2018 Third Quarter Earnings Webcast

October 24, 2018

NorthWestern Energy

Delivering a Bright Future

Presenting Today

Bob Rowe,
President & CEO

Brian Bird,
Vice President & CFO

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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Third Quarter Highlights

- **Net income for the quarter decreased $8.2 million, or 22.6%, as compared to the same period in 2017.** This decrease was primarily due to unfavorable weather, reduced recovery of energy supply costs and increased operating expenses. These increases were partially offset by lower interest and income tax expense.
- Diluted earnings per share decreased $0.19, or 25.3%, as compared to the same period in 2017.
  - Adjusted Non-GAAP* earnings per share decreased $0.16, or 21.6%, as compared to the same period in 2017.
- We filed an electric general rate review with the Montana Public Service Commission at the end of September. We are requesting a $34.9 million, or 6.6% annual increase to base revenues.
- The Board of Directors declared a quarterly dividend of $0.55 per share payable December 31st to shareholders of record as of December 14th, 2018.

Beethoven Wind Farm, near Tripp, SD

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* See slides 12, 32 & 37 for additional information and Non-GAAP disclosures.

Summary Financial Results
(Third Quarter)

(in millions except per share amounts)

	Three Months Ended September 30,			
	2018	2017	Variance	% Variance
Operating Revenues	$ 279.9	$ 309.9	$ (30.0)	(9.7%)
Cost of Sales	72.2	97.5	(25.3)	(25.9%)
Gross Margin [(1)]	**207.7**	**212.4**	**(4.7)**	**(2.2%)**
Operating Expenses				
Operating, general & administrative	73.8	67.7	6.1	9.0%
Property and other taxes	42.5	39.1	3.4	8.7%
Depreciation and depletion	43.6	41.5	2.1	5.1%
Total Operating Expenses	**159.9**	**148.3**	**11.6**	**7.8%**
Operating Income	**47.8**	**64.1**	**(16.3)**	**(25.4%)**
Interest Expense	(22.0)	(23.1)	1.1	4.8%
Other Income / (Expense)	2.0	(1.8)	3.8	211.1%
Income Before Taxes	**27.8**	**39.2**	**(11.4)**	**(29.1%)**
Income Tax Benefit / (Expense)	0.4	(2.8)	3.2	114.3%
Net Income	**$ 28.2**	**$ 36.4**	**$ (8.2)**	**(22.6%)**
Effective Tax Rate	(1.4%)	7.1%	-8.5%	
Diluted: Shares Outstanding	50.5	48.6	1.9	3.9%
Diluted Earnings Per Share	$ 0.56	$ 0.75	$ (0.19)	(25.3%)
Dividends Paid per Common Share	$ 0.55	$ 0.525	$ 0.025	4.8%

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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
(Third Quarter)

(dollars in millions)

	Three Months Ended September 30,			
	2018	2017	Variance	
Electric	$ 178.7	$ 183.5	($ 4.8)	(2.6%)
Natural Gas	29.0	28.9	0.1	0.3%
Total Gross Margin (1)	**$ 207.7**	**$ 212.4**	**($ 4.7)**	**(2.2%)**

Decrease in gross margin due to the following factors:

$ (3.2)	Electric retail volumes
(1.8)	Power Cost and Credit Adjustment Mechanism (PCCAM)
(0.2)	Montana natural gas rates
1.2	Electric transmission
0.4	Natural gas retail volumes
(0.3)	Other
$ (3.9)	**Change in Gross Margin Impacting Net Income**
$ (2.9)	Tax Cuts and Jobs Act
(1.4)	Production tax credits flowed-through trackers
3.0	Property taxes recovered in trackers
0.5	Operating expenses recovered in trackers
$ (0.8)	**Change in Gross Margin Offset Within Net Income**
$ (4.7)	**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.

Weather
(Third Quarter)

Heating Degree - Days	Q3 Degree Days			Q3 2018 as compared with:	
	2018	2017	Historic Average	2017	Historic Average
Montana	417	324	339	29% colder	23% colder
South Dakota	23	65	78	65% warmer	71% warmer
Nebraska	10	27	41	63% warmer	76% warmer

Cooling Degree-Days	Q3 Degree Days			Q3 2018 as compared with:	
	2018	2017	Historic	2017	Historic
Montana	305	466	361	35% cooler	16% cooler
South Dakota	706	572	642	23% warmer	10% warmer

We estimate unfavorable weather in Q3 2018 resulted in a $1.1M pretax detriment as compared to normal and $1.5M pretax detriment as compared to Q3 2017.

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Operating Expenses
(Third Quarter)

(dollars in millions)

	Three Months Ended September 30,			
	2018	2017	Variance	
Operating, general & admin.	$ 73.8	$ 67.7	$ 6.1	9.0%
Property and other taxes	42.5	39.1	3.4	8.7%
Depreciation and depletion	43.6	41.5	2.1	5.1%
Operating Expenses	**$ 159.9**	**$ 148.3**	**$ 11.6**	**7.8%**

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

$ 1.2	Line clearance
0.2	Maintenance costs
(1.0)	Distribution System Infrastructure Project expense
(1.0)	Employee benefits
(0.5)	Labor
2.3	Other
$ 1.2	**Change in OG&A Items Impacting Net Income**
$ 2.6	Pension and other postretirement benefits
1.8	Non-employee directors deferred compensation
0.5	Operating expenses recovered in trackers
$ 4.9	**Change in OG&A Items Offset Within Net Income**
$ 6.1	**Increase in Operating, General & Administrative Expenses**

$3.4 million increase in property and other taxes due primarily to plant additions and higher annual estimated property valuations in Montana.

$2.1 million increase in depreciation and depletion expense primarily due to plant additions.

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Operating to Net Income
(Third Quarter)

(dollars in millions)

	Three Months Ended September 30,			
	2018	2017	Variance	
Operating Income	**$ 47.8**	**$ 64.1**	**$ (16.3)**	**(25.4%)**
Interest Expense	(22.0)	(23.1)	1.1	4.8%
Other Income / (Expense)	2.0	(1.8)	3.8	211.1%
Income Before Taxes	**27.8**	**39.2**	**(11.4)**	**(29.1%)**
Income Tax Benefit / (Expense)	0.4	(2.8)	3.2	114.3%
Net Income	**$ 28.2**	**$ 36.4**	**$ (8.2)**	**(22.6%)**

$1.1 million decrease in interest expenses was primarily due to refinancing of debt in 2017, partly offset by rising interest rates.

$3.8 million improvement in other income was due to a decrease in other pension expense and an increase 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 expenses with no impact to net income. These improvements were partly offset by lower capitalization of AFUDC.

$3.2 million decrease in income tax expense due primarily to lower pre-tax income and lower 21% federal corporate tax rate in 2018 as compared to 35.0% in 2017.

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Income Tax Reconciliation
(Third Quarter)

(in millions)	Three Months Ended September 30,				
	2018		2017		Variance
Income Before Income Taxes	**$27.8**		**$39.2**		**($11.4)**
Income tax calculated at federal statutory rate	5.8	21.0%	13.7	35.0%	(7.9)
Permanent or flow through adjustments:					
State income, net of federal provisions	0.6	2.3%	(0.7)	(1.7%)	1.3
Prior year permanent return to accrual adjustments	(3.0)	(10.7%)	(0.8)	(2.2%)	(2.2)
Flow - through repairs deductions	(2.4)	(8.6%)	(7.0)	(17.9%)	4.6
Production tax credits	(1.6)	(6.0%)	(2.2)	(5.8%)	0.6
Plant and depreciation of flow through items	(0.1)	(0.3%)	(0.1)	(0.2%)	-
Other, net	0.3	1.0%	(0.1)	(0.1%)	0.4
Sub-total	(6.2)	(22.3%)	(10.9)	(27.9%)	4.7
Income Tax (Benefit) / Expense	**$ (0.4)**	**(1.3%)**	**$ 2.8**	**7.1%**	**$ (3.2)**

