<b>75.2</b>	<b>5.7</b>	<b>7.5%</b>
Interest Expense	(23.5)	(24.3)	0.8	3.3%
Other Income (Expense)	5.6	(2.0)	7.6	380.0%
<b>Income Before Taxes</b>	<b>63.1</b>	<b>48.9</b>	<b>14.2</b>	<b>29.0%</b>
Income Tax Benefit	-	1.8	(1.8)	(100.0%)
<b>Net Income</b>	<b>\$ 63.1</b>	<b>\$ 50.7</b>	<b>\$ 12.4</b>	<b>24.5%</b>
Effective Tax Rate	(0.0%)	(3.7%)	3.7%	
Diluted Shares Outstanding	50.7	50.7	-	(0.0%)
<b>Diluted Earnings Per Share</b>	<b>\$1.24</b>	<b>\$ 1.00</b>	<b>\$ 0.24</b>	<b>24.0%</b>
Dividends Paid per Common Share	\$ 0.62	\$ 0.60	\$ 0.02	3.3%

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

# Gross Margin (First Quarter)

(dollars in millions)

## Three Months Ended March 31,

	2021	2020	Variance <sup>(1)</sup>	
Electric	\$ 189.9	\$ 180.8	\$ 9.1	5.0%
Natural Gas	66.4	63.2	3.2	5.1%
<b>Total Gross Margin <sup>(1)</sup></b>	<b>\$ 256.3</b>	<b>\$ 244.0</b>	<b>\$ 12.3</b>	<b>5.0%</b>

### Increase in gross margin due to the following factors:

\$ 4.1	Electric retail volumes
2.8	Natural gas retail volumes
2.1	Electric transmission
(0.5)	Montana natural gas production rates
(1.4)	Montana electric supply cost recovery
2.9	Other miscellaneous nonrecurring items
<u>\$ 10.0</u>	<b>Change in Gross Margin Impacting Net Income</b>

\$ 2.0	Property taxes recovered in revenue, offset in property tax expense
1.1	Production tax credits reducing revenue, offset in income tax benefit
(0.8)	Operating expense recovered in revenue, offset in operating expense
<u>\$ 2.3</u>	<b>Change in Gross Margin Offset Within Net Income</b>
<u><u>\$ 12.3</u></u>	<b>Increase in Gross Margin</b>

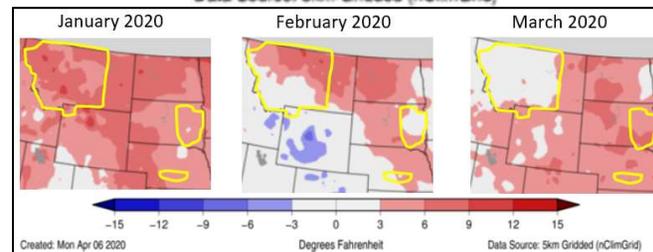
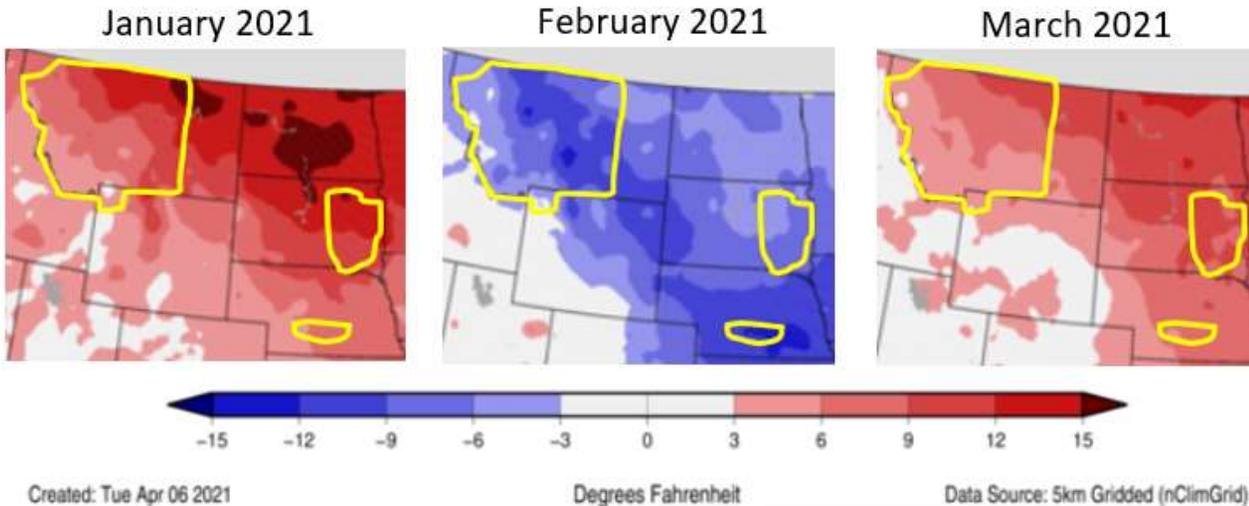
(1) Gross Margin, defined as revenues less cost of sales, is a non-GAAP Measure. See appendix for additional disclosure.

