



# Wells Fargo Virtual Midstream, Utility & Renewable Symposium

December 8, 2021

*8-K'ed on December 8, 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

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### Investor Relations Officer

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*Boulder River in Montana*

# 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

## 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

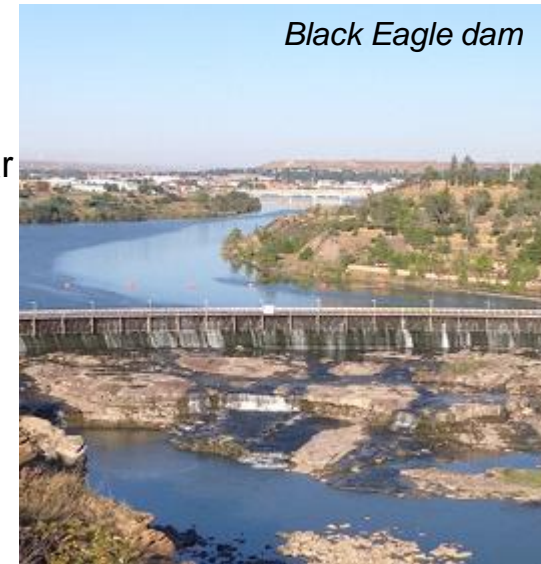
## Financial Goals & Metrics

- 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 long-term payout ratio of 60%-70%

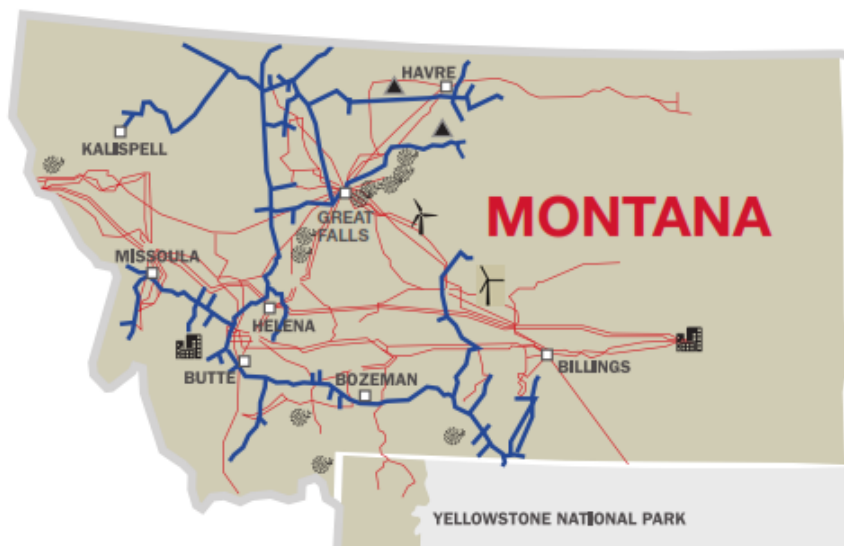
## Best Practices Corporate Governance



5th Best Governance Score



# About NorthWestern



## 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

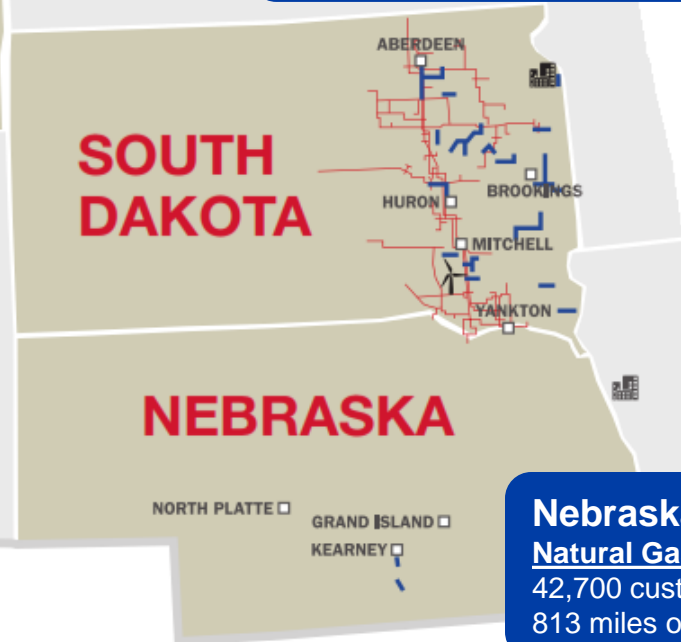
## South Dakota Operations

### 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



## Nebraska Operations

### Natural Gas

42,700 customers  
813 miles of distribution pipeline

— Electric

⚡ Wind Farm

🏠 Thermal Generating Plants

— Natural Gas

🌿 Hydro Facilities

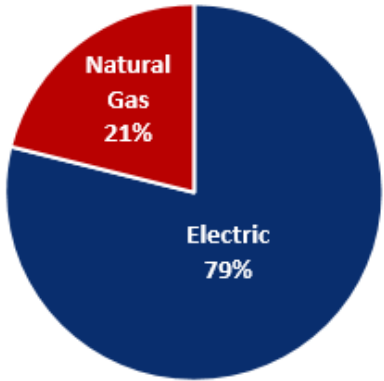
▲ Natural Gas Reserves

■ Peaking Plants

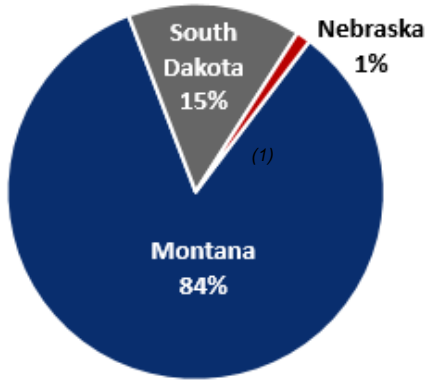


# A Diversified Electric and Gas Utility

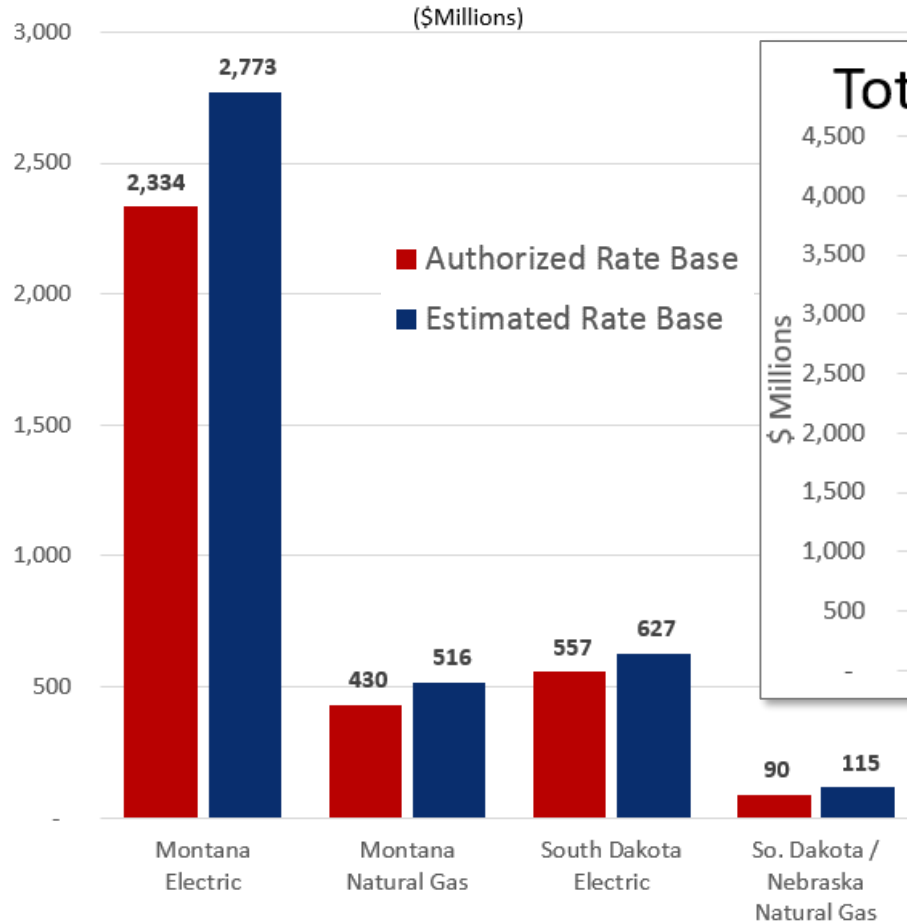
Gross Margin<sup>(1)</sup>



Gross Margin<sup>(1)</sup>



## Rate Base by Service Territory



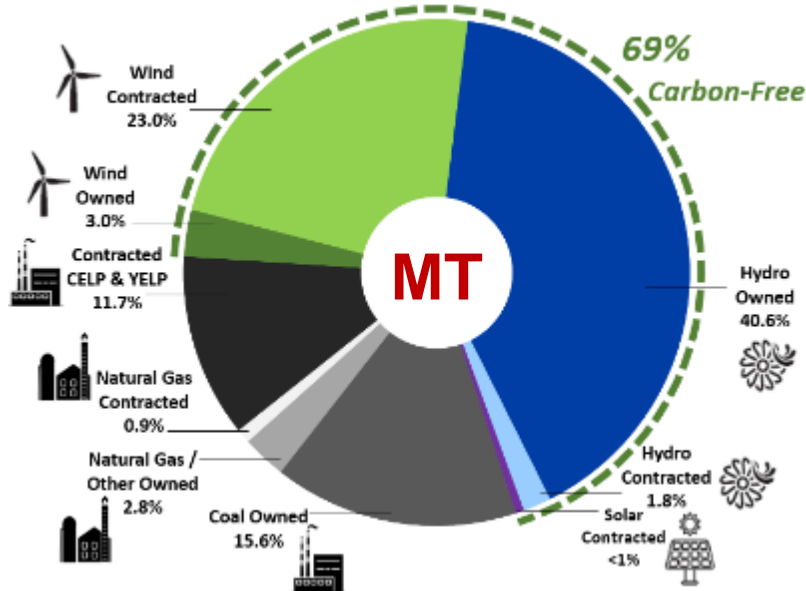
**NorthWestern's '80/20' rules:**  
 Approximately 80% Electric and 80% Montana.  
 Over \$4.0 billion of rate base investment to serve our customers

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.

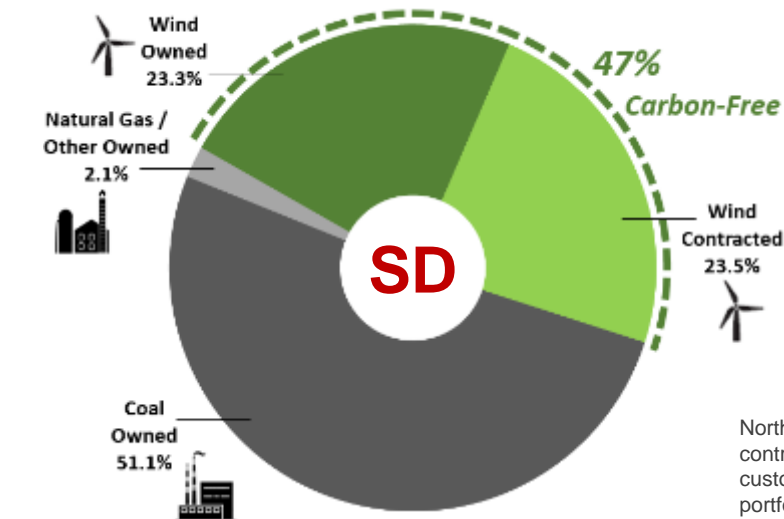
# Highly Carbon-Free Supply Portfolio

2020 Electric Generation Portfolio - Montana

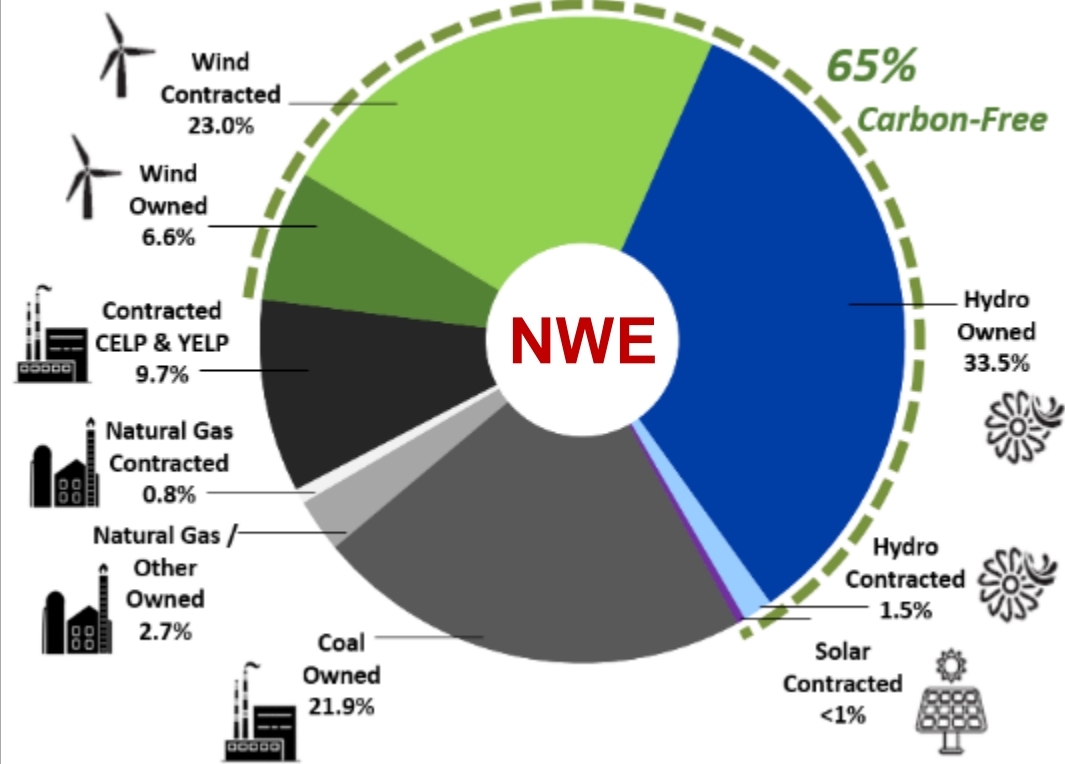


Contracted energy from Colstrip Energy Limited Partners (CELP), Yellowstone Energy Limited Partners (YELP) as well as a majority of the contracted wind, hydro and solar are federally mandated Qualifying Facilities, as defined under the Public Utility Regulatory Policies Act of 1978 (PURPA).