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Balance Sheet

(dollars in millions)	As of September 30, 2018		As of December 31, 2017	
Cash and cash equivalents	$	6.9	$	8.5
Restricted cash		7.2		3.6
Accounts receivable, net		127.9		182.3
Inventories		52.7		52.4
Other current assets		52.5		49.6
Goodwill		357.6		357.6
PP&E and other non-current assets		4,895.3		4,767.0
Total Assets	**$**	**5,500.1**	**$**	**5,420.9**
Payables		62.0		85.2
Current maturities of long-term debt & capital leases		2.3		2.1
Short-term borrowings		-		319.6
Other current liabilities		285.4		225.4
Long-term debt & capital leases		2,036.6		1,815.6
Other non-current liabilities		1,213.9		1,174.1
Shareholders' equity		1,899.9		1,798.9
Total Liabilities and Equity	**$**	**5,500.1**	**$**	**5,420.9**
Capitalization:				
Current maturities of long-term debt & capital leases		2.3		2.1
Short Term borrowings		-		319.6
Long Term Debt & Capital Leases		2,036.6		1,815.6
Less: Basin Creek Capital Lease		(20.5)		(24.3)
Less: New Market Tax Credit Financing Debt		(27.0)		(27.0)
Shareholders' Equity		1,899.9		1,798.9
Total Capitalization	**$**	**3,891.3**	**$**	**3,884.9**
Ratio of Debt to Total Capitalization		**51.2%**		**53.7%**

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Cash Flow

(dollars in millions)	Nine Months Ending September 30, 2018	2017
Operating Activities		
Net Income	$ 130.5	$ 114.8
Non-Cash adjustments to net income	142.8	138.1
Changes in working capital	92.1	54.4
Other non-current assets & liabilities	(19.0)	(4.2)
Cash provided by Operating Activities	**346.4**	**303.2**
Investing Activities		
PP&E additions	(193.4)	(197.0)
Acquisitions	(18.5)	-
Proceeds from sale of assets	0.1	0.4
Cash used in Investing Activities	**(211.8)**	**(196.6)**
Financing Activities		
Proceeds from issuance of common stock, net	46.9	5.7
Repayments of short-term borrowings, net	(97.6)	(31.1)
Dividends on common stock	(81.7)	(75.6)
Financing costs	(0.1)	(0.2)
Cash used in Financing Activities	**(132.5)**	**(101.2)**
Increase in Cash, Cash Equiv. & Restricted Cash	**2.1**	**5.4**
Beginning Cash, Cash Equiv. & Restricted Cash	12.0	9.5
Ending Cash, Cash Equiv. & Restricted Cash	**$ 14.1**	**$ 14.9**

Cash from operating activities improved by $43 million primarily due to higher net income, improved customer receipts, the receipt of insurance proceeds and lower priced gas storage injections curing the current period.

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Adjusted Non-GAAP Earnings
(Third Quarter)

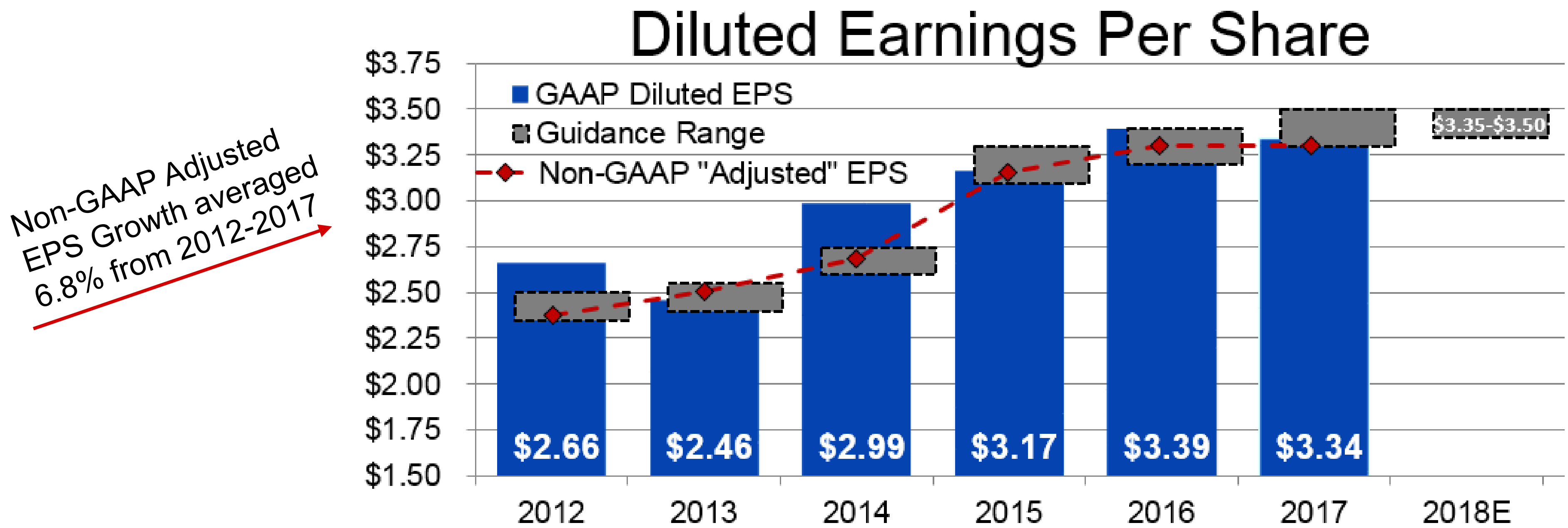
(in millions)	GAAP Three Months Ended Sept. 30, 2018	Unfavorable Weather	Move Pension Expense to OG&A (disaggregated with ASU 2017-07) (2)	Non-employee Deferred Compensation	Non GAAP Three Months Ended Sept. 30, 2018	Non-GAAP Variance: Variance $	Non-GAAP Variance: Variance %	Non GAAP Three Months Ended Sept. 30, 2017	Non-employee Deferred Compensation	Move Pension Expense to OG&A (disaggregated with ASU 2017-07) (2)	Favorable Weather	GAAP Three Months Ended Sept. 30, 2017
Revenues (1)	$279.9	1.1		-	$281.0	($28.5)	-9.2%	$309.5	-		(0.4)	$309.9
Cost of sales (1)	72.2			-	72.2	(25.3)	-25.9%	97.5	-		-	97.5
Gross Margin	**207.7**	**1.1**	**-**	**-**	**208.8**	**(3.2)**	**-1.5%**	**212.0**	**-**	**-**	**(0.4)**	**212.4**
Op. Expenses												
OG&A	73.8	-	(0.1)	(0.7)	73.0	1.6	2.2%	71.4	1.2	2.6	-	67.7
Prop. & other taxes	42.5	-		-	42.5	3.4	8.7%	39.1	-		-	39.1
Depreciation	43.6	-		-	43.6	2.1	5.1%	41.5	-		-	41.5
Total Op. Exp.	**159.9**	**-**	**(0.1)**	**(0.7)**	**159.1**	**7.1**	**4.7%**	**152.0**	**1.2**	**2.6**	**-**	**148.3**
Op. Income	**47.8**	**1.1**	**0.1**	**0.7**	**49.7**	**(10.3)**	**-17.2%**	**60.0**	**(1.2)**	**(2.6)**	**(0.4)**	**64.1**
Interest expense	(22.0)	-		-	(22.0)	1.1	4.8%	(23.1)	-		-	(23.1)
Other (Exp.) Inc., net	2.0	-	(0.1)	(0.7)	1.2	(0.8)	-40.0%	2.0	1.2	2.6	-	(1.8)
Pretax Income	**27.8**	**1.1**	**-**	**-**	**28.9**	**(9.9)**	**-25.5%**	**38.8**	**-**	**-**	**(0.4)**	**39.2**
Income tax	0.4	(0.3)	-	-	0.1	2.7	102.0%	(2.6)	-	-	0.2	(2.8)
Net Income	**$28.2**	**0.8**	**-**	**-**	**$29.0**	**($7.2)**	**-19.9%**	**$36.2**	**-**	**-**	**(0.2)**	**$36.4**
ETR	-1.4%	25.3%	-	-	-0.4%			6.8%	-	-	38.5%	7.1%
Diluted Shares	50.5				50.5	1.9	3.9%	48.6				48.6
Diluted EPS	$0.56	0.02	-	-	$0.58	($0.16)	-21.6%	$0.74	-	-	(0.01)	$0.75

(1) During the first quarter of 2018, we revised our presentation of revenues associated with being a market participant in the Southwest Power Pool to net them with the associated cost of sales. These revenues were previously recorded gross in electric revenues in the Condensed Consolidated Statement of Income. This results in a decrease in electric revenue and a corresponding decrease in cost of sales. There was no impact to operating or net income. We assessed the materiality of this change in presentation, taking into account quantitative and qualitative factors, and determined it to be immaterial. We applied the change in presentation prospectively.