# Weather (First Quarter)

## Heating Degree - Days

	Qtr 1 Degree Days			Q1 2021 as compared with:	
	2021	2020	Historic Average	2020	Historic Average
Montana	3,262	3,136	3,331	4% colder	2% warmer
South Dakota	3,800	4,029	4,074	6% warmer	7% warmer
Nebraska	3,354	3,074	3,383	9% colder	1% warmer

## Mean Temperature Departures from Average



Even with the February cold-snap, we experienced a warmer first quarter as compared to normal, which contributed approximately \$1.3M pretax gross margin detriment but a \$2.7M pretax benefit as compared to first quarter 2020.



# Operating Expenses (First Quarter)

(dollars in millions)

Three Months Ended March 31,

	2021	2020	Variance	
Operating, general & admin.	\$ 80.9	\$ 79.0	\$ 1.9	2.4%
Property and other taxes	47.5	44.5	3.0	6.7%
Depreciation and depletion	47.0	45.3	1.7	3.8%
<b>Operating Expenses</b>	<b>\$ 175.4</b>	<b>\$ 168.8</b>	<b>\$ 6.6</b>	<b>3.9%</b>

## Increase in Operating, general & administrative expense due to the following factors:

\$ (1.6)	Uncollectible accounts
(0.6)	Travel and training
(0.4)	Labor
(0.3)	Generation maintenance
0.4	Employee benefits
(1.1)	Other miscellaneous decreases
<u>\$ (3.6)</u>	<b>Change in OG&amp;A Items Impacting Net Income</b>
\$ 4.5	Non-employee directors deferred compensation, offset in other income
1.8	Pension and other postretirement benefits, offset in revenue
(0.8)	Operating expenses recovered in trackers, offset in revenue
<u>\$ 5.5</u>	<b>Change in OG&amp;A Items Offset Within Net Income</b>
<u><u>\$ 1.9</u></u>	<b>Increase in Operating, General &amp; Administrative Expenses</b>

**\$3.0 million increase in property and other taxes** due primarily to an increase in Montana state and local taxes.

**\$1.7 million increase in depreciation and depletion expense** primarily due to plant additions.

# Operating to Net Income (First Quarter)

(dollars in millions)

Three Months Ended March 31,

	2021	2020	Variance	
<b>Operating Income</b>	<b>\$ 80.9</b>	<b>\$ 75.2</b>	<b>\$ 5.7</b>	<b>7.6%</b>
Interest Expense	(23.5)	(24.3)	0.8	3.3%
Other Income / (Expense)	5.6	(2.0)	7.6	380.0%
<b>Income Before Taxes</b>	<b>63.1</b>	<b>48.9</b>	<b>14.2</b>	<b>29.0%</b>
Income Tax Benefit	0.0	1.8	(1.8)	(100.0%)
<b>Net Income</b>	<b>\$ 63.1</b>	<b>\$ 50.7</b>	<b>\$ 12.4</b>	<b>24.5%</b>

**\$0.8 million decrease in interest expenses** was primarily due lower interest on our revolving credit facility and higher capitalization of Allowance for Funds used During Construction (AFUDC), slightly offset by higher borrowings.

**\$7.6 million increase in other income** includes a \$4.5 million increase in the value of deferred shares held in trust for non-employee directors deferred compensation and an \$1.8 million decrease in other pension expense (both of which are offset in OG&A expenses with no impact to net income), and higher capitalization of AFUDC

**\$1.8 million decrease in income tax benefit** primarily due to higher pretax income partially offset by slightly improved permanent or flow-through adjustments.

# Income Tax Reconciliation (First Quarter)

(in millions)

Three Months Ended March 31,

	2021		2020		Variance
<b>Income Before Income Taxes</b>	<b>\$63.1</b>		<b>\$48.9</b>		<b>\$14.2</b>
Income tax calculated at federal statutory rate	13.2	21.0%	10.3	21.0%	2.9
Permanent or flow through adjustments:					
State income, net of federal provisions	0.1	0.1%	0.0	-	0.1
Flow - through repairs deductions	(7.8)	(12.5%)	(7.4)	(15.2%)	(0.4)
Production tax credits	(4.3)	(6.8%)	(3.6)	(7.4%)	(0.7)
Share-based compensation	(0.3)	(0.4%)	(0.6)	(1.2%)	0.3
Amortization of excess deferred income taxes	(0.3)	(0.4%)	(0.4)	(0.7%)	0.1
Plant and depreciation of flow-through items	(0.3)	(0.5%)	0.1	0.3%	(0.4)
Other, net	(0.3)	(0.5%)	(0.2)	(0.5%)	(0.1)
Sub-total	(13.2)	(21.0%)	(12.1)	(24.7%)	(1.1)
<b>Income Tax Benefit</b>	<b>\$ (0.0)</b>	<b>0.0%</b>	<b>\$ (1.8)</b>	<b>(3.7%)</b>	<b>\$ 1.8</b>

We expect NOLs to be available into 2021 with alternative minimum tax credits and production tax credits to be available into 2023 to reduce cash taxes. Additionally, we anticipate our effective tax rate to reach approximately 10% by 2024.