2020 Electric Generation Portfolio - South Dakota



2020 Electric Generation Portfolio - Total NWE

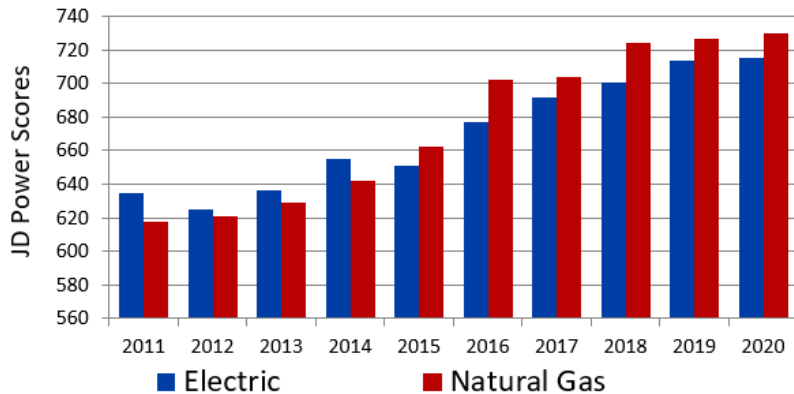


Based upon 2020 MWH's of owned and long-term contracted resources. Approximately 65% of our total company owned and contracted supply is carbon-free.

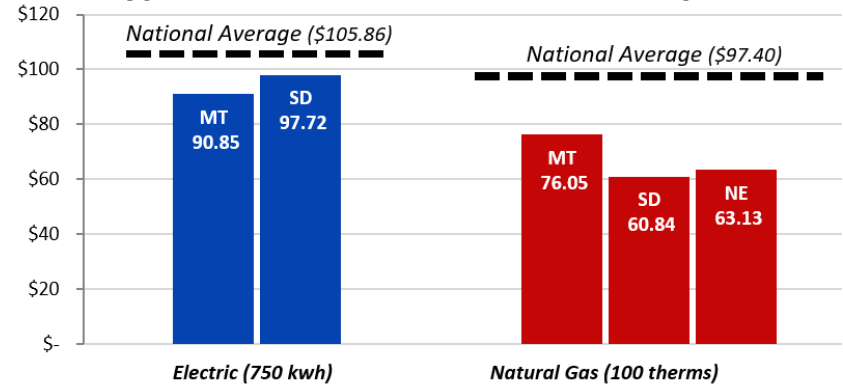
NorthWestern does not own all the renewable energy certificates (RECs) generated by contracted wind, and periodically sells its own RECs with proceeds benefiting retail customers. Accordingly, we cannot represent that 100% of carbon-free energy in the portfolio was delivered to our customers.

# Strong Utility Foundation

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

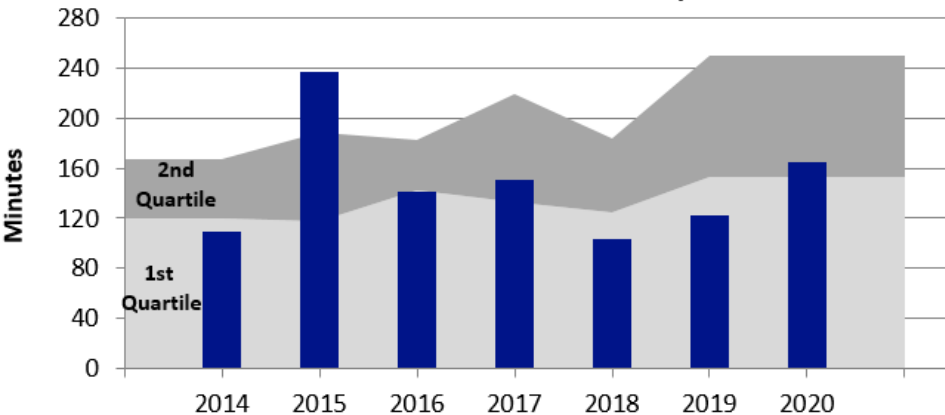


## "Typical Bill" Residential Rate Comparison

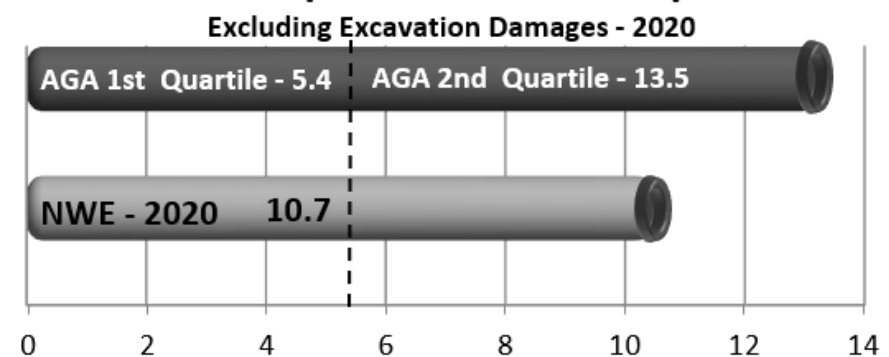


NWE rates as of 1/1/2021  
 Electric source: Edison Electric Institute Typical Bills and Average Rates Report, 1/1/21  
 Natural Gas source: US EIA - Monthly residential supply and delivery rates as of January 2021

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



## Leaks per 100 Miles of Pipe Excluding Excavation Damages - 2020



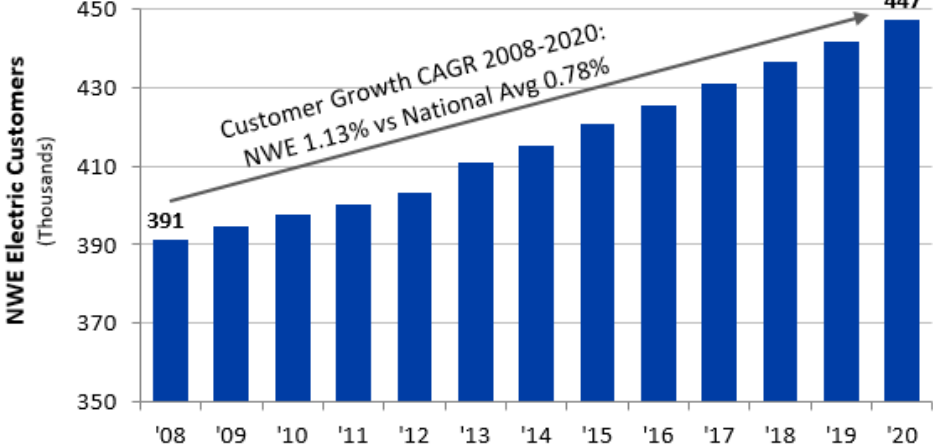
- Solid and improving JD Power Overall Customer Satisfaction Scores
- Residential electric and natural gas rates below national average
- Solid electric system reliability
- Low gas leaks per mile – just outside 1<sup>st</sup> quartile



# Solid Economic Indicators

## Electric

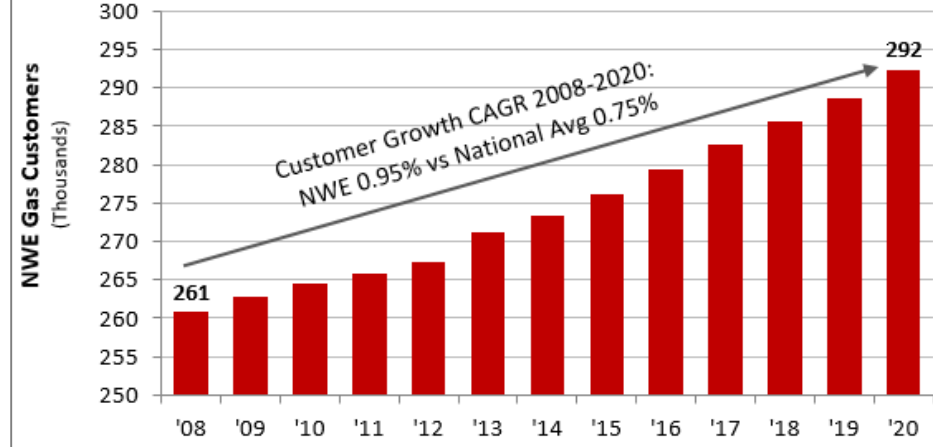
### Customers Growth vs National Average



Source: Company 10K's, 2019/2020 EEI Statistical Yearbook – Table 7.1 and EIA.gov

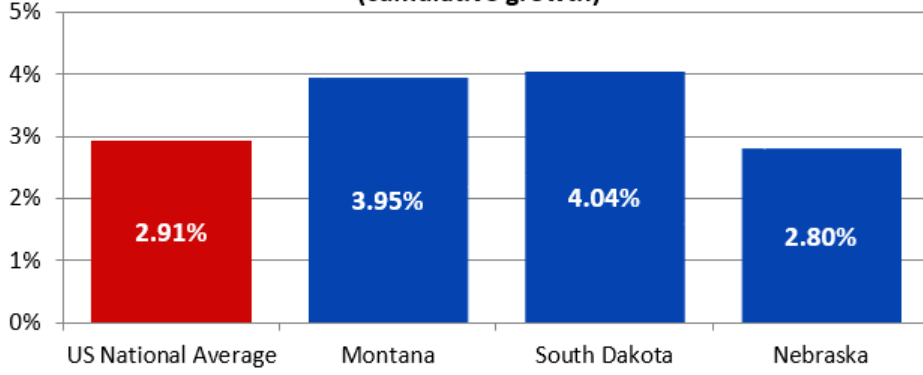
## Natural Gas

### Customers and Growth vs National Average

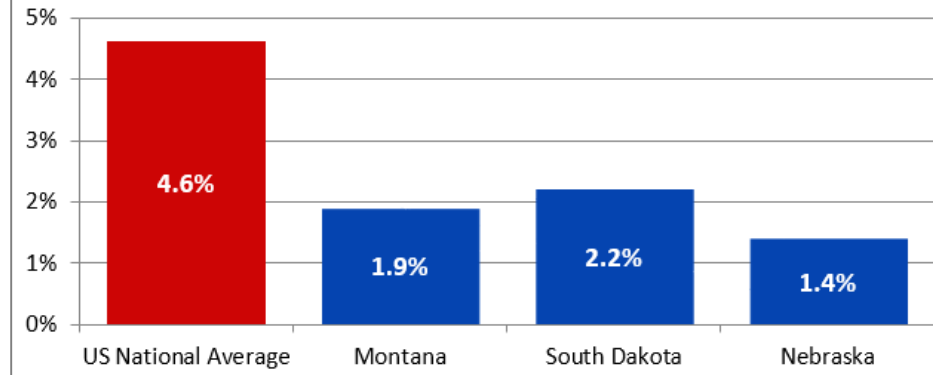


## Projected Population Growth 2021 - 2026

(cumulative growth)