(2) 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 2017 and 2018 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 illustrated 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).

The adjusted non-GAAP measures presented in the table above are being shown to reflect significant items that were not contemplated in our original guidance, however they should not be considered a substitute for financial results and measures determined or calculated in accordance with GAAP.

2018 Earnings Guidance



NorthWestern reaffirms its 2018 earnings guidance range of $3.35 - $3.50 per diluted share is based upon, but not limited to, the following major assumptions and expectations:

- Normal weather in our electric and natural gas service territories;
- Equitable regulatory treatment in the process of passing Tax Cuts and Jobs Act benefits on to customers;
- Recovery of Montana energy supply costs per our understanding of the pending PCCAM final order;
- A consolidated income tax rate of approximately 0% to 5% of pre-tax income; and
- Approximately 50.1 million diluted shares outstanding.

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. However, negative outcomes in upcoming regulatory proceedings may result in near-term returns below our 6-9% targeted range. Generation investment to reduce or eliminate our capacity shortfall could allow us to achieve the higher-end of our range over the long term.

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

Maintaining Full Year Non-GAAP Guidance

(in millions, except EPS)	Actual			Estimated to Meet Guidance					
	Nine Months Ended September 30, 2018			EPS Q4 2018			EPS Full Year 2018		
	Pre-tax Income	Net[1] Income	Diluted EPS	Low	-	High	Low	-	High
2018 Reported GAAP	$135.1	$130.5	$2.61						
Non-GAAP Adjustments:									
Remove favorable weather	(2.3)	(1.7)	(0.03)						
Remove gain on QF liability	(17.5)	(13.1)	(0.26)						
2018 Adjusted Non-GAAP	$115.3	$115.7	$2.32	$1.03	-	$1.18	$3.35	-	$3.50

(in millions, except EPS)	Nine Months Ended September 30, 2017			Actual					
				Q4 2017			Full Year 2017		
	Pre-tax Income	Net[2] Income	Diluted EPS	Pre-tax Income	Net[2] Income	Diluted EPS	Pre-tax Income	Net[2] Income	Diluted EPS
2017 Reported GAAP	$124.8	$114.8	$2.37	$51.3	$47.9	$0.97	$176.1	$162.7	$3.34
Non-GAAP Adjustments:									
Remove favorable weather	(1.6)	(1.0)	(0.02)	(1.8)	(1.1)	(0.02)	(3.4)	(2.1)	(0.04)
2017 Adjusted Non-GAAP	$123.2	$113.8	$2.35	$49.5	$46.8	$0.95	$172.7	$160.6	$3.30

(1) Income tax calculation on reconciling adjustments assumes updated federal plus state statutory effective tax rate of 25.3%.

(2) Income tax calculation on reconciling adjustments assumes previous federal plus state statutory effective tax rate of 38.5%.

In order to meet 2018 guidance, we will need to deliver EPS of $1.03 - $1.18 during the fourth quarter of the year. This compares to $0.95 earned in the fourth quarter of 2017.

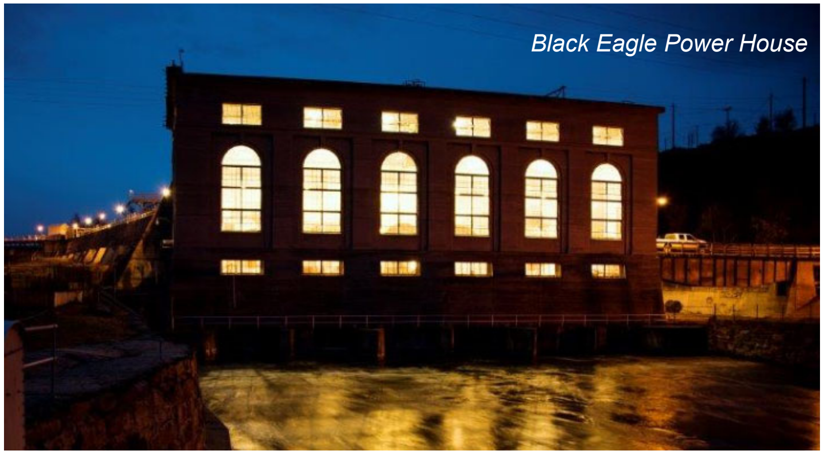
The non-GAAP measures presented in the table to the left are being shown to reflect significant items that were not contemplated in our original guidance, however they should not be considered a substitute for financial results and measures determined or calculated in accordance with GAAP.

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

Looking Forward

Regulatory

- Regulatory treatment of tax reform - determine best way to provide long-term benefit to customers and system while keeping investors whole.
- MPSC has voted on new Power Cost and Credit Adjustment Mechanism, but final order not yet issued.
- MPSC staff and commissioners to review Montana general electric rate review, filed in September 2018.



Black Eagle Power House

Much of our focus over the remainder of the year will be on the electric rate review in Montana, controlling costs to benefit all stakeholders and continuing to invest in our core business to provide safe and reliable energy for all of our customers.

Continue to Invest in our T&D infrastructure

- Transition from DSIP/TSIP to overall infrastructure capital investment plan
- Natural gas pipeline investment (Integrity Verification Process and PHMSA[1] Requirements)
- Grid modernization, advanced distribution management system and advanced metering infrastructure investment

Update Electricity Resource Procurement Plan in Montana

- Montana: Least cost / lowest risk approach to address intermittent capacity and reserve margin needs.
- South Dakota's plan published September 2018, with implementation in process.

Cost Control Efforts

- Continue to monitor costs, including labor, benefits and property tax valuations to mitigate increases

1. Pipeline & Hazardous Materials Safety Administration (PHMSA)

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Regulatory & Legal Update

Power Cost and Credit Adjustment Mechanism (PCCAM)

- In May 2017, the MPSC initiated a docket to implement House Bill 193 (HB193), which removed statutory language mandating tracking of electricity supply costs and replaced it with language that gives the MPSC discretionary authority.

West Rosebud Creek, MT

- In July 2017, we filed a proposal for the PCCAM that incorporates a sharing ratio of 90/10 between customers and shareholders for supply expenses above and below an established baseline.
- In September 2018, the MPSC held a work session and **voted to approve a PCCAM with the following provisions**:
  - Adopt the MPSC Staff's recommendation with regard to categories and amounts of base supply costs, which are consistent with what we proposed;
  - A sharing mechanism that includes a +/- $4.1 million deadband around the base, with differences beyond the deadband shared 90% customers and 10% shareholders; and
  - Retroactive implementation to the effective date of HB 193 (July 1, 2017).
- **We expect a final order to be issued during the fourth quarter of 2018 and have recorded a $1.8 million net reduction in revenue to be recovered from customers. This includes an approximately $3.3 million increase in revenues for the PCCAM period 2017/2018 offset by an approximately $5.1 million reduction in revenues for the first three months of the 2018/2019 PCCAM period.**

Colstrip Unit 4 - Disallowance of 2013 Replacement Power Costs

- In May 2016, the MPSC issued a final order disallowing recovery of certain costs
- In September 2016, we appealed the order to the Montana District Court arguing the decision was arbitrary and capricious and violated Montana law.
- In July 2018, the District Court issued a decision upholding the MPSC's order disallowing recovery of the replacement power costs. **We have elected not to appeal this decision to Montana Supreme Court.**

Estimated Impacts of the Tax Cuts & Jobs Act

South Dakota – In September 2018, the South Dakota Public Utility Commission approved a settlement agreement resulting in a **one-time refund to electric and natural gas customers of $3.0 million** by October 31, 2018. This includes a two-year rate moratorium, ensuring customers rates remain static until January 1, 2021.