## Balance Sheet

(dollars in millions)	As of March 31, 2021	As of December 31, 2020
Cash and cash equivalents	\$ 8.9	\$ 5.8
Restricted cash	13.0	11.3
Accounts receivable, net	163.0	168.2
Inventories	56.8	61.0
Other current assets	117.0	62.3
Goodwill	357.6	357.6
PP&E and other non-current assets	5,786.5	5,723.2
<b>Total Assets</b>	<b>\$ 6,502.8</b>	<b>\$ 6,389.4</b>
Payables	80.2	100.4
Current Maturities - debt and leases	2.7	102.7
Other current liabilities	303.5	263.4
Long-term debt & capital leases	2,478.2	2,330.0
Other non-current liabilities	1,524.3	1,513.9
Shareholders' equity	2,113.8	2,079.1
<b>Total Liabilities and Equity</b>	<b>\$ 6,502.8</b>	<b>\$ 6,389.4</b>
<b>Capitalization:</b>		
Short-Term Debt & Short-Term Finance Leases	2.7	102.7
Long-Term Debt & Long-Term Finance Leases	2,478.2	2,330.0
Less: Basin Creek Finance Lease	(16.8)	(17.4)
Less: New Market Tax Credit Financing Debt	(27.0)	(27.0)
Shareholders' Equity	2,113.8	2,079.1
<b>Total Capitalization</b>	<b>\$ 4,551.0</b>	<b>\$ 4,467.4</b>
<b>Ratio of Debt to Total Capitalization</b>	<b>53.6%</b>	<b>53.5%</b>

Targeted debt to capitalization ratio of 50%-55%

53.6% Debt to Capitalization at March 31, 2021

## Cash Flow

(dollars in millions)	Three Months Ending March 31,	
	2021	2020
<b>Operating Activities</b>		
Net Income	\$ 63.1	\$ 50.7
Non-Cash adjustments to net income	46.7	48.7
Changes in working capital	(21.9)	62.2
Other non-current assets & liabilities	(22.3)	(3.5)
<b>Cash provided by Operating Activities</b>	<b>65.6</b>	<b>158.1</b>
<b>Investing Activities</b>		
PP&E additions	(77.9)	(78.4)
<b>Cash used in Investing Activities</b>	<b>(77.9)</b>	<b>(78.4)</b>
<b>Financing Activities</b>		
Issuance of long-term debt	99.9	-
Payment of short-term borrowings	(100.0)	-
Line of credit issuances, net	49.0	6.0
Dividends on common stock	(31.1)	(30.1)
Financing costs	(0.4)	(0.1)
Other	(0.3)	(2.5)
<b>Cash Provided by / (Used in) Financing Activities</b>	<b>17.0</b>	<b>(26.7)</b>
<b>Increase in Cash, Cash Equiv. &amp; Restricted Cash</b>	<b>4.8</b>	<b>53.0</b>
Beginning Cash, Cash Equiv. & Restricted Cash	17.1	12.1
<b>Ending Cash, Cash Equiv. &amp; Restricted Cash</b>	<b>\$ 21.8</b>	<b>\$ 65.1</b>

Cash from operating activities decreased by over \$92 million primarily due to an \$80.9 million increase in market purchases of supply resulting in an under collection of supply costs from customers in the current period due to colder winter weather in February 2021 and a refund of approximately \$20.5 million to our FERC regulated wholesale customers in the first quarter of 2021.

# Adjusted Non-GAAP Earnings (First Quarter)

(in millions)

	GAAP	Non-GAAP			Non-GAAP Variance		Non-GAAP			GAAP		
	Three Months Ended March 31, 2021	Unfavorable Weather	Move Pension Expense to OG&A (disaggregated with ASU 2017-07) <sup>(1)</sup>	Non-employee Deferred Compensation	Three Months Ended March 31, 2021			Three Months Ended March 31, 2020	Non-employee Deferred Compensation	Move Pension Expense to OG&A (disaggregated with ASU 2017-07) <sup>(1)</sup>	Unfavorable Weather	Three Months Ended March 31, 2020
						\$	%					
<b>Revenues</b>	\$400.8	1.3			\$402.1	\$62.9	18.5%	\$339.2			4.0	\$335.2
Cost of sales	144.5				144.5	53.3	58.4%	91.2				91.2
<b>Gross Margin</b>	<b>256.3</b>	<b>1.3</b>	<b>-</b>	<b>-</b>	<b>257.6</b>	<b>9.6</b>	<b>3.9%</b>	<b>248.0</b>	<b>-</b>	<b>-</b>	<b>4.0</b>	<b>244.0</b>
<b>Op. Expenses</b>												
OG&A	80.9		(1.7)	(1.8)	77.4	(4.4)	-5.4%	81.8	2.7	0.1		79.0
Prop. & other taxes	47.5				47.5	3.0	6.7%	44.5				44.5
Depreciation	47.0				47.0	1.7	3.8%	45.3				45.3
<b>Total Op. Exp.</b>	<b>175.4</b>	<b>-</b>	<b>(1.7)</b>	<b>(1.8)</b>	<b>171.9</b>	<b>0.3</b>	<b>0.2%</b>	<b>171.6</b>	<b>2.7</b>	<b>0.1</b>	<b>-</b>	<b>168.8</b>
<b>Op. Income</b>	<b>80.9</b>	<b>1.3</b>	<b>1.7</b>	<b>1.8</b>	<b>85.7</b>	<b>9.3</b>	<b>12.2%</b>	<b>76.4</b>	<b>(2.7)</b>	<b>(0.1)</b>	<b>4.0</b>	<b>75.2</b>
Interest expense	(23.5)				(23.5)	0.8	3.3%	(24.3)				(24.3)
Other (Exp.) Inc., net	5.6		(1.7)	(1.8)	2.1	1.3	162.5%	0.8	2.7	0.1		(2.0)
<b>Pretax Income</b>	<b>63.1</b>	<b>1.3</b>	<b>-</b>	<b>-</b>	<b>64.4</b>	<b>11.5</b>	<b>21.7%</b>	<b>52.9</b>	<b>-</b>	<b>-</b>	<b>4.0</b>	<b>48.9</b>
Income tax	-	(0.3)	-	-	(0.3)	(1.1)	-137.5%	0.8	-	-	(1.0)	1.8
<b>Net Income</b>	<b>\$63.1</b>	<b>1.0</b>	<b>-</b>	<b>-</b>	<b>\$64.1</b>	<b>\$10.4</b>	<b>19.4%</b>	<b>\$53.7</b>	<b>-</b>	<b>-</b>	<b>3.0</b>	<b>\$50.7</b>
ETR	0.0%	25.3%	-	-	0.5%			-1.5%	-	-	25.3%	-3.7%
Diluted Shares	50.7				50.7	-	0.0%	50.7				50.7
<b>Diluted EPS</b>	<b>\$1.24</b>	<b>0.02</b>	<b>-</b>	<b>-</b>	<b>\$1.26</b>	<b>\$0.20</b>	<b>18.9%</b>	<b>\$1.06</b>	<b>-</b>	<b>-</b>	<b>0.06</b>	<b>\$1.00</b>