## Unemployment Rate - September 2021



Source: U.S. Department of Labor via S&P Global Market Intelligence 10-27-21

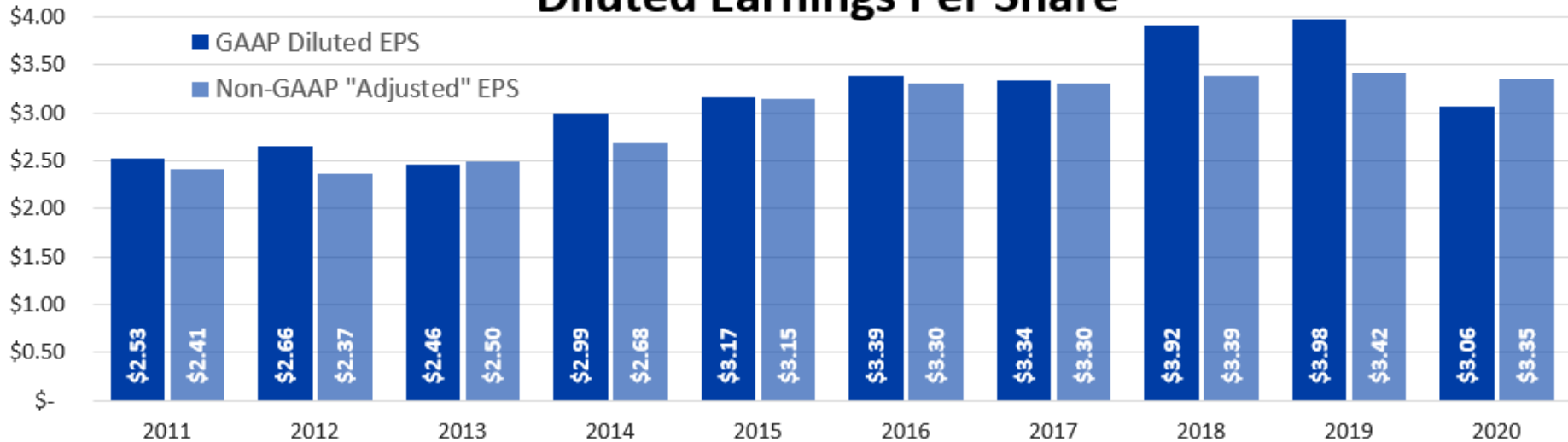
Source: Claritas via S&P Global Market Intelligence 10-27-21

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

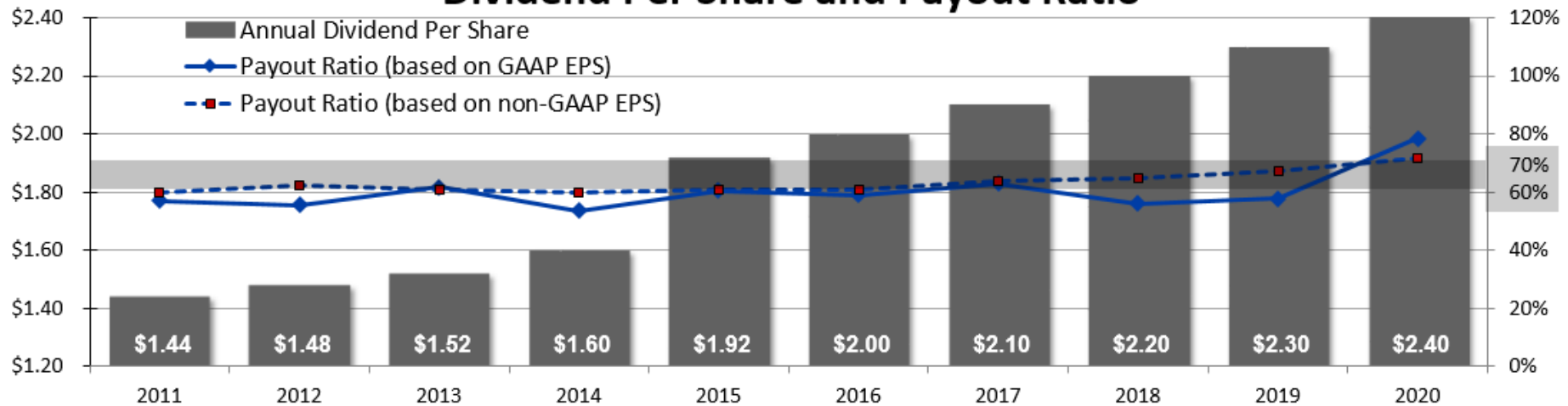


# A History of Growth

## Diluted Earnings Per Share



## Dividend Per Share and Payout Ratio

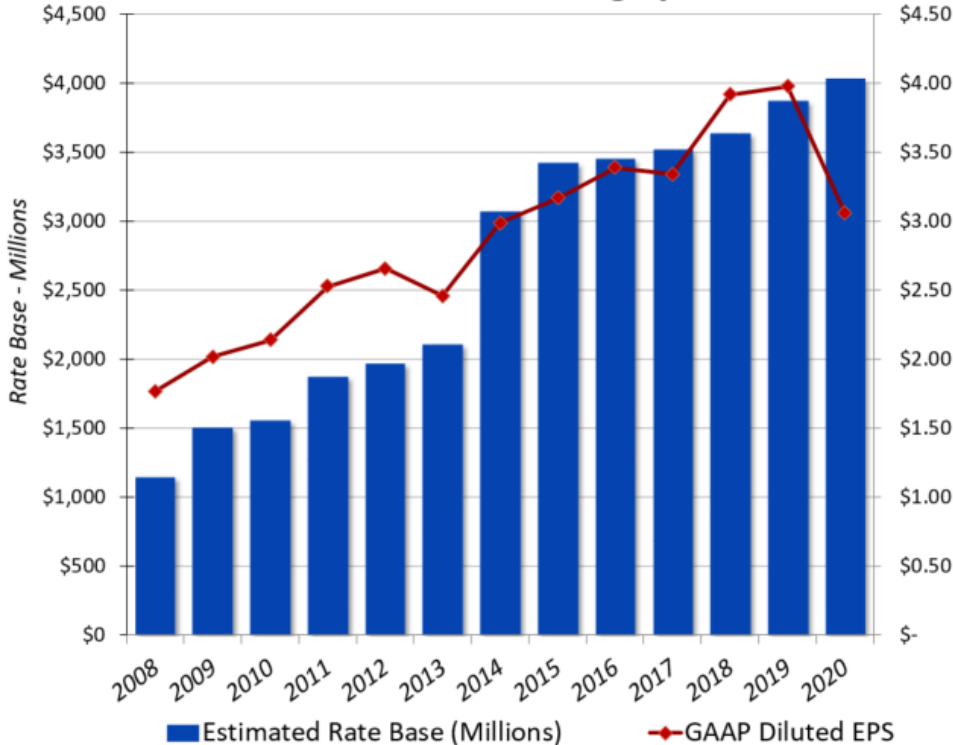


2011-2020 CAGR's: GAAP EPS: 2.1% - Non-GAAP EPS: 3.7% - Dividend: 5.8%

See appendix for "Non-GAAP Financial Measures"

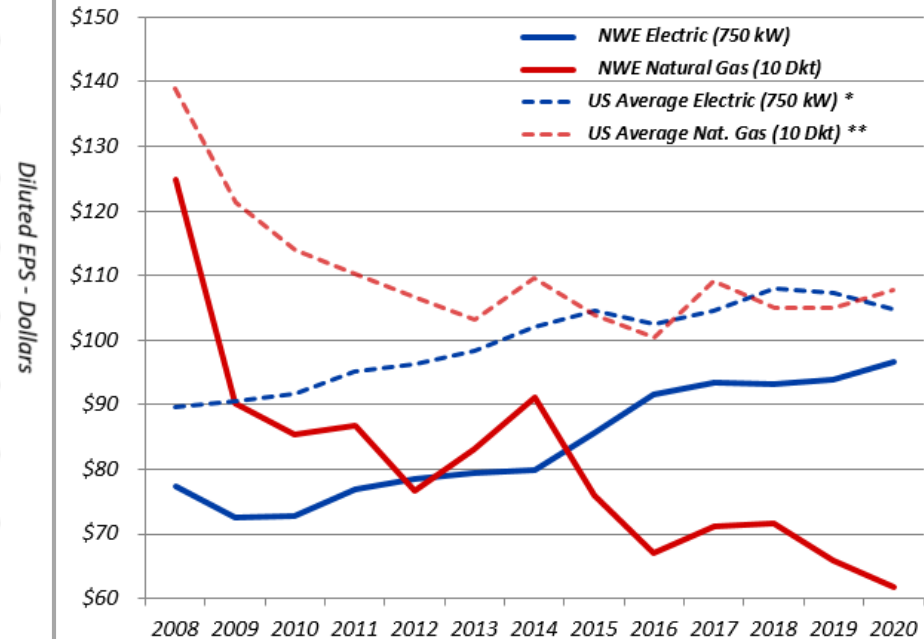
# Investment for Our Customers' Benefit

## 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 (2008-2020)

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.

2008-2020 CAGRs

2008-2020 CAGRs

2008-2020 CAGRs

Estimated Rate Base: 11.0%

NWE typical electric bill: 1.9%

US average electric bill: 1.3%\*

GAAP Diluted EPS: 4.7%

NWE typical natural gas bill: (5.7%)

US average natural gas bill: (2.1%)\*\*

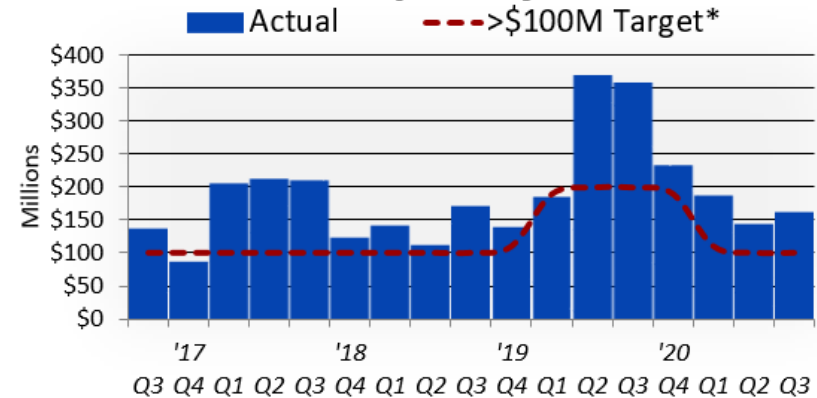
# Balance Sheet Strength and Liquidity

## Credit Ratings

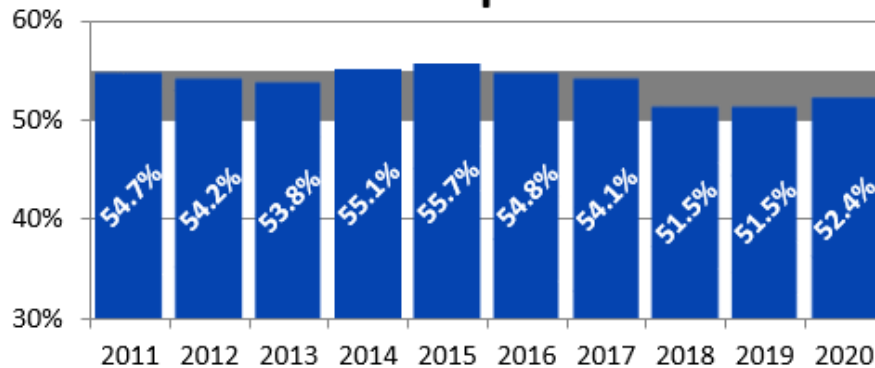
	<u>Fitch</u>	<u>Moody's</u>	<u>S&amp;P</u>
Senior Secured Rating	A	A3	A-
Senior Unsecured Rating	A-	Baa2	BBB
Commerical Paper	F2	Prime-2	A-2
Outlook	Stable	Negative	Stable