Nebraska – In August 2018, the Nebraska Public Service Commission approved a settlement between us and the cities of Grand Island, Kearney and North Platte to evaluate the impact of the TCJA on an annual basis. This is consistent with **our proposal to use any calculated customer benefit to defer planned future rate filings** and had no impact on our financial statements.

Montana – In March 2018, we submitted a filing to the MPSC
calculating the estimated benefit of the TCJA related savings to customers using two alternative methods.

- The **Current Method** was calculated based on the expected tax expense reduction in 2018, with no impact to net income.
- The **Historic Method** was calculated by revising the revenue requirements in the last applicable test years.

- For our electric customers, we proposed to use 50% of the benefit as a direct refund to customers, and to use the other 50% to remove trees outside our electric transmission and distribution lines rights of way, which pose risks to our system including disruption of service, property damage, and/or forest fires. We have begun work to remove trees outside our right of way. As of September 30, 2018, have deferred $0.7 million of tree removal costs and have deferred $13.3 million of revenue.
- **The MPSC held a hearing in August 2018 and expect a decision in the matter by the end of 2018.**

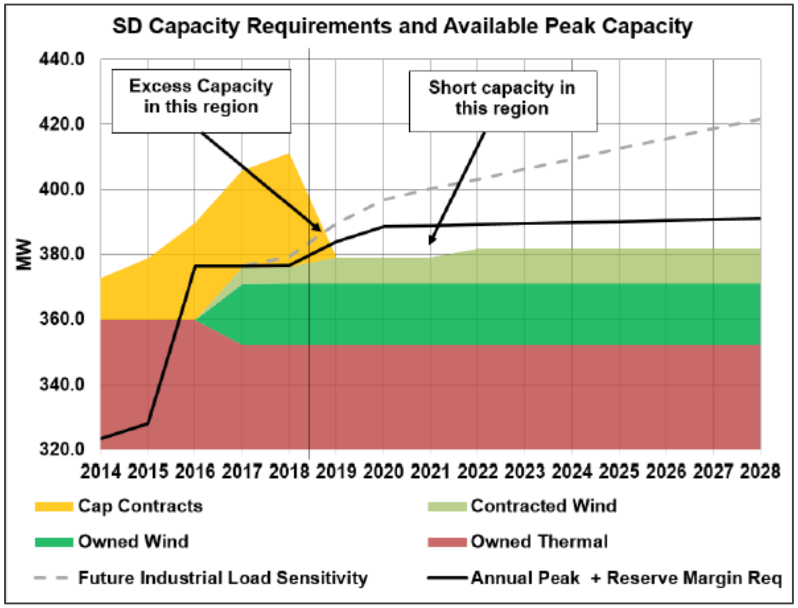
The expected full year 2018 **total company revenue reduction for the Current Method is $18-$23 million ($3M for South Dakota plus $15-20M for the Montana current method)** which would be **offset by a nearly equal reduction in income tax expense** and have **no impact to net income**.

Application of the Historic Method in Montana would result in customer refunds that exceed the expected benefit of TCJA and would result in an additional reduction in pretax earnings and cash flow of approximately $5-$10 million.

As a result of tax reform, we have updated our 2018 effective tax rate assumption to 0% - 5% (8% - 12% prior to TCJA) and reduced our deferred tax liability by $321 million as of December 31, 2017. This reduction was offset in regulatory assets and liabilities. Net Operating Losses are now anticipated to be fully utilized in 2020 (previously 2021).

We currently believe our debt coverage ratios will be adequate to maintain existing credit ratings. However, further negative regulatory actions could lead to credit downgrades and could necessitate additional equity issuances.

South Dakota Electric Supply Resource Plan



NorthWestern and HDR Engineering investigated various retirement & replacement scenarios to assess potential for modernizing its generation fleet and improve reliability and operational flexibility.

The distributed generation fleet as shown in Scenario 5* (below) is the best solution to meet the Southwest Power Pool's 12% planning reserve margin and benefit the system through:

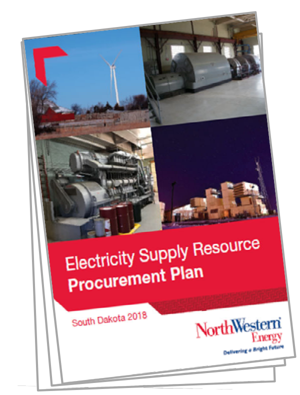
- Improved transmission reliability and lower system losses;
- Improved restoration times;
- Increased natural gas supply diversity;
- Additional localized ancillary services;
- Staged approach to incorporate new technologies, adjust to changing load centers and moderate customer rate impacts; and
- Broadened tax base and multiple economic development opportunities across several communities.

** Scenario 7 is a potential alternative as it is similar to Scenario 5 but spreads out retirement and replacements over a longer 10 year period.*

Scenarios	Modernized Capacity (MW)	Fleet Reliability	Maintainability	Load Proximity	Flexibility	Ancillary Benefit	Community	Estimated Capex Spend ($M) *
# 1 (115 kV)	72.5	~	+	+	+	+	+	$174.2
#2 (Mitchell - LMP)	72.5	~	+	~	+	+	+	$187.0
#3 (Yankton - LMP)	72.5	~	+	~	+	+	X	$178.4
#4 (HGS Hub)	72.5	~	+	X	+	+	X	$126.8
#5 (Distribution)	90.6	+	+	+	+	+	+	$255.7
#6 (1-for-1)	18.1	X	X	X	X	X	~	$51.6
#7 (#5 - 10 year)	90.6	~	~	+	~	~	+	$271.3
Existing	0	X	X	~	X	X	~	$0

+ Positive ~ Neutral X Negative

** Capital investment related to this resource plan is not included in our current 5 year capital estimates. It is anticipated a portion of this investment will be incorporated into our updated capital estimates that will be provided in February 2019.*



For more information go to

http://www.northwesternenergy.com/docs/default-source/documents/investor/sd-2018-plan.pdf

Montana Electric Rate Case

Background

- First general electric rate case in Montana since 2009.
- While we have efficiently managed operating and administrative costs, increased Montana property taxes and significant investment in the system have compelled the request for rate relief.

Filing (Docket D2018.2.12)

- Filed with the MPSC in September 2018 based on 2017 test year and $2.34 billion of rate base.
- Requesting $34.9 million annual increase to electric rates. This reflects a 6.6% increase to Montana electric revenues and a 7.4% increase to the typical residential bill.
- 10.65% return on equity, 4.26% cost of debt, 49.4% equity and 7.42% return on rate base[1]
- Requested $13.8 million interim increase effective Nov. 1, 2018.
- Requests the following additional items
  - Approval to capitalize Demand Side Management Costs
  - Establish a new baseline for PCCAM costs
  - Place Two Dot Wind in rate base
  - Approval of new net metering customer class and rate for new residential private generation customers

Timeline

- We expect a decision on interim rates by the end of 2018.
- If the MPSC does not issue an order within nine months of our filing, new rates may be placed into effect on an interim and refundable basis.
- A procedural schedule has not yet been issued.