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.

(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).

# 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	<b>(\$4.3)</b>
Jun-16	\$0.0	1.8	<b>\$1.8</b>
Jun-17	\$0.0	2.1	<b>\$2.1</b>
Jun-18	\$17.5	9.7	<b>\$27.2</b>
Jun-19	\$3.3	3.1	<b>\$6.4</b>
Jun-20	\$2.2	0.9	<b>\$3.1</b>

## Year-over-Year Better (Worse)

Jun-16	\$6.1	0.0	<b>\$6.1</b>
Jun-17	\$0.0	0.3	<b>\$0.3</b>
Jun-18	\$17.5	7.6	<b>\$25.1</b>
Jun-19	(\$14.2)	(6.6)	<b>(\$20.8)</b>
Jun-20	(\$1.1)	(2.2)	<b>(\$3.3)</b>

*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.*

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.



# Quarterly PCCAM Impacts

Pretax Millions

	Q1	Q2	Q3	Q4	Full Year
'17/'18 Tracker	Full year recorded in Q3				\$3.3
'18/'19 Tracker			(\$5.1)	\$0.3	(4.8)
<b>2018 (Expense) Benefit</b>	<b>\$0.0</b>	<b>\$0.0</b>	<b>(\$1.8)</b>	<b>\$0.3</b>	<b>(\$1.5)</b>
					<i>Full Year</i>
'18/'19 Tracker	(\$1.6)	\$4.6			\$3.0
'19/'20 Tracker			\$0.1	(\$0.7)	(0.6)
<b>2019 (Expense) Benefit</b>	<b>(\$1.6)</b>	<b>\$4.6</b>	<b>\$0.1</b>	<b>(\$0.7)</b>	<b>\$2.4</b>
					<i>Full Year</i>
CU4 Disallowance ('18/'19 Tracker)				(\$9.4)	(\$9.4)
'19/'20 Tracker	\$0.1	\$0.2			\$0.3
'20/'21 Tracker			(\$0.4)	(\$0.2)	(0.6)
<b>2020 (Expense) Benefit</b>	<b>\$0.1</b>	<b>\$0.2</b>	<b>(\$0.4)</b>	<b>(\$0.6)</b>	<b>(\$0.7)</b>
					<i>Year to Date</i>
'20/'21 Tracker	(\$1.3)				(\$1.3)
'21/'22 Tracker					-
<b>2021 (Expense) Benefit</b>	<b>(\$1.3)</b>	<b>\$0.0</b>	<b>\$0.0</b>	<b>\$0.0</b>	<b>(\$1.3)</b>
<b>Year-over-Year Variance</b>	<b>(\$1.4)</b>				<b>(\$1.4)</b>

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.