*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

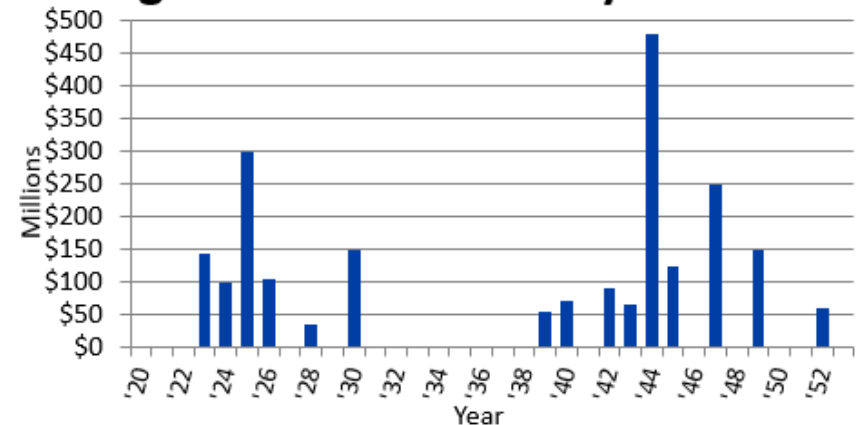


## Debt to Capital Ratio



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

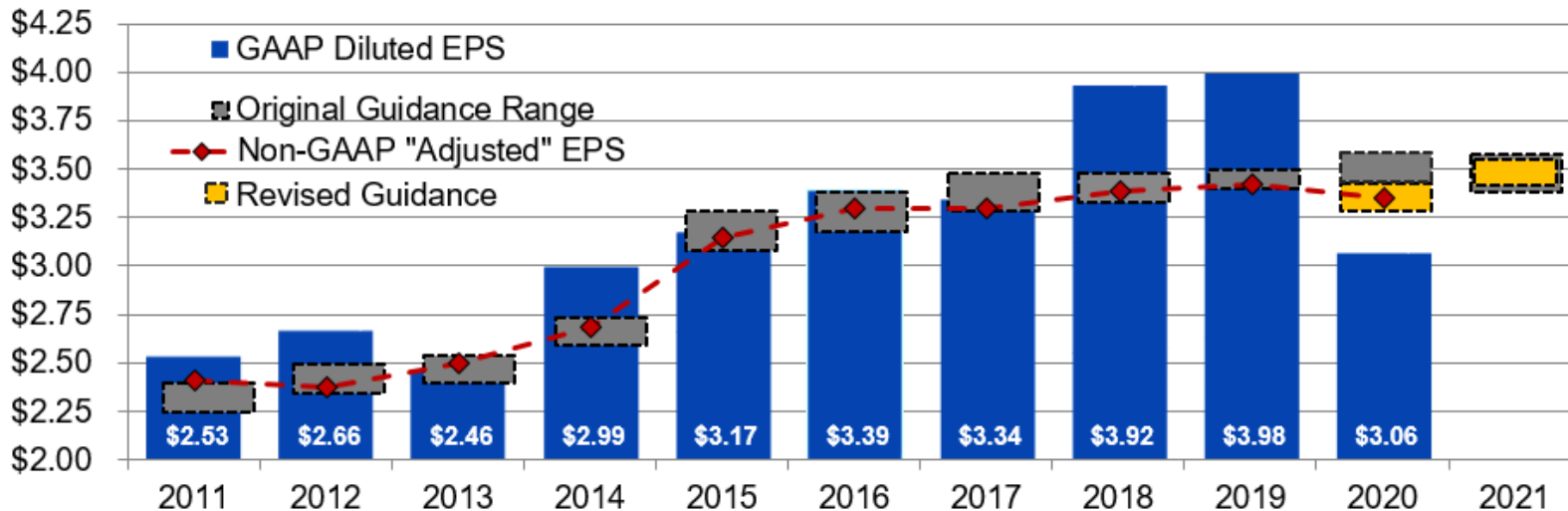


Investment grade credit ratings (placed on negative outlook by Moody's on March 12, 2021), maintaining liquidity in excess of \$100 million target, debt to capitalization within our targeted 50%-55% range and no long-term debt maturities until 2023.

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

# Earnings Growth

## Diluted Earnings Per Share



Non-GAAP  
Adjusted  
EPS Growth  
Averaged  
3.7% from  
2011 - 2020

NorthWestern affirms its previously revised 2021 earnings guidance range of \$3.43 to \$3.58 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 remainder 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 51.8 million to 52.0 million.

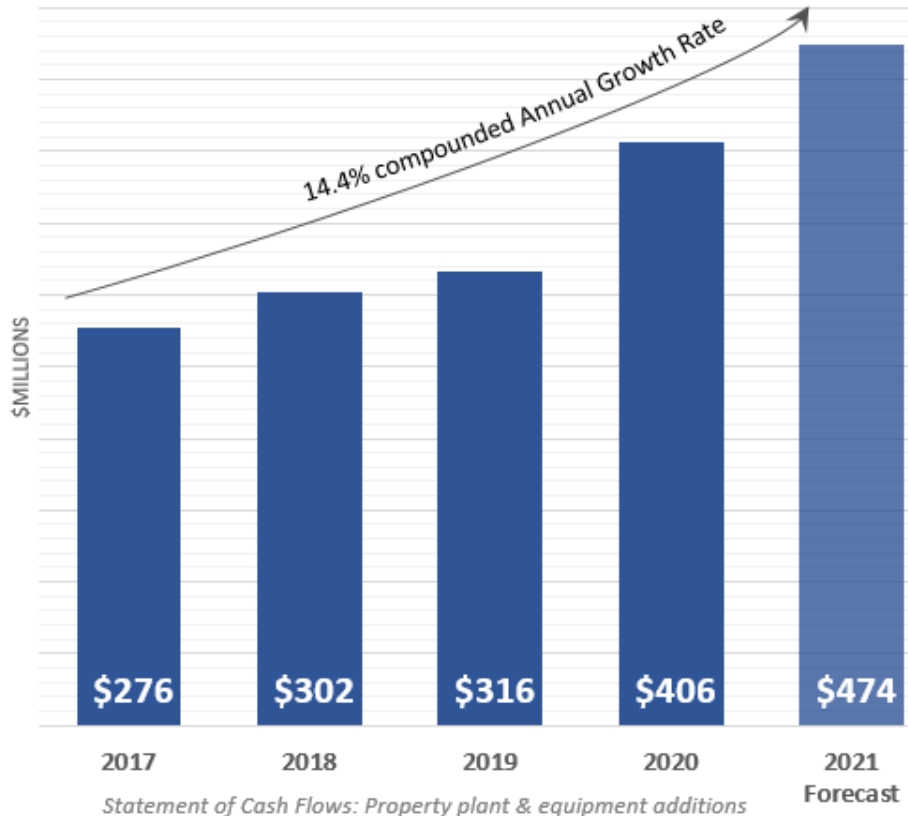
**Continued investment in our system to serve our customers and communities is expected to provide annualized 4% - 5% growth in rate base and a targeted long-term earnings per share growth rate of 3% - 6%. Maintaining our 60% - 70% targeted dividend payout ratio, we anticipate the long-term dividend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



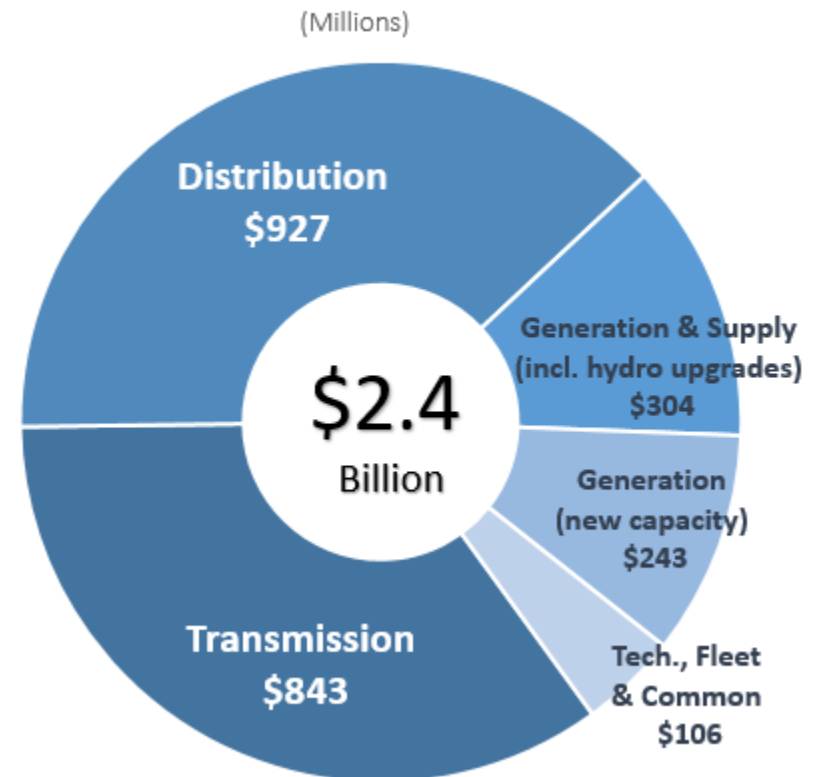
# Five Year Capital Update

## Highly Executable / Low Risk Capital Plan

### A Track-Record of Growing Investment



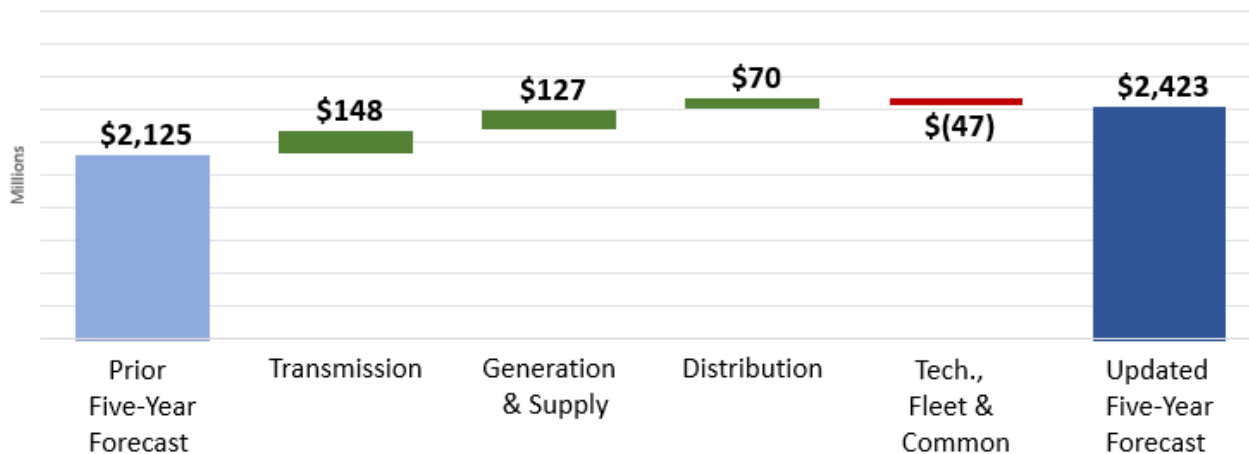
### 2022-2026 Capital Forecast



**A low-risk mix of investment opportunity over the next five years to address grid modernization and renewable energy integration.**

# Continued Investment in a Sustainable Grid

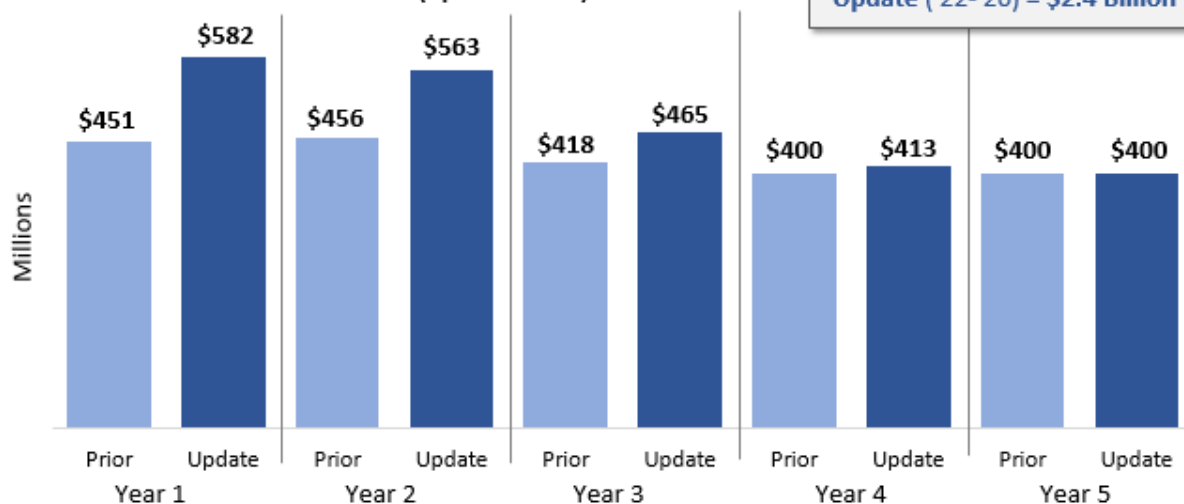
## Five-Year Capital Investment Opportunity (Update vs Prior)