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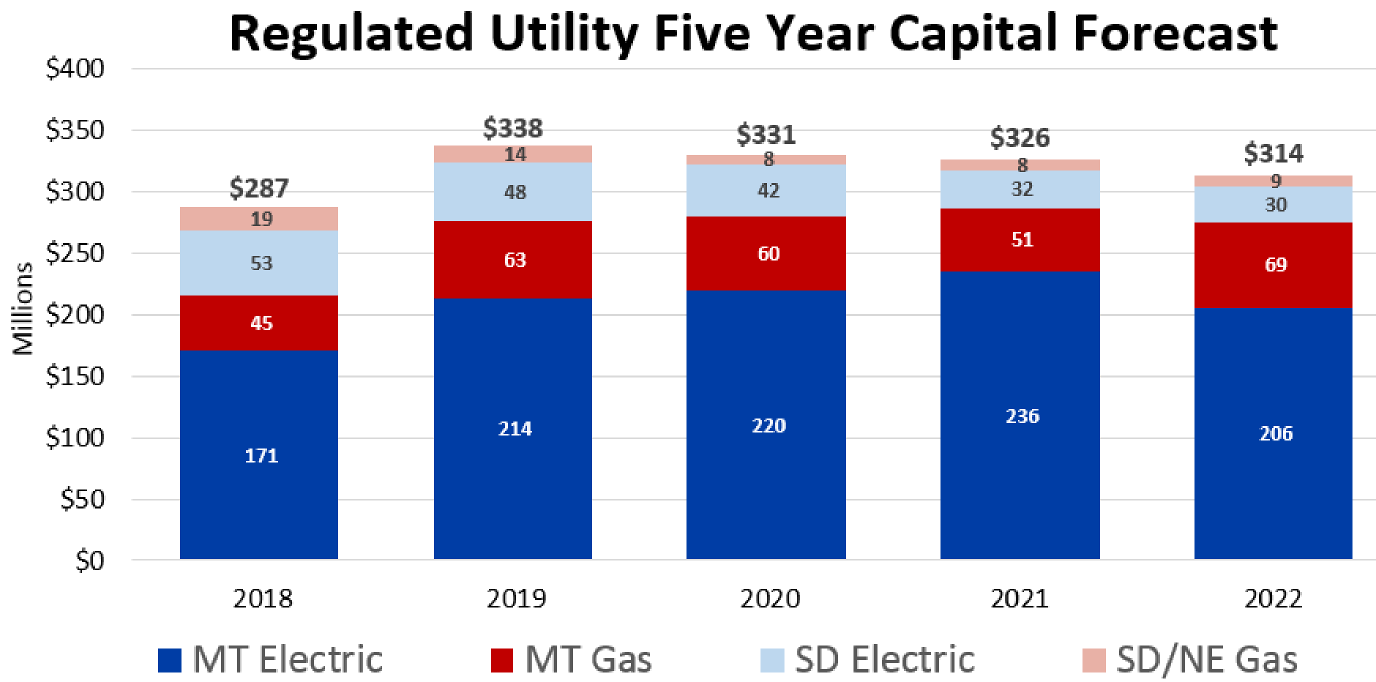
1. Except for Colstrip Unit 4 which has an lifetime ROR of 8.25% per D2008.6.69 (Order No. 6925f)

Capital Investment Forecast

$1.6 billion estimated cumulative 5 year capital investment.

We anticipate funding the expenditures with a combination of cash flows (aided by NOLs available into 2020) **and long-term debt issuances.**

Significant capital investments, that are <u>not</u> in the above projections, or further negative regulatory actions could necessitate additional equity issuances.



	2018	2019	2020	2021	2022
Electric	$ 223.1	$ 261.5	$ 262.5	$ 267.1	$ 236.0
Natural Gas	64.3	76.5	68.4	58.9	78.1
Total Capital	$ 287.4	$ 338.0	$ 330.9	$ 326.0	$ 314.1

Capital projections above do not include investment to address capacity issues as identified in the recently published South Dakota Electricity Supply Resource Procurement Plan nor the Montana plan expected to be released in the fourth quarter 2018.

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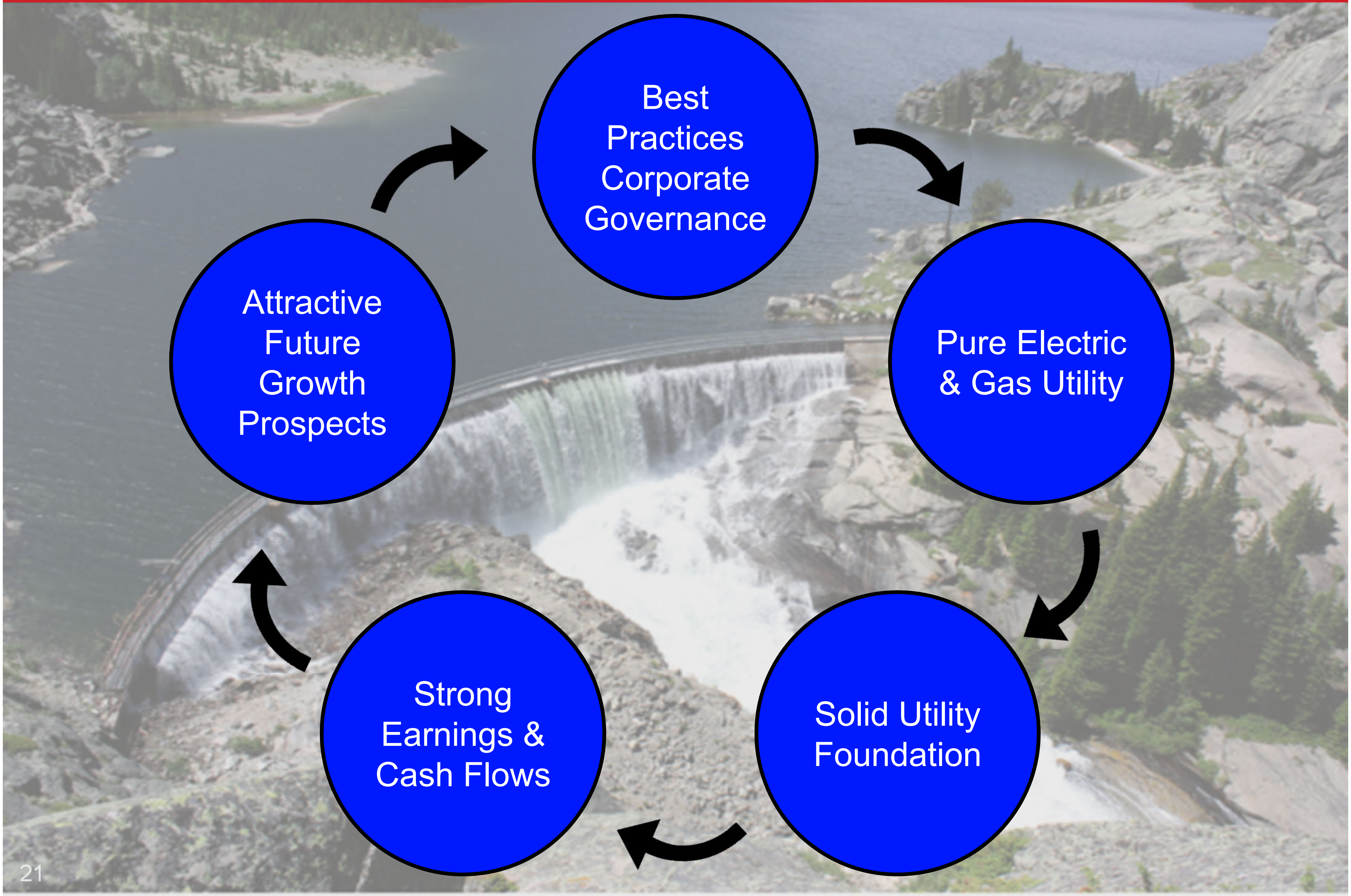
Conclusion


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

Appendix

Appendix

Segment Results
(Third Quarter)

(Unaudited) (in thousands)

Three Months Ending September 30, 2018	Electric	Gas	Other	Total
Operating revenues	$ 245,159	$ 34,715	$ -	$ 279,874
Cost of sales	66,512	5,735	-	72,247
Gross margin (1)	178,647	28,980	-	207,627
Operating, general and administrative	54,009	19,146	632	73,787
Property and other taxes	33,452	8,997	2	42,451
Depreciation & depletion	36,202	7,377	2	43,581
Operating Income (loss)	54,984	(6,540)	(636)	47,808
Interest expense	(19,070)	(1,436)	(1,529)	(22,035)
Other income	926	436	689	2,051
Income tax (expense) benefit	(2,183)	362	2,179	358
Net income (loss)	$ 34,657	$ (7,178)	$ 703	$ 28,182