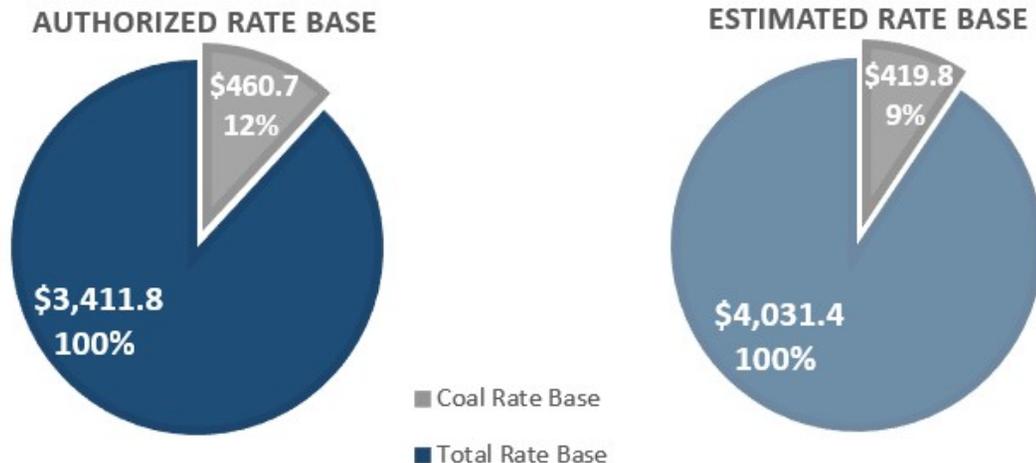
# NWE Rate Base and Earnings Profile

Data as reported in our 2020 10-K

Jurisdiction and Service	Implementation Date	Authorized Rate Base (millions)	Estimated Rate Base (millions)	Authorized Overall Rate of Return	Authorized Return on Equity	Authorized Equity Level
Montana electric delivery and production (1)	April 2019	\$ 2,030.1	\$ 2,500.9	6.92%	9.65%	49.38%
Montana - Colstrip Unit 4	April 2019	304.0	272.4	8.25%	10.00%	50.00%
Montana natural gas delivery and production (2)	September 2017	430.2	516.1	6.96%	9.55%	46.79%
<b>Total Montana</b>		<b>2,764.3</b>	<b>3,289.4</b>			
South Dakota electric (3)	December 2015	557.3	626.8	7.24%	n/a	n/a
South Dakota natural gas (3)	December 2011	65.9	77.4	7.80%	n/a	n/a
<b>Total South Dakota</b>		<b>623.2</b>	<b>704.2</b>			
Nebraska natural gas (3)	December 2007	24.3	37.8	8.49%	10.40%	n/a
<b>Total NorthWestern Energy</b>		<b>\$ 3,411.8</b>	<b>\$ 4,031.4</b>			

- (1) The revenue requirement associated with the FERC regulated portion of Montana electric transmission and ancillary services are included as revenue credits to our MPSC jurisdictional customers. Therefore, we do not separately reflect FERC authorized rate base or authorized returns.
- (2) The Montana gas revenue requirement includes a step down which approximates annual depletion of our natural gas production assets included in rate base.
- (3) For those items marked as "n/a," the respective settlement and/or order was not specific as to these terms.

## Coal Generation Rate Base as a percentage of Total Rate Base



Revenue from coal generation is not easily identifiable due to the use of bundled rates in South Dakota and other rate design and accounting considerations. However, NorthWestern is a fully regulated utility company for which rate base is the primary driver for earnings. The data to the left illustrates that NorthWestern only derives approximately 9-12% of earnings from its jointly owned coal generation rate base.



# 2020 System Statistics



**Owned Energy Supply**

<b><u>Electric (MW)</u></b>	<b><u>MT</u></b>	<b><u>SD</u></b>	<b><u>Total</u></b>
Base load coal	222	210	432
Wind	51	80	131
Hydro	448	-	448
Other resources (2)	150	121	271
	871	411	1,282

<b><u>Natural Gas (Bcf)</u></b>	<b><u>MT</u></b>	<b><u>SD</u></b>	<b><u>Total</u></b>
Proven reserves	43.1	-	43.1
Annual production	3.5	-	3.5
Storage	17.8	-	17.8



**Transmission**

<b><u>Trans for Others</u></b>	<b><u>MT</u></b>	<b><u>SD</u></b>	<b><u>Total</u></b>
Electric (GWh)	9,931	25	9,956
Natural Gas (Bcf)	42.0	31.2	73.2

<b><u>System (miles)</u></b>	<b><u>MT</u></b>	<b><u>SD</u></b>	<b><u>Total</u></b>
Electric	6,809	1,308	8,117
Natural gas	2,165	55	2,220
Total	8,974	1,363	10,337



**Distribution**

<b><u>Demand</u></b>	<b><u>MT</u></b>	<b><u>SD / NE (1)</u></b>	<b><u>Total</u></b>
Daily MWs	750	200	950
Peak MWs	1,200	328	1,528
Annual GWhs	6,600	1,750	8,350
Annual Bcf	21.3	10.3	31.7

<b><u>Customers</u></b>	<b><u>MT</u></b>	<b><u>SD / NE</u></b>	<b><u>Total</u></b>
Electric	384,700	63,900	448,600
Natural gas	203,700	90,700	294,400
Total	588,400	154,600	743,000

<b><u>System (miles)</u></b>	<b><u>MT</u></b>	<b><u>SD / NE</u></b>	<b><u>Total</u></b>
Electric	18,068	2,314	20,382
Natural gas	4,892	2,523	7,415
Total	22,960	4,837	27,797

Note: Statistics above are as of 12/31/2020 except for electric transmission for others which is 2019 data

(1) Nebraska is a natural gas only jurisdiction

(2) Dave Gates Generating Station (DGGGS) in Montana is a 150 MW nameplate facility but consider it a 105 MW (60 MW FERC & 45MW MPSC jurisdictions) peaker

# Experienced & Engaged Board of Directors



**Dana J. Dykhouse**

- Chairman of the Board
- Independent
- Director since Jan. 2009



**Anthony T. Clark**

- Committees: Nominating and Governance, Human Resources
- Independent
- Director since Dec. 2016



**Jan R. Horsfall**

- Committees: Safety, Environmental, Technology and Operations (chair), Audit
- Independent
- Director since April 2015



**Britt E. Ide**

- Committees: Safety, Environmental, Technology and Operations, Human Resources
- Independent
- Director since April 2017



**Robert C. Rowe**

- Committees: None
- CEO and President
- Director since August 2008



**Linda G. Sullivan**

- Committees: Audit (Chair), Safety, Environmental, Technology and Operations
- Independent
- Director since April 2017