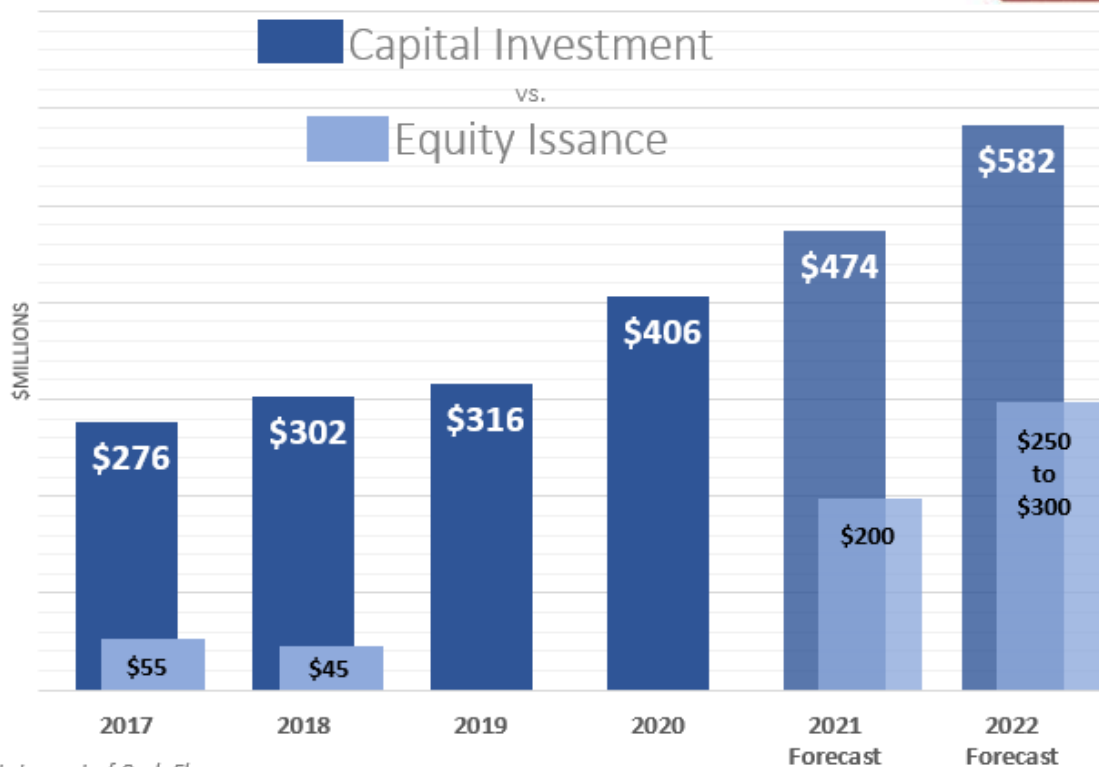
**\$2.4 billion** of total capital investment over the five year period (a \$300 million increase to prior 5-year forecast). We expect to finance this capital with a combination of cash flows from operations, first mortgage bonds and equity issuances.

This sustainable level of capex is expected to drive annualized rate base growth of approximately 4%-5%.

## Capital Investment Forecast (Update vs Prior)



# Funding our Capital Investment



Statement of Cash Flows:

Property plant & equipment additions & Proceeds from Issuance of common stock, net.



*Note: Financing plans are subject to change depending on capital expenditures, regulatory outcomes, internal cash generation, market conditions and other factors*

## Equity Needs

- We expect total equity proceeds of approximately \$200 million in 2021\* and up to \$300 million in 2022.
- Only \$100 million equity issued from 2017 to 2020 to fund \$1.3 billion of capital investment.
- Equity plans balance our intentions to protect our current credit ratings\*\* while still targeting a long-term earnings per share growth rate of 3% - 6%.

\* Assumes approximately \$122.8M of gross proceeds received through 9/30/2021 under our At-The-Market program and \$75M gross proceeds as part of our public offering announced in November 2021.

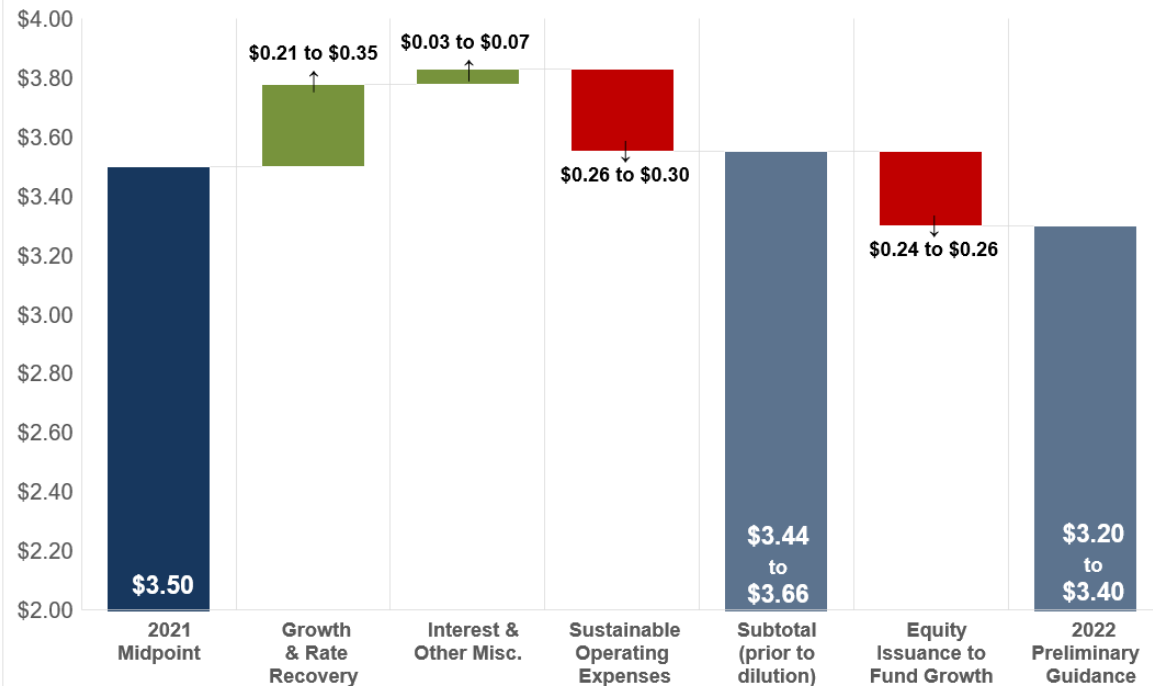
\*\* Targeting a 14%-15% FFO to Debt ratio



# 2022 Earnings Bridge

Guiding down to \$3.20 to \$3.40 primarily driven by equity needed to support increased capital investment.

Preliminary Earnings Per Share Bridge  
2021 Non-GAAP Midpoint to 2022



- An increased, yet more sustainable, level of operating expenses, along with dilution from equity financing of capital investment, is expected to be partially offset by organic growth and rate recovery\*.
- Dividend payout ratio is expected to exceed 60%-70% targeted range for 2022 (likely between \$2.50 - \$2.54 annualized)
- We continue to target a long-term earnings per share growth rate of 3%-6% off a 2020 base year.

\* Primarily FERC formula rates and property tax tracker

Note: See "Detailed 2022 Earnings Bridge" slide in the Appendix for additional information.

**NorthWestern announces a preliminary 2022 earnings guidance range of \$3.20 to \$3.40 per diluted share based upon, but not limited to, the following major assumptions and expectations:**

- Normal weather in our electric and natural gas service territories;
- Continued delay, or elimination, of fixed cost recovery mechanism for Montana electric;
- A consolidated income tax rate of approximately 0% to 3% of pre-tax income; and
- Diluted shares outstanding of approximately 55.6 million to 56.2 million.

# Regulatory Update

## Montana Public Service Commission

Motion  
Granted

An April 15, 2021 filing of a motion requesting to delay the implementation of our Montana fixed cost recovery mechanism pilot for another year until July 2022 or beyond, due to the continued uncertainties created by the COVID-19 pandemic. On June 29, 2021, **the MPSC granted our motion and issued a final order denying the MCC's request for reconsideration on September 15, 2021;**

Application  
Denied

An April 21, 2021 filing requesting approval to increase the forecasted Base costs used to develop rates for the recovery of electric power costs through our Power Cost and Credit Adjustment Mechanism (PCCAM) by approximately \$17 million. On June 29, 2021, the MPSC approved implementing our request for interim rates, subject to refund. The MCC filed a motion arguing that the PCCAM Base cannot be updated except in a general rate case and asked the MPSC to dismiss the application. **On October 5, 2021, the MPSC granted the MCC's motion to dismiss. The Final Order was received on December 2, 2021.**

Application  
Withdrawn

A May 19, 2021 filing requesting approval to acquire electric capacity resources identified through our January 2020 RFP. See the "Generation Portfolio Update" slide that follows.

 **We anticipate making a 2022 Montana electric rate filing (2021 test year) to provide needed rate relief in 2023.**

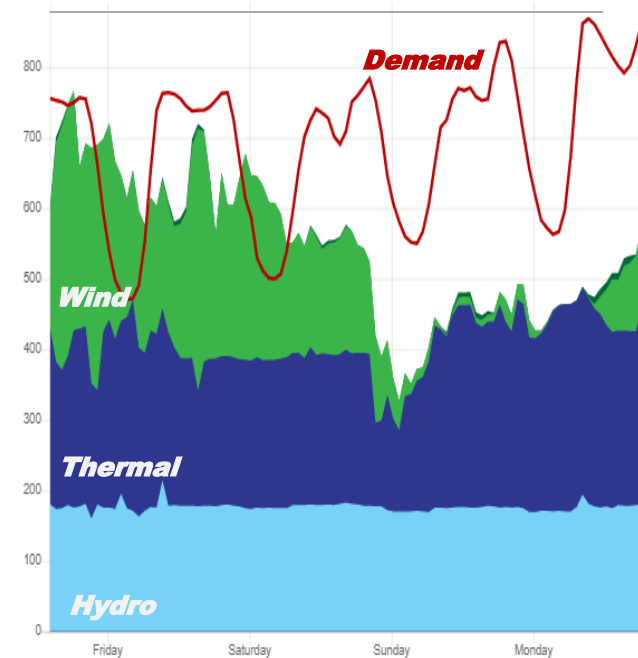
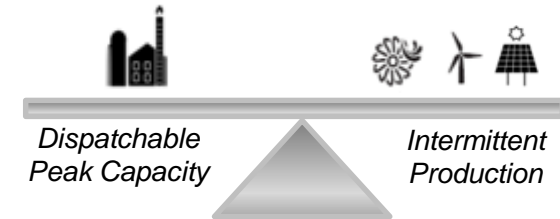
FERC has initiated a routine audit covering years 2018 to present. We have responded to several sets of data requests as part of the audit process. **An audit report has not yet been received from FERC**, but is expected within the next six months. Management is unable to predict the outcome or timing of the final resolution of the audit.



# Growth Supporting Renewable Energy

Two facilities designed specifically to provide peak capacity and support the intermittent nature of renewable energy that currently comprises approximately 65% of NorthWestern's energy supply portfolio.

- **Laurel Generation Station - 175 MW of flexible natural gas reciprocating internal combustion engines (RICE) near Laurel, Montana, at a cost of approximately \$275 million, including AFUDC.**
  - Construction is expected to begin in 2022\* and available to serve our Montana customers during the 2023-2024 winter season.
  - As part of the same competitive solicitation, NorthWestern also entered into two agreements to provide additional carbon-free capacity:
    - A **20-year battery storage agreement to provide capacity** and ancillary services from the 50 MW Beartooth Battery storage facility that will be constructed in Yellowstone County, Montana; and
    - A **5-year / 100 MW power purchase agreement originating predominately from hydroelectric resources** with Powerex for capacity and energy products.
- **Bob Glanzer Generation Station – 60 MW of flexible RICE capacity near Huron, South Dakota, at a cost of approximately \$80 million, including AFUDC.** Under construction and expected to be in service in early 2022 for our South Dakota customers.



Montana Generation and Demand 10/29/21 to 11/01/21

Currently, NorthWestern has a much higher ratio of non-carbon resources in Montana than the state of California – however, we only have roughly half the dispatchable resources to support their intermittency\*\*.

\* Sierra Club and Montana Environmental Information Center have filed a complaint regarding the Department of Environmental Quality's air quality permit issued to NorthWestern for the Laurel Facility. Case awaiting Montana District Court Review.

\*\*See "Comparison of Installed Capacity" slide in the Appendix for additional information.

# Transmission System Update

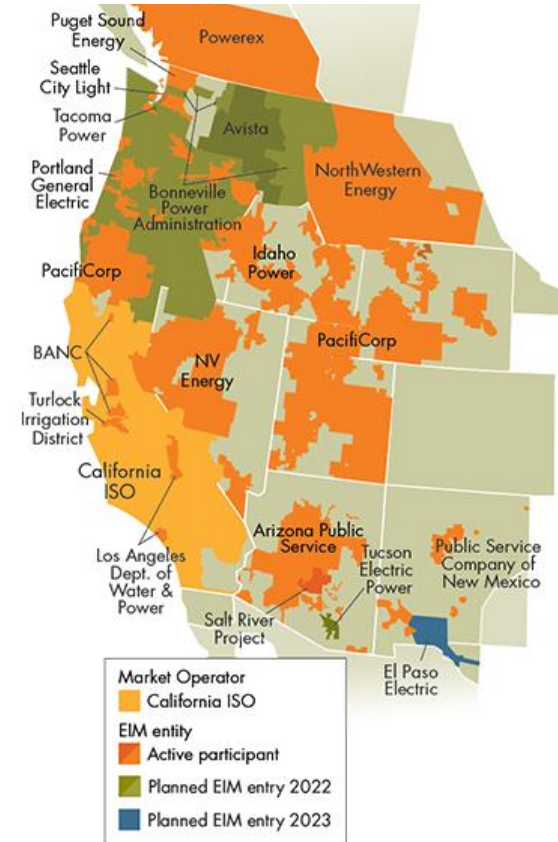
## Electric Transmission:

- In June 2021, we joined the Western Energy Imbalance Market (WEIM). This real-time, within-hour energy market will provide the company's Montana customers with economically efficient energy to resolve imbalances and variations in load and generation on our Montana system.
- 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.