Three Months Ending September 30, 2017	Electric	Gas	Other	Total
Operating revenues	$ 274,785	$ 35,148	$ -	$ 309,933
Cost of sales	91,327	6,180	-	97,507
Gross margin (1)	183,458	28,968	-	212,426
Operating, general and administrative	51,675	18,566	(2,571)	67,670
Property and other taxes	30,754	8,355	2	39,111
Depreciation & depletion	34,127	7,390	8	41,525
Operating Income (loss)	66,902	(5,343)	2,561	64,120
Interest expense	(20,644)	(1,418)	(1,087)	(23,149)
Other (expense) income	(613)	18	(1,189)	(1,784)
Income tax (expense) benefit	(4,153)	2,334	(956)	(2,775)
Net income (loss)	$ 41,492	$ (4,409)	$ (671)	$ 36,412

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

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Electric Segment
(Third Quarter)

(dollars in millions)	Results 2018	2017	Change	% Change
Retail revenues	$ 215.5	$ 226.5	$ (11.0)	(4.9) %
Regulatory amortization	16.8	3.4	13.4	394.1
Total retail revenue	232.3	229.9	2.4	1.0
Transmission	11.3	13.1	(1.8)	(13.7)
Wholesale and other	1.6	31.8	(30.2)	(95.0)
Total Revenues	**245.2**	**274.8**	**(29.6)**	**(10.8)**
Total Cost of Sales	**66.5**	**91.3**	**(24.8)**	**(27.2)**
Gross Margin (1)	**178.7**	**183.5**	**(4.8)**	**(2.6) %**

	Revenues		Megawatt Hours (MWH)		Avg. Customer Count	
	2018	2017	2018	2017	2018	2017
	(in thousands)					
Retail Electric						
Montana	$ 67,567	$ 72,081	582	618	299,612	295,590
South Dakota	16,483	15,974	145	136	50,541	50,232
Residential	**84,050**	**88,055**	**727**	**754**	**350,153**	**345,822**
Montana	85,774	90,654	816	856	67,724	66,658
South Dakota	24,403	24,826	280	263	12,808	12,748
Commercial	**110,177**	**115,480**	**1,096**	**1,119**	**80,532**	**79,406**
Industrial	9,833	10,349	654	594	75	74
Other	11,431	12,636	91	105	8,017	8,092
Total Retail Electric	**$ 215,491**	**$ 226,520**	**2,568**	**2,572**	**438,777**	**433,394**

(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

Natural Gas Segment
(Third Quarter)

(dollars in millions)	Results 2018	Results 2017	Results Change	Results % Change
Retail revenues	$ 20.5	$ 22.5	$ (2.0)	(8.9) %
Regulatory amortization	5.4	3.1	2.3	74.2
Total retail revenue	25.9	25.6	0.3	1.2
Wholesale and other	8.8	9.5	(0.7)	(7.4)
Total Revenues	**34.7**	**35.1**	**(0.4)**	**(1.1)**
Total Cost of Sales	**5.7**	**6.2**	**(0.5)**	**(8.1)**
Gross Margin (1)	**$ 29.0**	**$ 28.9**	**$ 0.1**	**$ 0.3 %**

	Revenues 2018	Revenues 2017	Dekatherms (Dkt) 2018	Dekatherms (Dkt) 2017	Avg. Customer Count 2018	Avg. Customer Count 2017
	(in thousands)					
Retail Gas						
Montana	$ 9,379	$ 9,980	961	894	172,443	170,229
South Dakota	1,720	1,719	104	109	39,405	39,286
Nebraska	1,869	2,058	138	145	37,071	37,038
Residential	**12,968**	**13,757**	**1,203**	**1,148**	**248,919**	**246,553**
Montana	5,563	6,163	660	641	23,755	23,399
South Dakota	941	1,319	205	216	6,631	6,504
Nebraska	877	1,082	147	162	4,769	4,733
Commercial	**7,381**	**8,564**	**1,012**	**1,019**	**35,155**	**34,636**
Industrial	90	113	12	12	241	252
Other	60	69	7	7	162	158
Total Retail Gas	**$ 20,499**	**$ 22,503**	**2,234**	**2,186**	**284,477**	**281,599**

(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

Summary Financial Results

(Nine Months Ended September 30)

(in millions except per share amounts)	Nine Months Ended September 30,			
	2018	2017	Variance	% Variance
Operating Revenues	$ 883.2	$ 961.1	$ (77.9)	(8.1%)
Cost of Sales	200.5	301.3	(100.8)	(33.5%)
Gross Margin (1)	**682.7**	**659.8**	**22.9**	**3.5%**
Operating Expenses				
Operating, general & administrative	222.0	218.6	3.4	1.6%
Property and other taxes	128.3	118.5	9.8	8.3%
Depreciation and depletion	130.9	124.5	6.4	5.1%
Total Operating Expenses	**481.2**	**461.6**	**19.6**	**4.2%**
Operating Income	**201.5**	**198.2**	**3.3**	**1.7%**
Interest Expense	(68.2)	(70.0)	1.8	2.6%
Other Income / (Expense)	1.8	(3.4)	5.2	152.9%
Income Before Taxes	**135.1**	**124.8**	**10.3**	**8.3%**
Income Tax Expense	(4.6)	(10.0)	5.4	54.0%
Net Income	**$ 130.5**	**$ 114.8**	**$ 15.7**	**13.7%**
Effective Tax Rate	3.5%	8.0%	(4.5%)	
Diluted: Average Shares Outstanding	50.0	48.5	1.5	3.1%
Diluted Earnings Per Share	$2.61	$2.37	$0.24	10.1%
Dividends Paid per Common Share	$1.65	$ 1.575	$ 0.075	4.8%

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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
(Nine Months Ended September 30)

(dollars in millions)

	Nine Months Ended September 30,			
	2018	2017	Variance[1]	
Electric	$ 549.9	$ 528.0	$ 21.9	4.1%
Natural Gas	132.8	131.8	1.0	0.8%
Total Gross Margin	**$ 682.7**	**$ 659.8**	**$ 22.9**	**3.5%**

Increase in gross margin due to the following factors:

$ 25.1	Electric QF liability adjustment
4.1	Electric transmission
2.3	Natural gas retail volumes
2.0	Montana natural gas rates
0.3	Electric retail volumes
(1.8)	PCCAM adjustment
0.4	Other
$ 32.4	**Change in Gross Margin Impacting Net Income**
$ (16.4)	Tax Cuts and Jobs Act deferral
(0.5)	Production gathering fees
(0.2)	Production tax credits flowed-through trackers
7.1	Property taxes recovered in trackers
0.5	Operating expenses recovered in trackers
$ (9.5)	**Change in Gross Margin Offset Within Net Income**
$ 22.9	**Increase in Gross Margin**

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

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Weather

(Nine Months Ended September 30)

Heating Degree - Days	YTD Q3 Degree Days			YTD Q3 2018 as compared with:	
	2018	2017	Historic Average	2017	Historic Average
Montana	5,094	4,925	4,819	3% colder	6% colder
South Dakota	6,099	5,276	5,652	16% colder	8% colder
Nebraska	4,938	4,137	4,652	19% colder	6% colder

Cooling Degree-Days	YTD Q3 Degree Days			YTD Q3 2018 as compared with:	
	2018	2017	Historic Average	2017	Historic Average
Montana	337	524	408	36% cooler	17% cooler
South Dakota	873	663	685	32% warmer	27% warmer

We estimate favorable weather through the first 9 months of 2018 has contributed approximately $2.3M pretax benefit as compared to normal and $0.7M pretax benefit as compared to the same period in 2017.

Operating Expenses

(Nine Months Ended September 30)

(dollars in millions)

	Nine Months Ended September 30,			
	2018	2017	Variance	
Operating, general & admin.	$ 222.0	$ 218.6	$ 3.4	1.6%
Property and other taxes	128.3	118.5	9.8	8.3%
Depreciation and depletion	130.9	124.5	6.4	5.1%
Operating Expenses	**$ 481.2**	**$ 461.6**	**$ 19.6**	**4.2%**

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

$ (3.3)	Maintenance costs
(2.8)	Labor
(2.6)	Distribution System Infrastructure Project expense
1.9	Employee benefits
1.2	Line clearance
1.1	Other
$ (4.5)	**Change in OG&A Items Impacting Net Income**
$ 7.9	Pension and other postretirement benefits
0.5	Operating expense recovered in trackers
(0.5)	Natural gas production gathering expense
$ 7.9	**Change in OG&A Items Offset Within Net Income**
$ 3.4	**Increase in Operating, General & Administrative Expenses**

$9.8 million increase in property and other taxes due primarily to plant additions and higher annual estimated property valuations in Montana.