**Mahvash Yazdi**

- Committees: Human Resources (Chair), Safety, Environmental, Technology and Operations
- Independent
- Director since December 2019



**Jeff W. Yingling**

- Committees: Nominating and Governance (Chair), Audit
- Independent
- Director since October 2019



# Strong Executive Team

**Robert C. Rowe**

- Chief Executive Officer
- Current position since 2008

**Brian B. Bird**

- President and Chief Operating Officer
- Current position since 2021 (formerly Chief Financial Officer since 2003)

**Crystal D. Lail**

- Vice President and Chief Financial Officer
- Current position since 2021 (formerly VP and Chief Accounting Officer since 2020)

**Heather H. Grahame**

- General Counsel and Vice President of Regulatory and Federal Government Affairs
- Current position since 2010

**Michael R. Cashell**

- Vice President - Transmission
- Current Position since 2011

**John D. Hines**

- Vice President – Supply/Montana Affairs
- Current Position since 2011

**Curtis T. Pohl**

- Vice President - Distribution
- Current position since 2003

**Bobbi L. Schroepfel**

- Vice President – Customer Care, Communications and Human Resources
- Current Position since 2002

**Jeanne M. Vold**

- Vice President – Technology
- Current Position since 2021 (former Business Technology Officer since 2012)



# Our Commissioners

## Montana Public Service Commission



<u>Name</u>	<u>Party</u>	<u>Began Serving</u>	<u>Term Ends</u>
James Brown (Chair)	R	Jan-21	Jan-25
Jennifer Fielder	R	Jan-21	Jan-25
Brad Johnson (Vice Chair)	R	Jan-15	Jan-23
Tony O'Donnell	R	Jan-17	Jan-25
Randy Pinocci	R	Jan-19	Jan-23

Commissioners are elected in statewide elections from each of five districts. Chairperson is elected by fellow Commissioners.  
Commissioner term is four years, Chairperson term is two years.

## South Dakota Public Utilities Commission



<u>Name</u>	<u>Party</u>	<u>Began Serving</u>	<u>Term Ends</u>
Kristie Fiegen (Vice Chair)	R	Aug-11	Jan-25
Gary Hanson	R	Jan-03	Jan-27
Chris Nelson (Chair)	R	Jan-11	Jan-23

Commissioners are elected in statewide elections. Chairperson is elected by fellow Commissioners.  
Commissioner term is six years, Chairperson term is one year.

## Nebraska Public Service Commission



<u>Name</u>	<u>Party</u>	<u>Began Serving</u>	<u>Term Ends</u>
Rod Johnson (Vice Chair)	R	Jan-93	Jan-23
Crystal Rhoades	D	Jan-15	Jan-27
Mary Ridder	R	Jan-17	Jan-23
Tim Schram	R	Jan-07	Jan-25
Dan Watermeier (Chair)	R	Jan-19	Jan-25

Commissioners are elected in statewide elections. Chairperson is elected by fellow Commissioners.  
Commissioner term is six years, Chairperson term is one year.



# Non-GAAP Financial Measures (1 of 3)

## Use of Non-GAAP Financial Measures - Reconcile to Non-GAAP diluted EPS

Pre-Tax Adjustments (\$ Millions)	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020
<b>Reported GAAP Pre-Tax Income</b>	<b>\$ 102.6</b>	<b>\$ 116.5</b>	<b>\$ 108.3</b>	<b>\$ 110.4</b>	<b>\$ 181.2</b>	<b>\$ 156.5</b>	<b>\$ 176.1</b>	<b>\$ 178.3</b>	<b>\$ 182.2</b>	<b>\$ 144.2</b>
Non-GAAP Adjustments to Pre-Tax Income:										
Weather	(3.0)	8.4	(3.7)	(1.3)	13.2	15.2	(3.4)	(1.3)	(7.3)	9.8
Release of MPSC DGGS deferral	-	(3.0)	-	-	-	-	-	-	-	-
Lost revenue recovery related to prior periods	-	(3.0)	(1.0)	-	-	(14.2)	-	-	-	-
DGGS FERC ALJ initial decision - portion related to 2011	-	7.2	-	-	-	-	-	-	-	-
MSTI Impairment	-	24.1	-	-	-	-	-	-	-	-
Favorable CELP arbitration decision	-	(47.5)	-	-	-	-	-	-	-	-
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	-	-	-	9.9
Transmission impacts (unfavorable hydro conditions)	3.0	-	-	-	-	-	-	-	-	-
Settlement of Workers Compensation Claim	3.0	-	-	-	-	-	-	-	-	-
Income tax adjustment	(10.1)	(3.6)	-	-	-	-	-	9.4	-	-
Unplanned Equity Dilution from Hydro transaction	-	-	-	-	-	-	-	-	-	-
<b>Adjusted Non-GAAP Pre-Tax Income</b>	<b>\$ 95.5</b>	<b>\$ 99.1</b>	<b>\$ 109.8</b>	<b>\$ 115.8</b>	<b>\$ 179.7</b>	<b>\$ 169.7</b>	<b>\$ 172.7</b>	<b>\$ 168.9</b>	<b>\$ 174.9</b>	<b>\$ 163.9</b>