## WEIM active & Pending Participants



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

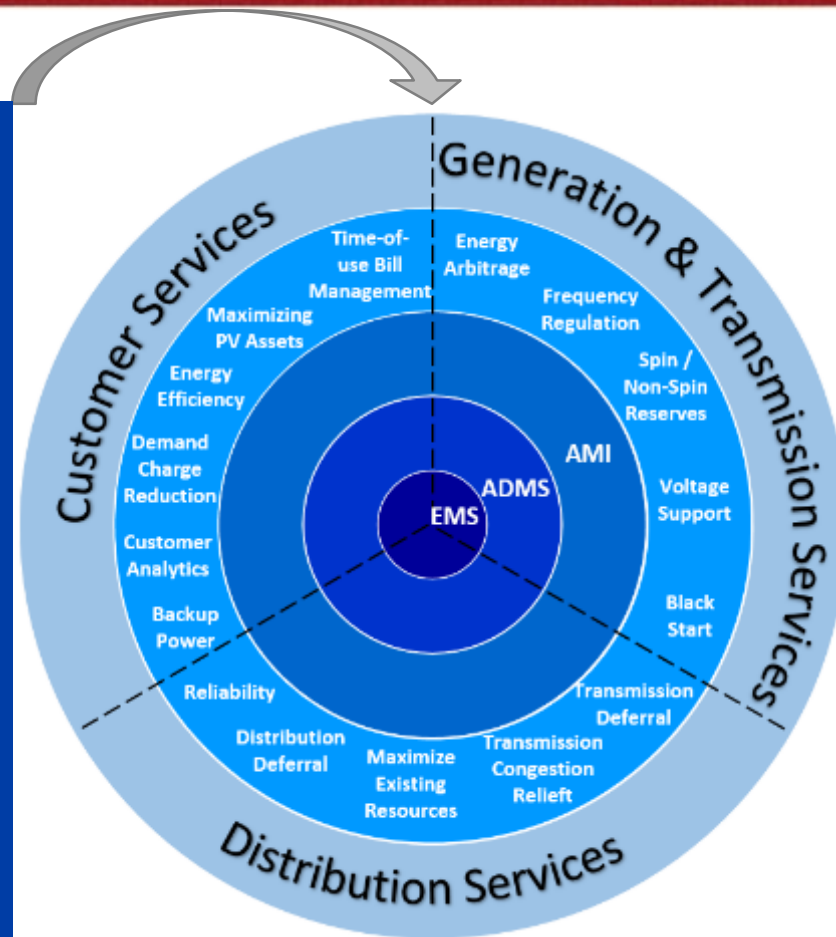
- EV Charging
- Micro Management System (MGMS)
- Advanced DER Integration

### 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.

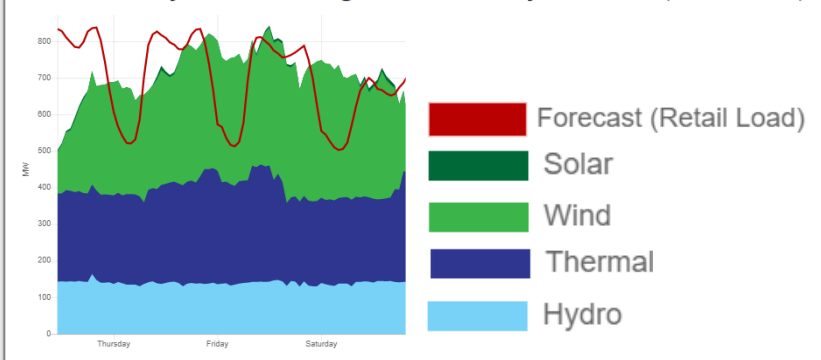
# ESG Advancements

NorthWestern has launched a new website with increased focus on communicating our stewardship and ESG efforts including:

- SASB Framework Report (*new*)
- TCFD Framework Report (*new*)
- AGA ESG Methane reporting template (*new*)
- EEI ESG Carbon reporting template (*updated*)
- Key Sustainability Statistics Report (*updated and expanded*)
  - Comprehensive disclosure of operational and financial ESG statistics covering years 2016-2020.

*Now Including:*

Hourly electrical generation by source (Montana)



The screenshot shows the website's navigation menu with options like 'Account Services', 'Billing & Payments', 'Clean Energy', 'Safety', 'In Your Community', and 'About Us'. The main heading is 'Our Commitment to Environmental Stewardship' with a sub-heading 'Clean Energy'. Below this, there are three key metrics:

- 65%** of our electric generation comes from carbon-free sources.
- 50%** reduction in carbon intensity of our Montana generation portfolio in the past decade.
- \$1 Billion** invested in clean energy initiatives in the last five years.

Three featured sections are highlighted:

- CLEAN HYDROELECTRICITY:** We own 10 hydroelectric generating facilities in Montana, which supplied 42% of our electric generation in 2020.
- 65% CARBON FREE:** In 2020, 65% of our electric generation was from carbon-free resources, two times more than the U.S. electric power industry (which is 29% carbon free).
- SOUTH DAKOTA WIND ENERGY:** Nearly half of our electricity for our South Dakota customers comes from wind resources.

A section titled 'Where Does Your Energy Come From?' states: '65% of our electric generation portfolio comes from carbon-free resources. Over the last decade, we have reduced the carbon intensity of our Montana generation portfolio by more than 50%. See where your energy comes from.' Below this is a large image of a power plant with the heading 'Our Commitment to Sustainability' and a sub-heading 'We're committed to reducing the carbon intensity of our electric energy portfolio for Montana by 50% by 2040. Over the last decade, we have already reduced our carbon intensity by more than 50%. That's just one of our ESG initiatives. Learn more.'

# ESG Publications

## Environmental



## Social



## Governance

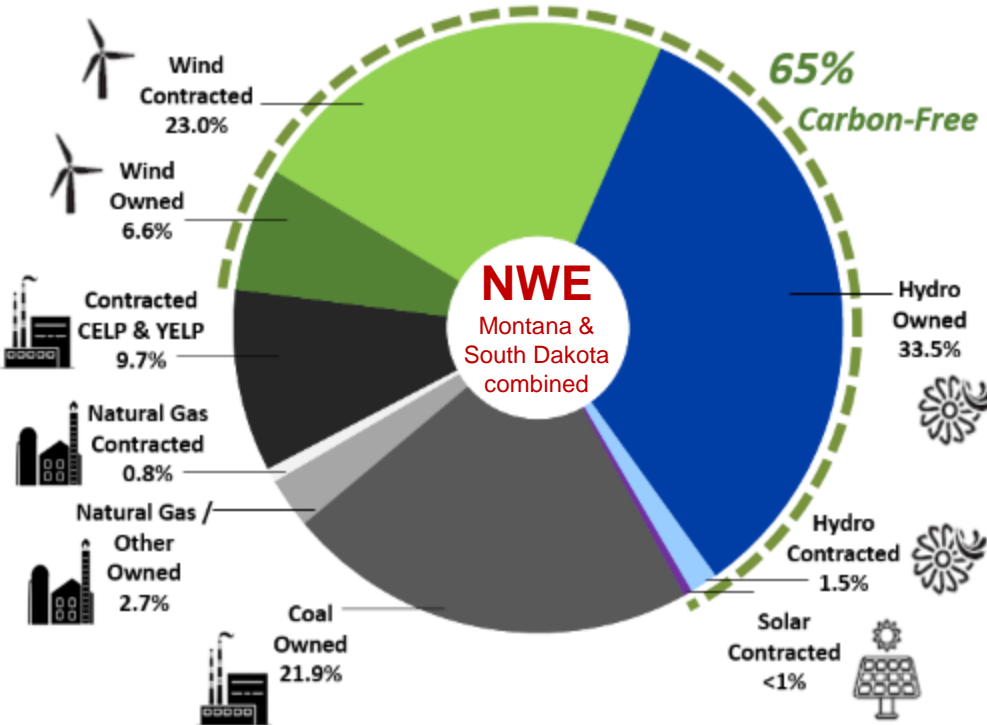


These six publications\* provide valuable insight into NorthWestern Energy's Environmental, Social and Governance (ESG) Sustainability practices.

\* Available at: <https://www.northwesternenergy.com/about-us/environmental-social-governance> and <https://www.northwesternenergy.com/about-us/investors/financials>

# ESG - Environmental

## 2020 Electric Generation Portfolio - Total NWE

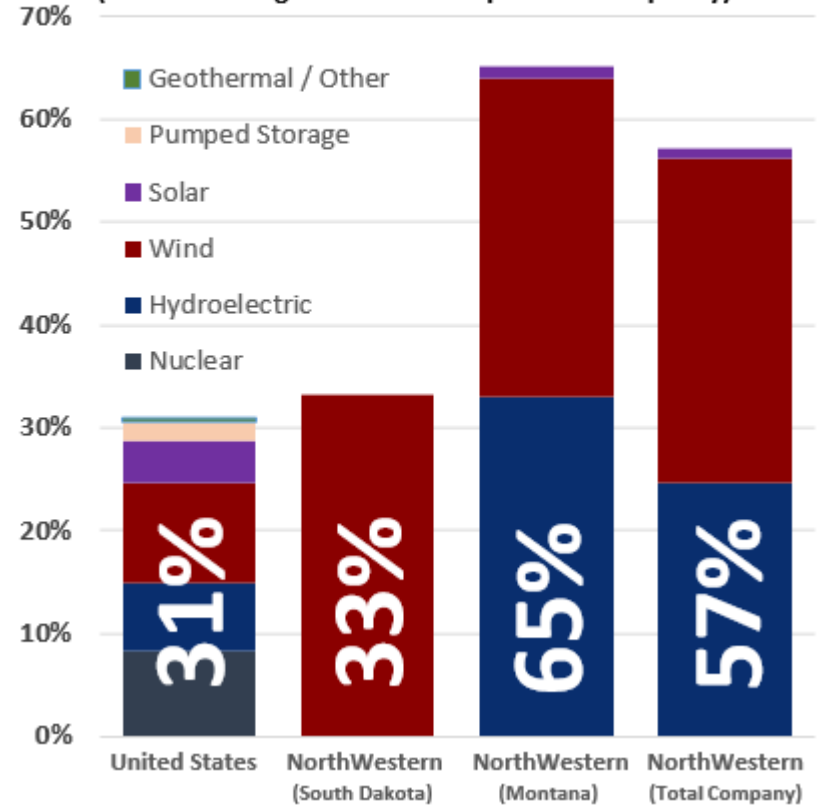


Based upon 2020 MWH's of owned and long-term contracted resources.

