

NorthWestern Energy Natural Gas Utility Statement N

NorthWestern Corporation, doing business as NorthWestern Energy, provides electricity and natural gas to approximately 701,000 customers in Montana, South Dakota and Nebraska. We have generated and distributed electricity in South Dakota and distributed natural gas in South Dakota and Nebraska since 1923 and have generated and distributed electricity and distributed natural gas in Montana since 2002.

REGULATED NATURAL GAS OPERATIONS

Our regulated natural gas utility business in Montana includes production, storage, transmission and distribution. We distribute natural gas to approximately 191,500 customers in 105 Montana communities over a system that consists of approximately 5,100 miles of underground distribution pipelines. We also serve several smaller distribution companies that provide service to approximately 32,000 customers. We transmit natural gas in Montana from production receipt points and storage facilities to distribution points and other nonaffiliated transmission systems. We transported natural gas volumes of approximately 41 Bcf, and our peak capacity was approximately 335,000 dekatherms per day during the year ended December 31, 2015.

Our natural gas transmission system consists of more than 2,100 miles of pipeline, which vary in diameter from two inches to 24 inches, and serve more than 130 city gate stations. We have connections in Montana with four major, nonaffiliated transmission systems: Williston Basin Interstate Pipeline, NOVA Gas Transmission Ltd., Colorado Interstate Gas, and Spur Energy. Seven compressor sites provide more than 43,000 horsepower, capable of moving more than 335,000 dekatherms per day. In addition, we own and operate two transmission pipelines through our subsidiaries, Canadian-Montana Pipe Line Corporation and Havre Pipeline Company, LLC.

We have municipal franchises to transport and distribute natural gas in the Montana communities we serve. The terms of the franchises vary by community. They typically have a fixed 10-year term and continue for an additional 10-year term unless and until cancelled, with 5 years notice. If a cancellation notice is received, our policy generally is to work with the community to resolve any issues and execute a new franchise. We currently have six franchises, which account for approximately 41,200 or approximately 22 percent of our natural gas customers, where the fixed term has expired. We continue to serve those customers while we obtain formal renewals. During the next five years, nine additional municipal franchises are scheduled to reach the end of their fixed term. We do not anticipate termination of any of these franchises.

Natural Gas Supply

Natural gas is used for residential and commercial heating, and for fuel for two electric generating facilities. The demand for natural gas largely depends upon weather conditions. Our Montana retail natural gas supply requirements for the year ended December 31, 2015, were approximately 18.5 Bcf. Our Montana natural gas supply requirements for fuel for the year ended December 31, 2015, were approximately 5.5 Bcf. We have contracted with several major producers and marketers with varying contract durations to provide the anticipated supply to meet ongoing requirements. Our natural gas supply requirements are fulfilled through third-party fixed-term purchase contracts, short-term market purchases and owned production. Our portfolio approach to natural gas supply is intended to enable us to maintain a diversified supply of natural gas sufficient to meet our supply requirements. We benefit from direct access to suppliers in the major natural gas producing regions in the United States, primarily the Rockies (Colorado), Montana, and Alberta, Canada.

Owned Production and Storage

Since 2010, we have acquired gas production and gathering system assets as a part of an overall strategy to provide rate stability and customer value through the addition of regulated assets that are not subject to market forces. As of December 31, 2015, these owned reserves totaled approximately 65.9 Bcf and are estimated to provide approximately 5.3 Bcf each year, or about 27 percent of our expected annual retail natural gas load in Montana. In addition, we own and operate three working natural gas storage fields in Montana with aggregate working gas capacity of approximately 17.75 Bcf and maximum aggregate daily deliverability of approximately 195,000 dekatherms.