Tax Adjustments to Non-GAAP Items (\$ Million)	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020
<b>GAAP Net Income</b>	<b>\$ 92.6</b>	<b>\$ 98.4</b>	<b>\$ 94.0</b>	<b>\$ 120.7</b>	<b>\$ 151.2</b>	<b>\$ 164.2</b>	<b>\$ 162.7</b>	<b>\$ 197.0</b>	<b>\$ 202.1</b>	<b>\$ 155.2</b>
Non-GAAP Adjustments Taxed at 38.5% ('08-'17) and 25.3% ('18-current):										
Weather	(1.8)	5.2	(2.3)	(0.8)	8.1	9.3	(2.1)	(1.0)	(5.5)	7.3
Release of MPSC DGGS deferral	-	(1.9)	-	-	-	-	-	-	-	-
Lost revenue recovery related to prior periods	-	(1.9)	(0.6)	-	-	(8.7)	-	-	-	-
DGGS FERC ALJ initial decision - portion related to 2011	-	4.4	-	-	-	-	-	-	-	-
MSTI Impairment	-	14.8	-	-	-	-	-	-	-	-
Favorable CELP arbitration decision	-	(29.2)	-	-	-	-	-	-	-	-
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	-	-	-	7.4
Transmission impacts (unfavorable hydro conditions)	1.8	-	-	-	-	-	-	-	-	-
Settlement of Workers Compensation Claim	1.8	-	-	-	-	-	-	-	-	-
Income tax adjustment	(6.2)	(2.2)	-	(18.5)	-	(12.5)	-	(12.8)	(22.8)	-
Unplanned Equity Dilution from Hydro transaction	-	-	-	-	-	-	-	-	-	-
<b>Non-GAAP Net Income</b>	<b>\$ 88.2</b>	<b>\$ 87.7</b>	<b>\$ 94.9</b>	<b>\$ 105.5</b>	<b>\$ 150.3</b>	<b>\$ 159.8</b>	<b>\$ 160.6</b>	<b>\$ 170.1</b>	<b>\$ 173.8</b>	<b>\$ 169.9</b>

Non-GAAP Diluted Earnings Per Share	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020
<i>Diluted Average Shares (Millions)</i>	36.5	37.0	38.2	40.4	47.6	48.5	48.7	50.2	50.8	50.7
<b>Reported GAAP Diluted earnings per share</b>	<b>\$ 2.53</b>	<b>\$ 2.66</b>	<b>\$ 2.46</b>	<b>\$ 2.99</b>	<b>\$ 3.17</b>	<b>\$ 3.39</b>	<b>\$ 3.34</b>	<b>\$ 3.92</b>	<b>\$ 3.98</b>	<b>\$ 3.06</b>
Non-GAAP Adjustments:										
Weather	(0.05)	0.14	(0.05)	(0.02)	0.17	0.19	(0.04)	(0.02)	(0.11)	0.14
Release of MPSC DGGS deferral	-	(0.05)	-	-	-	-	-	-	-	-
Lost revenue recovery related to prior periods	-	(0.05)	(0.02)	-	-	(0.18)	-	-	-	-
DGGS FERC ALJ initial decision - portion related to 2011	-	0.12	-	-	-	-	-	-	-	-
MSTI Impairment	-	0.40	-	-	-	-	-	-	-	-
Favorable CELP arbitration decision	-	(0.79)	-	-	-	-	-	-	-	-
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	-	-	-	0.15
Transmission impacts (unfavorable hydro conditions)	0.05	-	-	-	-	-	-	-	-	-
Settlement of Workers Compensation Claim	0.05	-	-	-	-	-	-	-	-	-
Income tax adjustment	(0.17)	(0.06)	-	(0.47)	-	(0.26)	-	(0.25)	(0.45)	-
Unplanned Equity Dilution from Hydro transaction	-	-	-	0.08	-	-	-	-	-	-
<b>Non-GAAP Diluted Earnings Per Share</b>	<b>\$ 2.41</b>	<b>\$ 2.37</b>	<b>\$ 2.50</b>	<b>\$ 2.68</b>	<b>\$ 3.15</b>	<b>\$ 3.30</b>	<b>\$ 3.30</b>	<b>\$ 3.39</b>	<b>\$ 3.42</b>	<b>\$ 3.35</b>

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.



# Non-GAAP Financial Measures (2 of 3)

## Use of Non-GAAP Financial Measures - Dividend Payout Ratio to GAAP and Non-GAAP diluted EPS

(per share)	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020
Dividend per Share	\$ 1.44	\$ 1.48	\$ 1.52	\$ 1.60	\$ 1.92	\$ 2.00	\$ 2.10	\$ 2.20	\$ 2.30	\$ 2.40
Reported GAAP diluted EPS	\$ 2.53	\$ 2.66	\$ 2.46	\$ 2.99	\$ 3.17	\$ 3.39	\$ 3.34	\$ 3.92	\$ 3.98	\$ 3.06
Dividend Payout Ratio - GAAP diluted EPS	56.9%	55.6%	61.8%	53.5%	60.6%	59.0%	62.9%	56.1%	57.8%	78.4%
Reported Non-GAAP diluted EPS	\$ 2.41	\$ 2.37	\$ 2.50	\$ 2.68	\$ 3.15	\$ 3.30	\$ 3.30	\$ 3.39	\$ 3.42	\$ 3.35
Dividend Payout Ratio - Non-GAAP diluted EPS	59.8%	62.4%	60.8%	59.7%	61.0%	60.6%	63.6%	64.9%	67.3%	71.6%