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



## 2020 Carbon-Free Owned & Long Term Contracted Nameplate Generation Resources (As a Percentage of Total Nameplate MW Capacity)



**57% Carbon Free Nameplate Portfolio VS 31% National Average in 2020 (based nameplate megawatts via U.S. Energy Information Administration – form EIA-860)**



## Community

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

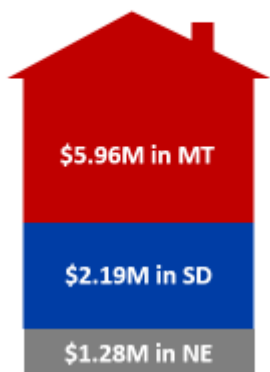
**Over \$5 million** Donations, Sponsorships, Economic Development, Scholarship Funding, Public Recreation Support, Safety Awareness and Volunteer Program Grants in 2020

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

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

### Low-Income Assistance

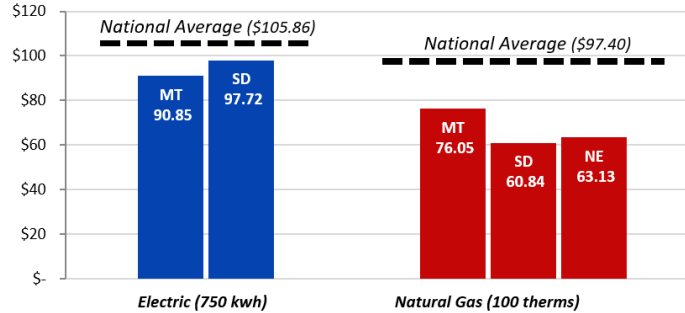
We work closely with the federal Low Income Energy Assistance programs to provide critical short-term aid to our community's most vulnerable citizens



## Customers

Typical Residential Bills Lower than National Average

### "Typical Bill" Residential Rate Comparison

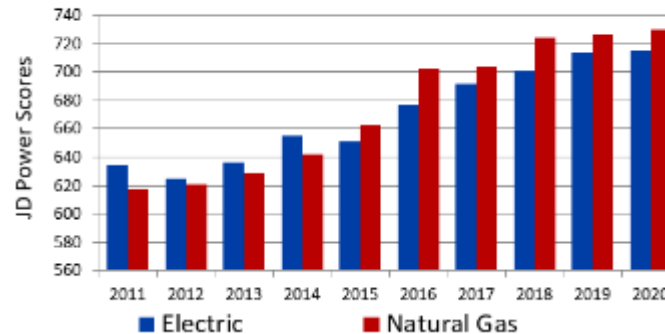


NWE rates as of 1/1/2021  
Electric source: Edison Electric Institute Typical Bills and Average Rates Report, 1/1/21  
Natural Gas source: US EIA - Monthly residential supply and delivery rates as of January 2021

Building on Our Best – Improved Customer Satisfaction Scores

### NWE's Overall Customer Satisfaction Scores

via JD Power Electric & Gas Residential Studies

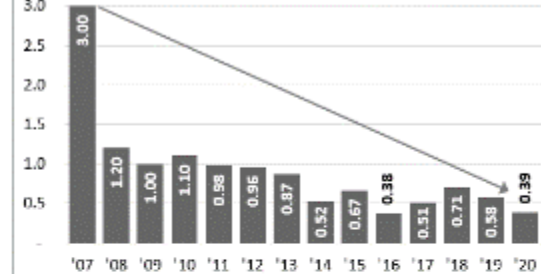


Over the last 13 years, our energy efficiency programs have helped customers save 685,041 MWh's of energy – enough to power 76,000 homes for a year.

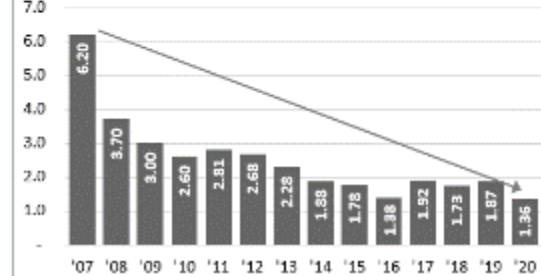
## Employees

Safety Culture Transformation

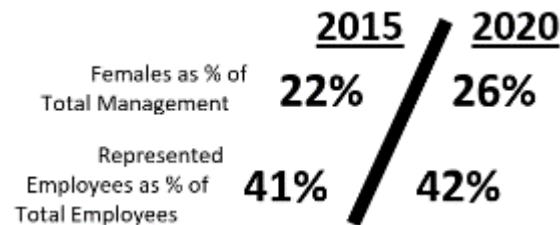
### Lost Time Incident Rate



### OSHA Recordable Rate



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:

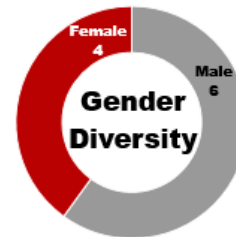
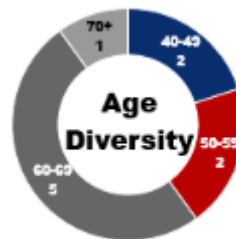
- Annual election of all directors.
- Majority vote plus resignation standard in uncontested elections. If a director receives more "WITHHOLD AUTHORITY" votes than "FOR" votes, the director must submit a resignation for the Board to consider.
- Allow shareholders owning 25 percent of our shares to call a special meeting.
- Independent Board of Directors, except our CEO.
- Independent Board Chair.
- Each of our Board committees 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:

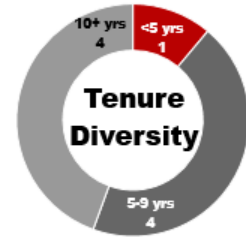
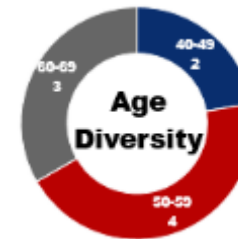
- Poison pill or a shareholder rights plan.
- Hedging of company securities.
- Corporate political contributions.
- Supermajority voting, except to approve certain business combinations or mergers.

## Diverse Leadership

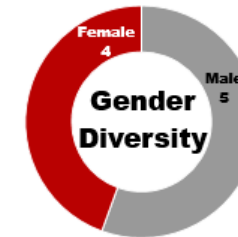
### Board of Directors



### Executive Team



On exec team



## Other Recent Governance Recognition



### **20 / 20 – Women on Boards**

Recognized for gender diversity on its board of directors by 20 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



## 2020 CEO Pay

### Ratio to Average Employee Salary

NWE  
**25:1**

U.S. Utilities  
Average  
**58:1**

### Performance-Based Pay

**78%**

# 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.\*

\* Goal established in 2019 and measured against our 2010 carbon intensity as a baseline

2

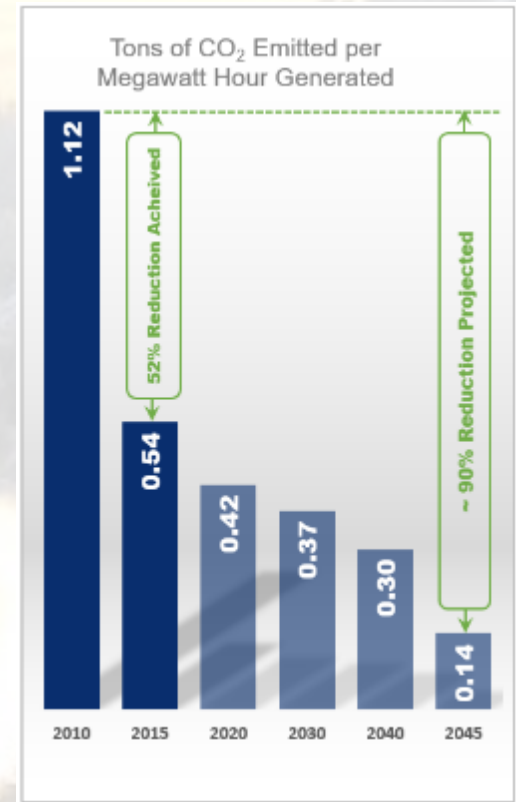
## Already over 65% carbon free

Today, NorthWestern Energy serves Montana with an electric portfolio that is over 65% carbon free (nameplate) and more than two times better than the total U.S electric power industry (31% carbon free – 2020 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

# Detailed 2022 Earnings Bridge

	2022 Preliminary Guidance Bridge		
	Low	Midpoint	High
<b>Midpoint of 2021 Non-GAAP EPS Guidance</b>	<b>\$3.50</b>		<b>\$3.50</b>
<b>2022 Earnings Drivers (after-tax and per share)</b>			
Gross Margin	0.21	-	0.35
OG&A expense	(0.11)	-	(0.09)
Property & other tax expense	(0.04)	-	(0.03)
Depreciation expense	(0.15)	-	(0.14)
Interest expense	(0.02)	-	(0.01)
Other income	0.07	-	0.09
Incremental tax impact*	(0.02)	-	(0.01)
<b>Subtotal of anticipated changes</b>	<b>(0.06)</b>	-	<b>0.16</b>
<b>2022 EPS guidance range prior to potential equity dilution</b>	<b>\$3.44</b>		<b>\$3.66</b>
Dilution from higher outstanding shares	(0.24)	-	(0.26)
<b>EPS guidance range after potential equity dilution</b>	<b>\$3.20</b>		<b>\$3.40</b>
<b>2022 Non-GAAP Adjusted Diluted EPS (Midpoint)</b>		<b>\$3.30</b>	
<b>2022 potential dividend payout ratio</b>	78.1%		74.7%
<b>2022 potential dividend range</b>	<b>\$2.50</b>		<b>\$2.54</b>

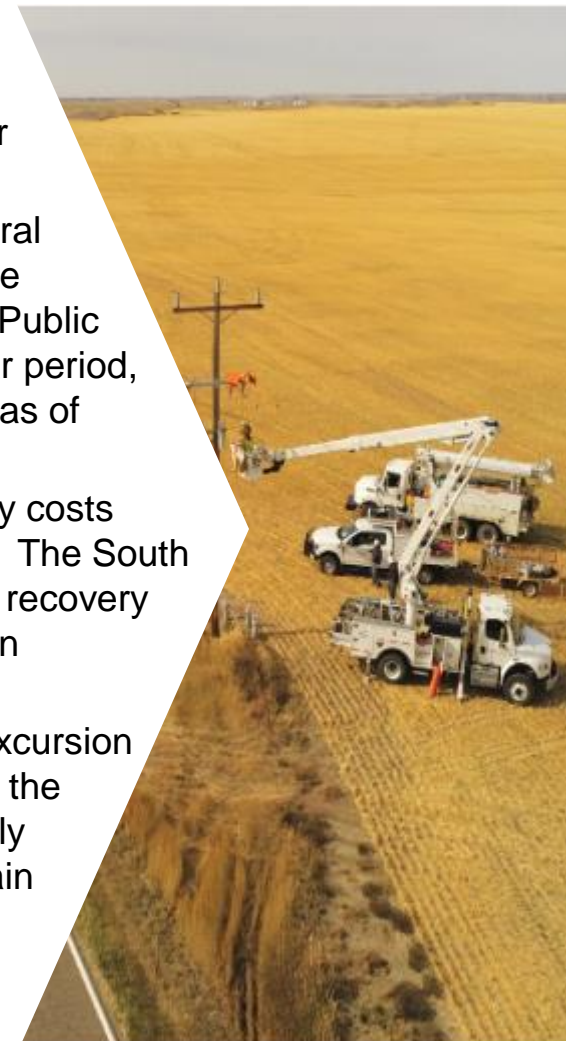
\* 2021 earnings drivers shown above are calculated using a 25.3% effective tax rate. The incremental tax impact line included above reflects anticipated changes in discrete tax items (such as tax repairs and meter deductions, production tax credits, and other permanent or flow-through items) from 2021 forecast earnings to 2022 guidance.

NorthWestern announces a preliminary 2022 earnings guidance range of \$3.20 to \$3.40 per diluted share based upon, but not limited to, the following major assumptions and expectations:

- Normal weather in our electric and natural gas service territories;
- Continued delay, or elimination, of fixed cost recovery mechanism for Montana electric;
- A consolidated income tax rate of approximately 0% to 3% of pre-tax income; and
- Diluted shares outstanding of approximately 55.6 million to 56.2 million.

# February Cold Weather Event

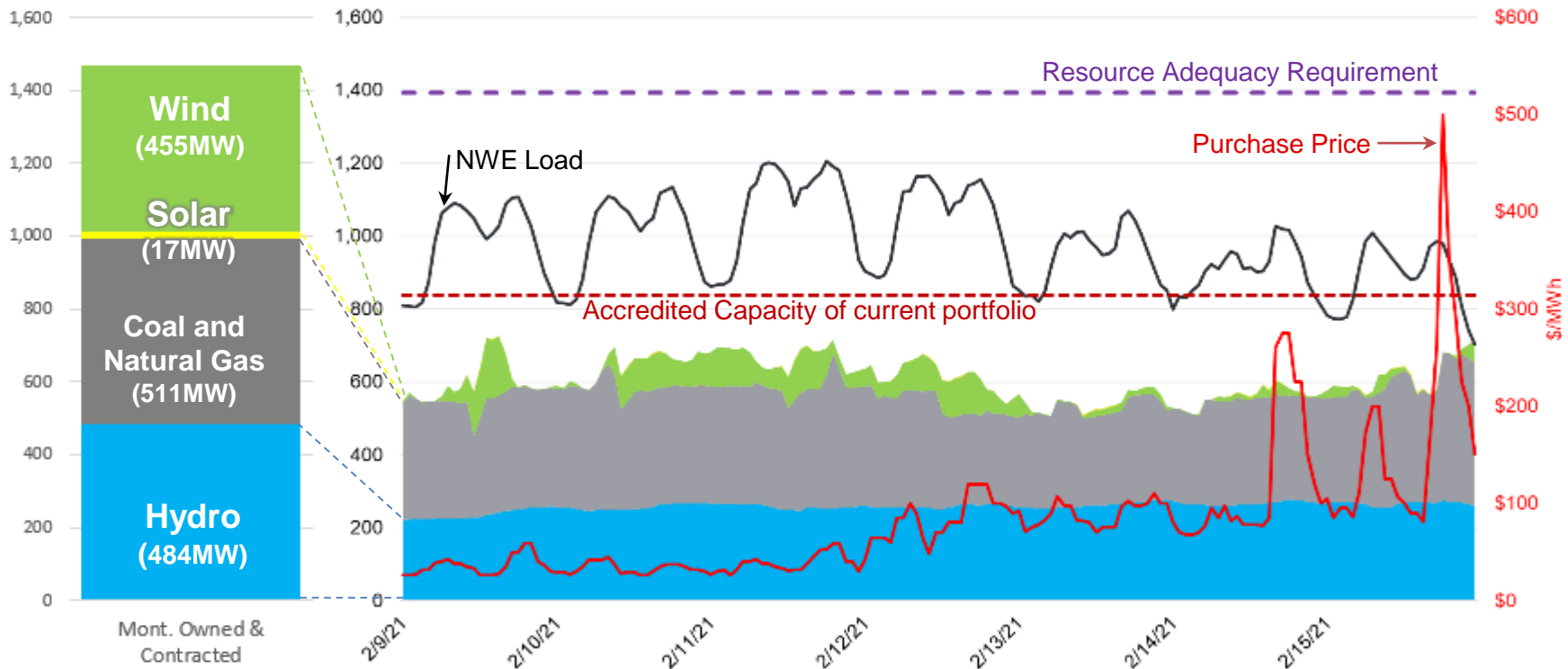
- In February 2021, a prolonged cold spell resulted in record winter peak demand for electricity and natural gas. In our SD & NE service territories, natural gas costs for the month of February 2021 exceeded the total cost for all of 2020.
  - We recorded a regulatory asset of approximately \$26.0 million 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 have a remaining balance of \$25.2 million as of September 30, 2021.
  - We recorded approximate \$22.0 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. We have \$17.7 million remaining to collect as of September 30, 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)