$6.4 million increase in depreciation and depletion expense primarily due to plant additions.

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Operating to Net Income
(Nine Months Ended September 30)

(dollars in millions)

	Nine Months Ended September 30,			
	2018	2017	Variance	
Operating Income	**$ 201.5**	**$ 198.2**	**$ 3.3**	**1.7%**
Interest Expense	(68.2)	(70.0)	1.8	2.6%
Other Income / (Expense)	1.8	(3.4)	5.2	152.9%
Income Before Taxes	**135.1**	**124.8**	**10.3**	**8.3%**
Income Tax Expense	(4.6)	(10.0)	5.4	54.0%
Net Income	**$ 130.5**	**$ 114.8**	**$ 15.7**	**13.7%**

$1.8 million decrease in interest expenses was primarily due to refinancing of debt in 2017, partly offset by rising interest rates.

$5.2 million improvement in other income was due to a decrease in other pension expense partly offset by a 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 expenses with no impact to net income) and lower capitalization of AFUDC.

$5.4 million decrease in income tax expense due primarily to a lower statutory federal tax rate of 21.0% compared to 35.0% in 2017, partly offset by higher pre-tax income.

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Appendix

Income Tax Reconciliation

(Nine Months Ended September 30)

(in millions)	Nine Months Ended September 30,				
	2018		2017		Variance
Income Before Income Taxes	**$135.1**		**$124.8**		**$10.3**
Income tax calculated at federal statutory rate	28.4	21.0%	43.7	35.0%	(15.3)
Permanent or flow through adjustments:					
State income, net of federal provisions	2.2	1.6%	(2.0)	(1.6%)	4.2
Flow - through repairs deductions	(13.1)	(9.7%)	(20.6)	(16.5%)	7.5
Production tax credits	(8.1)	(6.0%)	(7.5)	(6.0%)	(0.6)
Prior year permanent return accrual adjustments	(3.0)	(2.2%)	(0.8)	(0.7%)	(2.2)
Plant and depreciation of flow through items	(1.6)	(1.2%)	(2.2)	(1.8%)	0.6
Share based compensation	0.3	0.2%	(0.4)	(0.3%)	0.7
Other, net	(0.4)	(0.3%)	(0.2)	(0.1%)	(0.2)
Sub-total	(23.7)	(17.6%)	(33.7)	(27.0%)	10.0
Income Tax Expense	**$ 4.7**	**3.4%**	**$ 10.0**	**8.0%**	**$ (5.3)**

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Appendix

Adjusted Non-GAAP Earnings

(Nine Months Ended September 30)

(in millions)	GAAP Nine Months Ended Sept. 30, 2018	Favorable Weather	Gain on Qualified Facilities (Periodic Liability Reset)	Move Pension Expense to OG&A (disaggregated with ASU 2017-07) (2)	Non-employee Deferred Compensation	Non GAAP Nine Months Ended Sept. 30, 2018	Non-GAAP Variance: Variance $	Non-GAAP Variance: Variance %	Non GAAP Nine Months Ended Sept. 30, 2017	Non-employee Deferred Compensation	Move Pension Expense to OG&A (disaggregated with ASU 2017-07) (2)	Favorable Weather	GAAP Nine Months Ended Sept. 30, 2017
Revenues (1)	$883.2	(2.3)	-	-	-	$880.9	($78.6)	-8.2%	$959.5	-	-	(1.6)	$961.1
Cost of sales (1)	200.5	-	17.5	-	-	218.0	(83.3)	-27.6%	301.3	-	-	-	301.3
Gross Margin	**682.7**	**(2.3)**	**(17.5)**	-	-	**662.9**	**4.7**	**0.7%**	**658.2**	-	-	**(1.6)**	**659.8**
Op. Expenses													
OG&A	222.0	-	-	(0.2)	(0.1)	221.7	(4.7)	-2.1%	226.4	-	7.8	-	218.6
Prop. & other taxes	128.3	-	-	-	-	128.3	9.8	8.3%	118.5	-	-	-	118.5
Depreciation	130.9	-	-	-	-	130.9	6.4	5.1%	124.5	-	-	-	124.5
Total Op. Exp.	**481.2**	-	-	**(0.2)**	**(0.1)**	**480.9**	**11.5**	**2.4%**	**469.4**	-	**7.8**	-	**461.6**
Op. Income	**201.5**	**(2.3)**	**(17.5)**	**0.2**	**0.1**	**182.0**	**(6.8)**	**-3.6%**	**188.8**	-	**(7.8)**	**(1.6)**	**198.2**
Interest expense	(68.2)	-	-	-	-	(68.2)	1.8	2.6%	(70.0)	-	-	-	(70.0)
Other (Exp.) Inc., net	1.8	-	-	(0.2)	(0.1)	1.5	(2.9)	-65.9%	4.4	-	7.8	-	(3.4)
Pretax Income	**135.1**	**(2.3)**	**(17.5)**	-	-	**115.3**	**(7.9)**	**-6.4%**	**123.2**	-	-	**(1.6)**	**124.8**
Income tax	(4.6)	0.6	4.4	-	-	0.4	9.8	104.4%	(9.4)	-	-	0.6	(10.0)
Net Income	**$130.5**	**(1.7)**	**(13.1)**	-	-	**$115.7**	**$1.9**	**1.7%**	**$113.8**	-	-	**(1.0)**	**$114.8**
ETR	3.4%	25.3%	25.3%	-	-	-0.4%			7.6%	-	-	38.5%	8.0%
Diluted Shares	50.0					50.0	1.5	3.1%	48.5				48.5
Diluted EPS	$2.61	(0.03)	(0.26)	-	-	$2.32	($0.03)	-1.3%	$2.35	-	-	(0.02)	$2.37

(1) During the first quarter of 2018, we revised our presentation of revenues associated with being a market participant in the Southwest Power Pool to net them with the associated cost of sales. These revenues were previously recorded gross in electric revenues in the Condensed Consolidated Statement of Income. This results in a decrease in electric revenue and a corresponding decrease in cost of sales. There was no impact to operating or net income. We assessed the materiality of this change in presentation, taking into account quantitative and qualitative factors, and determined it to be immaterial. We applied the change in presentation prospectively.

(2) 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 2017 and 2018 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 illustrated 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).

The adjusted non-GAAP measures presented in the table above are being shown to reflect significant items that were not contemplated in our original guidance, however they should not be considered a substitute for financial results and measures determined or calculated in accordance with GAAP.

Appendix

Segment Results

(Nine Months Ended September 30)

(Unaudited) (in thousands)

Nine Months Ending September 30, 2018	Electric	Gas	Other	Total
Operating revenues	$ 693,256	$ 189,937	$ -	$ 883,193
Cost of sales	143,398	57,116	-	200,514
Gross margin [(1)]	549,858	132,821	-	682,679
Operating, general and administrative	161,551	60,015	400	221,966
Property and other taxes	100,825	27,475	6	128,306
Depreciation & depletion	108,494	22,365	18	130,877
Operating Income (loss)	178,988	22,966	(424)	201,530
Interest expense	(58,908)	(4,451)	(4,843)	(68,202)
Other income	1,364	353	81	1,798
Income tax (expense) benefit	(5,330)	(1,372)	2,044	(4,658)
Net income (loss)	$ 116,114	$ 17,496	$ (3,142)	$ 130,468