## Use of Non-GAAP Financial Measures - Return on Average Equity for GAAP and Non-GAAP Earnings

(per share)	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020
GAAP Net Income (\$M's)	\$ 92.6	\$ 98.4	\$ 94.0	\$ 120.7	\$ 151.2	\$ 164.2	\$ 162.7	\$ 197.0	\$ 202.1	\$ 155.2
Average Quarterly Equity (\$M's)	\$ 842.8	\$ 895.9	\$ 991.1	\$ 1,119.3	\$ 1,520.2	\$ 1,632.3	\$ 1,720.4	\$ 1,875.7	\$ 1,998.8	\$ 2,056.9
Return On Average Equity (ROAE) - GAAP Earnings	11.0%	11.0%	9.5%	10.8%	9.9%	10.1%	9.5%	10.5%	10.1%	7.5%
Reported Non-GAAP diluted EPS	\$2.41	\$2.37	\$2.50	\$2.68	\$3.15	\$3.30	\$3.30	\$3.39	\$3.42	\$3.35
Average Diluted Shares (M)	36.5	37.0	38.2	39.3	47.6	48.5	48.7	50.2	50.8	50.7
Calculated Non-GAAP Adjusted Net Income (\$M's)	\$88.2	\$87.7	\$94.9	\$105.3	\$150.3	\$160.2	\$160.6	\$170.8	\$174.3	\$170.4
Return on Average Equity (ROAE) - Non-GAAP Earnings	10.5%	9.8%	9.6%	9.4%	9.9%	9.8%	9.3%	9.1%	8.7%	8.3%

### **Net Operating Losses (NOL's):**

*The expected tax rate and the expected availability of NOLs are subject to significant business, economic, regulatory and competitive uncertainties and contingencies, many of which are beyond the control of the Company and its management, and are based upon assumptions with respect to future decisions, which are subject to change. Actual results will vary and those variations may be material. For discussion of some of the important factors that could cause these variations, please consult the "Risk Factors" section of our most recent 10-K filed with the SEC.*



# Non-GAAP Financial Measures (3 of 3)

## Use of Non-GAAP Financial Measures - Free Cash Flow - 2011 to 2020

<i>(in millions)</i>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>	<u>2020</u>
Total Capital Spending	188.7	322.5	299.1	1,174.0	430.4	287.9	276.4	305.0	316.2	405.8
Less: Infrastructure Programs (DSIP/TSIP)	(15.2)	(18.7)	(47.4)	(52.0)	(51.6)	(47.8)	(37.3)	-	-	-
Less: Investment Growth	(43.9)	(170.5)	(126.6)	(964.2)	(195.9)	(7.5)	(3.9)	(31.3)	(13.7)	(84.8)
Maintenance Capex	129.7	133.2	125.2	157.8	182.9	232.6	235.3	273.7	302.5	321.0
Free Cash Flow										
Cash Flow from Operations	233.8	251.2	193.7	250.0	339.8	286.8	322.7	382.0	296.7	352.1
Less: Maintenance Capex	(129.7)	(133.2)	(125.2)	(157.8)	(182.9)	(232.6)	(235.3)	(273.7)	(302.5)	(321.0)
Less: Dividends	(51.9)	(54.2)	(57.7)	(65.0)	(90.1)	(95.8)	(101.3)	(109.2)	(115.1)	(120.4)
Free Cash Flow	52.2	63.7	10.9	27.2	66.9	(41.5)	(13.8)	(0.9)	(120.9)	(89.2)

## Use of Non-GAAP Financial Measures - Gross Margin Through March 31, 2021

<b>(in millions)</b>	<u>Electric</u>	<u>Gas</u>	<u>Other</u>	<u>Total</u>
Operating Revenues	\$ 271.9	\$ 130.7	\$ -	\$ 402.6
Cost of Sales	\$ 82.0	\$ 64.3	\$ -	\$ 146.3
Gross Margin	\$ 189.9	\$ 66.4	\$ -	\$ 256.3

## Use of Non-GAAP Financial Measures - Gross Margin Through March 31, 2021

<b>(in millions)</b>	<u>Montana</u>	<u>South Dakota</u>	<u>Nebraska</u>	<u>Eliminations</u>	<u>Total</u>
Operating Revenues	\$ 297.6	\$ 93.2	\$ 11.8	\$ -	\$ 402.6
Cost of Sales	\$ 81.7	\$ 56.8	\$ 7.8	\$ -	\$ 146.3
Gross Margin	\$ 215.8	\$ 36.4	\$ 4.0	\$ -	\$ 256.3

The data presented in this presentation includes financial information prepared in accordance with GAAP, as well as other Non-GAAP financial measures such as Gross Margin (Revenues less Cost of Sales), Free Cash Flows (Cash flows from operations less maintenance capex and dividends) and Net Debt (Total debt less capital leases), 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. The presentation of Gross Margin, Free Cash Flows and Net Debt is intended to supplement investors' understanding of our operating performance. 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. Net Debt is used by our company to determine whether we are properly levered to our Total Capitalization (Net Debt plus Equity). Our Gross Margin, Free Cash Flows and Net Debt measures may not be comparable to other companies' similarly labeled measures. Furthermore, these measures are not intended to replace measures as determined in accordance with GAAP as an indicator of operating performance.



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