Nine Months Ending September 30, 2017	Electric	Gas	Other	Total
Operating revenues	$ 774,890	$ 186,214	$ -	$ 961,104
Cost of sales	246,858	54,466	-	301,324
Gross margin [(1)]	528,032	131,748	-	659,780
Operating, general and administrative	160,610	58,956	(961)	218,605
Property and other taxes	92,824	25,688	8	118,520
Depreciation & depletion	102,302	22,155	24	124,481
Operating income	172,296	24,949	929	198,174
Interest expense	(62,745)	(4,464)	(2,748)	(69,957)
Other (expense) income	(2,760)	(710)	94	(3,376)
Income tax (expense) benefit	(7,563)	(3,800)	1,331	(10,032)
Net income (loss)	$ 99,228	$ 15,975	$ (394)	$ 114,809

(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

Electric Segment

(Nine Months Ended September 30)

(dollars in millions)	Results 2018	2017	Change	% Change
Retail revenues	$ 638.5	$ 657.2	$ (18.7)	(2.8) %
Regulatory amortization	7.4	2.7	4.7	174.1
Total retail revenue	645.9	659.9	(14.0)	(2.1)
Transmission	42.8	38.7	4.1	10.6
Wholesale and other	4.6	76.3	(71.7)	(94.0)
Total Revenues	**693.3**	**774.9**	**(81.6)**	**(10.5)**
Total Cost of Sales	**143.4**	**246.9**	**(103.5)**	**(41.9)**
Gross Margin (1)	**549.9**	**528.0**	**21.9**	**4.1** %

	Revenues		Megawatt Hours (MWH)		Avg. Customer Count	
	2018	2017	2018	2017	2018	2017
	(in thousands)					
Retail Electric						
Montana	$ 214,297	$ 222,630	1,859	1,882	298,958	294,845
South Dakota	49,550	46,142	462	426	50,514	50,188
Residential	**263,847**	**268,772**	**2,321**	**2,308**	**349,472**	**345,033**
Montana	249,062	261,790	2,382	2,436	67,416	66,349
South Dakota	70,685	68,636	799	747	12,754	12,660
Commercial	**319,747**	**330,426**	**3,181**	**3,183**	**80,170**	**79,009**
Industrial	31,309	31,301	1,861	1,725	75	75
Other	23,568	26,693	149	179	6,259	6,326
Total Retail Electric	**$ 638,471**	**$ 657,192**	**7,512**	**7,395**	**435,976**	**430,443**

(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

Natural Gas Segment

(Nine Months Ended September 30)

(dollars in millions)	Results 2018	2017	Change	% Change
Retail revenues	$ 163.1	$ 159.6	$ 3.5	2.2 %
Regulatory amortization	(2.8)	(3.5)	0.7	(20.0)
Total retail revenue	160.3	156.1	4.2	2.7
Wholesale and other	29.6	30.1	(0.5)	(1.7)
Total Revenues	**189.9**	**186.2**	**3.7**	**2.0**
Total Cost of Sales	**57.1**	**54.4**	**2.7**	**5.0**
Gross Margin [(1)]	**$ 132.8**	**$ 131.8**	**$ 1.0**	**$ 0.8 %**

	Revenues 2018 (in thousands)	Revenues 2017 (in thousands)	Dekatherms (Dkt) 2018 (in thousands)	Dekatherms (Dkt) 2017 (in thousands)	Avg. Customer Count 2018	Avg. Customer Count 2017
Retail Gas						
Montana	$ 67,856	$ 70,255	8,960	8,795	172,477	170,236
South Dakota	18,745	16,820	2,480	2,136	39,628	39,470
Nebraska	18,273	15,192	2,145	1,829	37,306	37,234
Residential	**104,874**	**102,267**	**13,585**	**12,760**	**249,411**	**246,940**
Montana	34,874	36,307	4,853	4,766	23,839	23,500
South Dakota	12,397	11,499	2,372	2,072	6,673	6,540
Nebraska	9,406	8,050	1,555	1,379	4,816	4,773
Commercial	**56,677**	**55,856**	**8,780**	**8,217**	**35,328**	**34,813**
Industrial	810	775	118	106	245	253
Other	711	680	112	102	163	158
Total Retail Gas	**$ 163,072**	**$ 159,578**	**22,595**	**21,185**	**285,147**	**282,164**

(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

Qualified Facility Earnings Benefit

The $25.1 million earnings improvement, recorded in the 2nd quarter of 2018, related to certain Qualified Facilities (QF) contracts is a result of:

- A **$17.5 million benefit** resulting from the reduction of the estimated future liability of unrecoverable QF costs. The primary driver of the reduction is due to price escalation that was lower than the three percent assumption in the liability, which was also adjusted in 2015. Due to the periodic nature of this estimated liability adjustment, this benefit has been excluded from non-GAAP earnings.
- A **$7.6 million benefit** due to the annual adjustment to reflect lower actual output and pricing of QF related supply costs driven largely by outages at two QF facilities. Due to the annual nature of this adjustment to actual costs, this benefit has NOT been excluded from non-GAAP earnings.

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.

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Appendix

Non-GAAP Financial Measures

Pre-Tax Adjustments ($ Millions)	2012	2013	2014	2015	2016	2017
Reported GAAP Pre-Tax Income	**$ 94.4**	**$ 108.3**	**$ 110.4**	**$ 181.2**	**$ 156.5**	**$ 176.1**
Non-GAAP Adjustments to Pre-Tax Income:						
Weather	8.6	(3.7)	(1.3)	13.2	15.2	(3.4)
Release of MPSC DGGS deferral	(2.9)					
Lost revenue recovery related to prior periods	(3.3)	(1.0)			(14.2)	
DGGS FERC ALJ initial decision - portion related to 2011	7.0					
MSTI Impairment	24.0					
Favorable CELP arbitration decision	(47.9)					
Hydro transaction costs		6.3	15.4			
Hydro operations			(8.7)			
Remove benefit of insurance settlement				(20.8)		
QF liability adjustment				6.1		
Electric tracker disallowance of prior period costs					12.2	
Income tax adjustment						
Equity Dilution						
Adjusted Non-GAAP Pre-Tax Income	**$ 79.9**	**$ 109.8**	**$ 115.8**	**$ 179.7**	**$ 169.7**	**$ 172.7**

Tax Adjustments to Non-GAAP Items ($ Millions)	2012	2013	2014	2015	2016	2017
GAAP Net Income	**$ 79.6**	**$ 94.0**	**$ 120.7**	**$ 151.2**	**$ 164.2**	**$ 162.7**
Non-GAAP Adjustments Taxed at 38.5%:						
Weather	5.3	(2.3)	(0.8)	8.1	9.3	(2.1)
Release of MPSC DGGS deferral	(1.8)					
Lost revenue recovery related to prior periods	(2.0)	(0.6)			(8.7)	
DGGS FERC ALJ initial decision - portion related to 2011	4.3					
MSTI Impairment	14.8					
Favorable CELP arbitration decision	(29.3)					
Hydro transaction costs		3.9	9.5			
Hydro operations			(5.4)			
Remove benefit of insurance settlement				(12.8)		
QF liability adjustment				3.8		
Electric tracker disallowance of prior period costs					7.5	
Income tax adjustment	(2.4)		(19.0)		$ (12.5)	
Equity Dilution						
Non-GAAP Net Income	**$ 68.6**	**$ 94.9**	**$ 105.0**	**$ 150.3**	**$ 159.8**	**$ 160.6**

Non-GAAP Diluted Earnings Per Share	2012	2013	2014	2015	2016	2017
Diluted Average Shares (Millions)	*37.0*	*38.2*	*40.4*	*47.6*	*48.5*	*48.7*
Reported GAAP Diluted earnings per share	**$ 2.66**	**$ 2.46**	**$ 2.99**	**$ 3.17**	**$ 3.39**	**$ 3.34**
Non-GAAP Adjustments:						
Weather	0.14	(0.05)	(0.02)	0.17	0.19	(0.04)
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)					
Hydro transaction costs		0.11	0.24			
Hydro operations			(0.14)			
Remove benefit of insurance settlement				(0.27)		
QF liability adjustment				0.08		
Electric tracker disallowance of prior period costs					0.15	
Income tax adjustment	(0.06)		(0.47)		(0.26)	
Equity Dilution			0.08			
Non-GAAP Diluted Earnings Per Share	**$ 2.37**	**$ 2.50**	**$ 2.68**	**$ 3.15**	**$ 3.30**	**$ 3.30**

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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