Portfolio Resource  
(Megawatts)

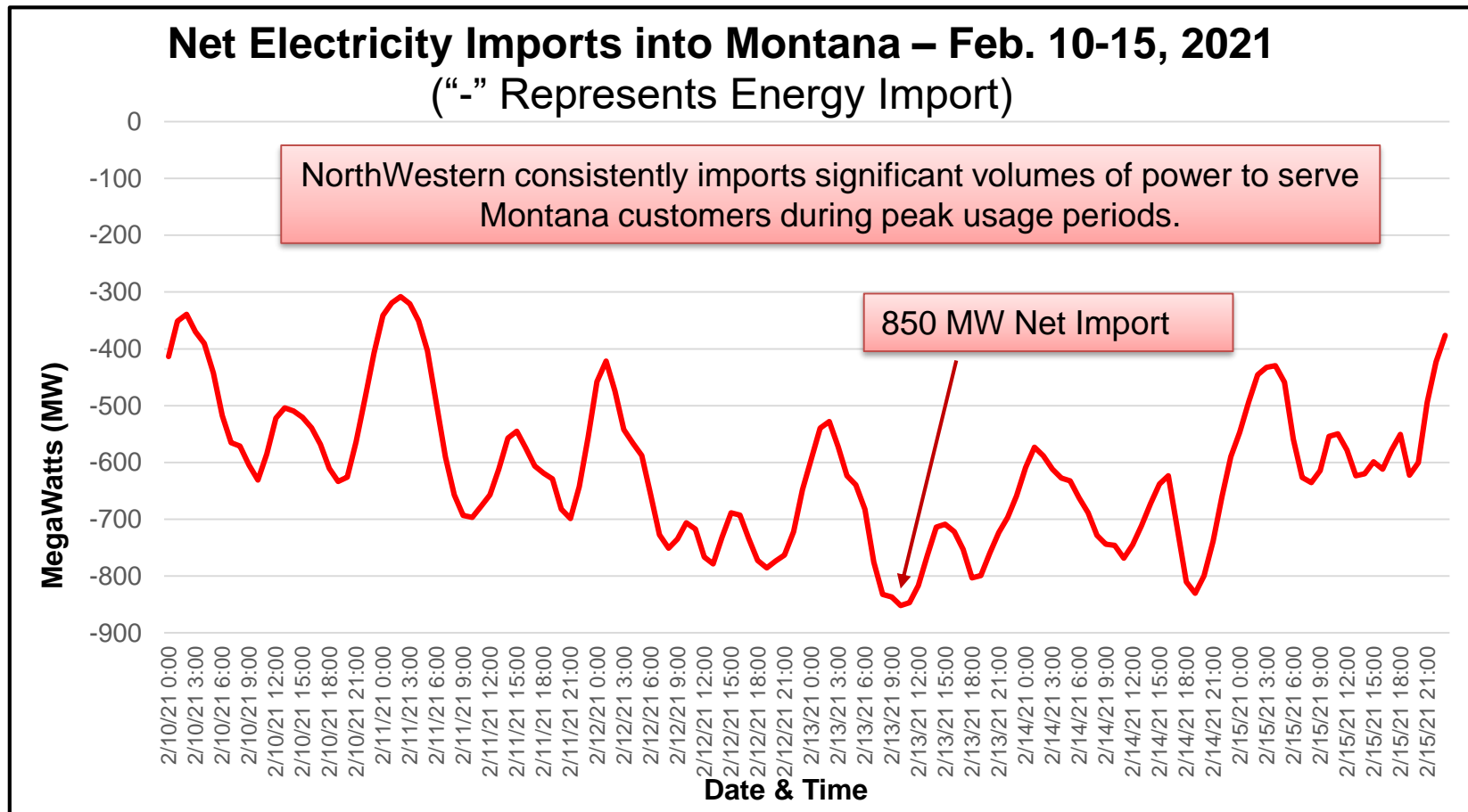
Portfolio Resource Production  
(Megawatt Hours)



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.)

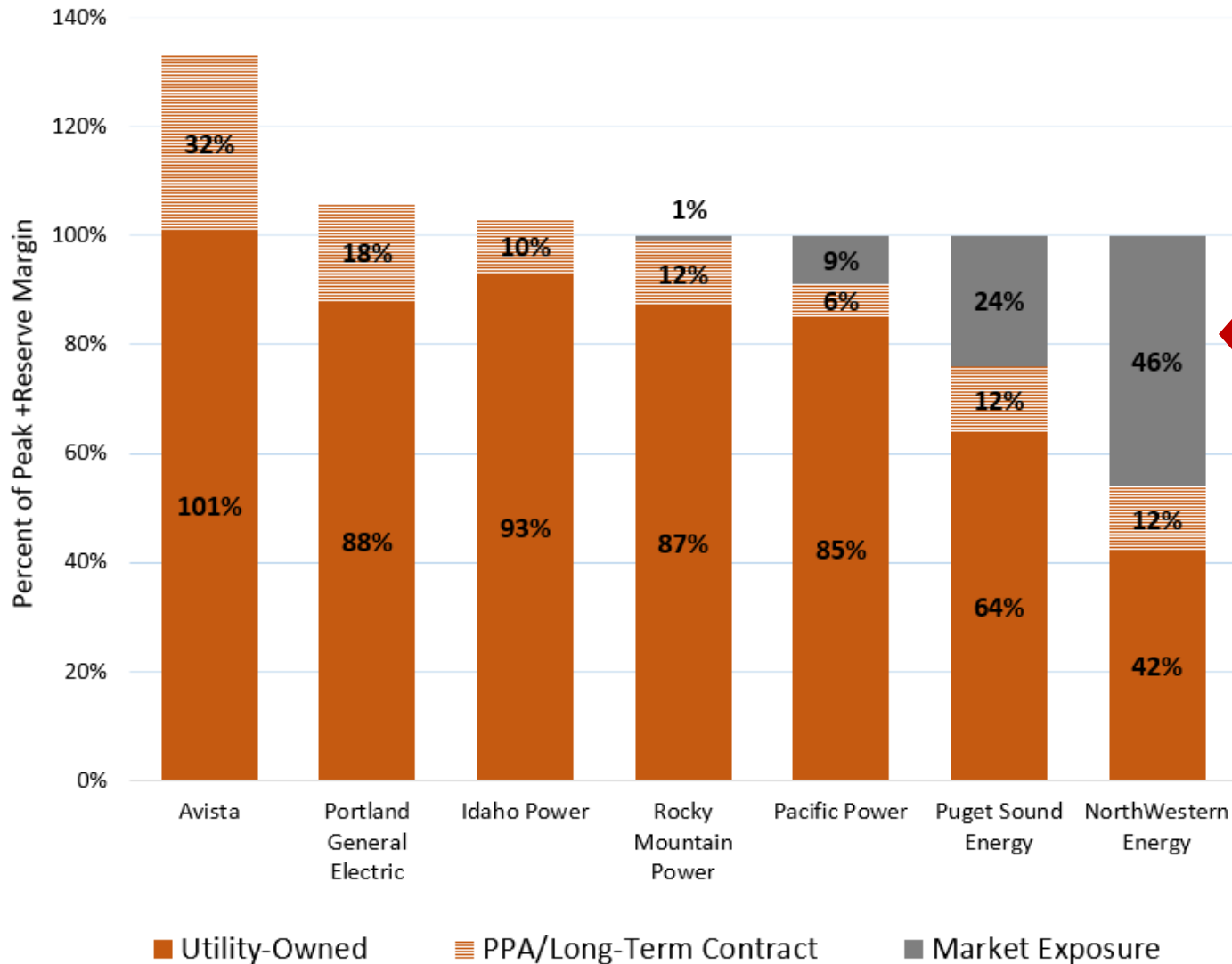


# Large Electricity Imports Were Critical (Montana)



- 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

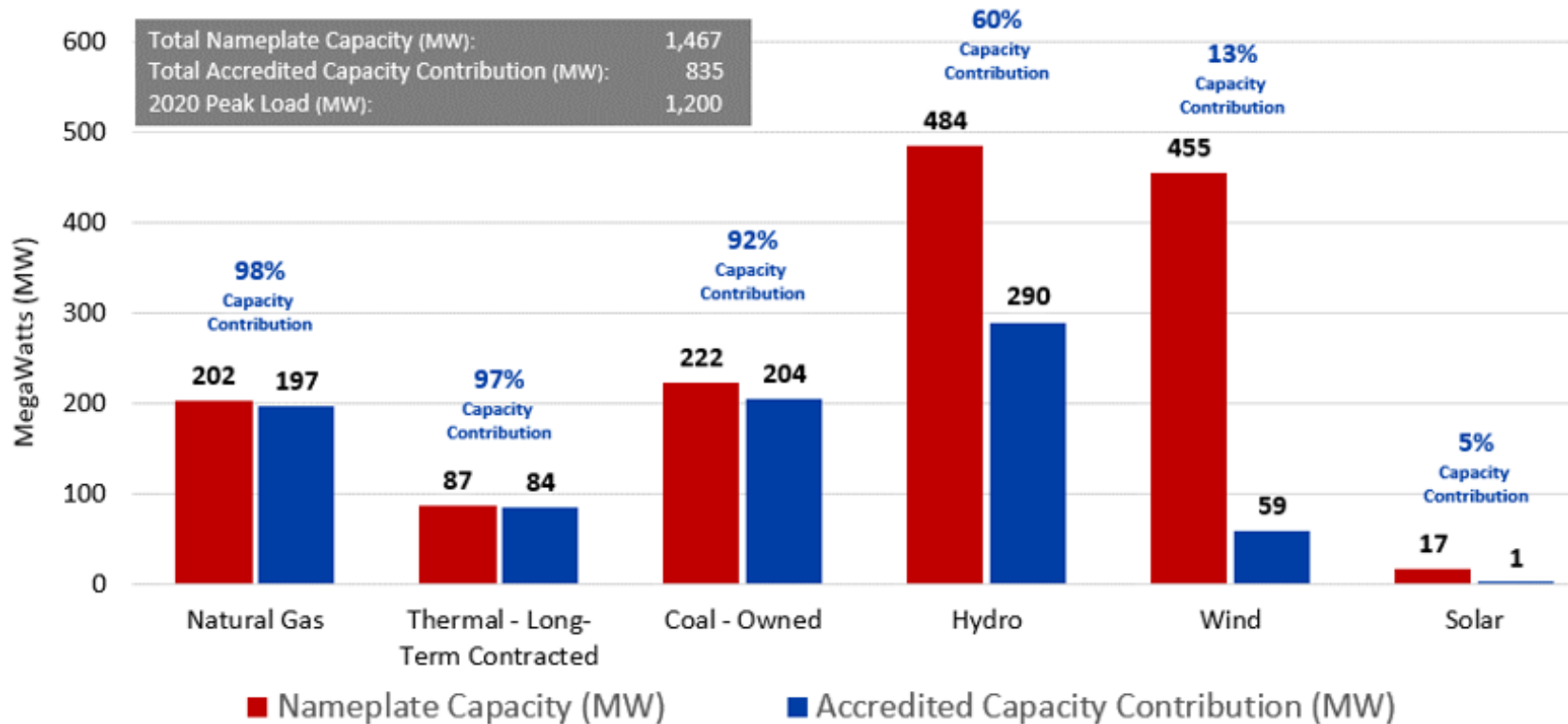
# NWE Capacity as compared to Regional Peers



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

# Accredited Capacity Contribution in Montana

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



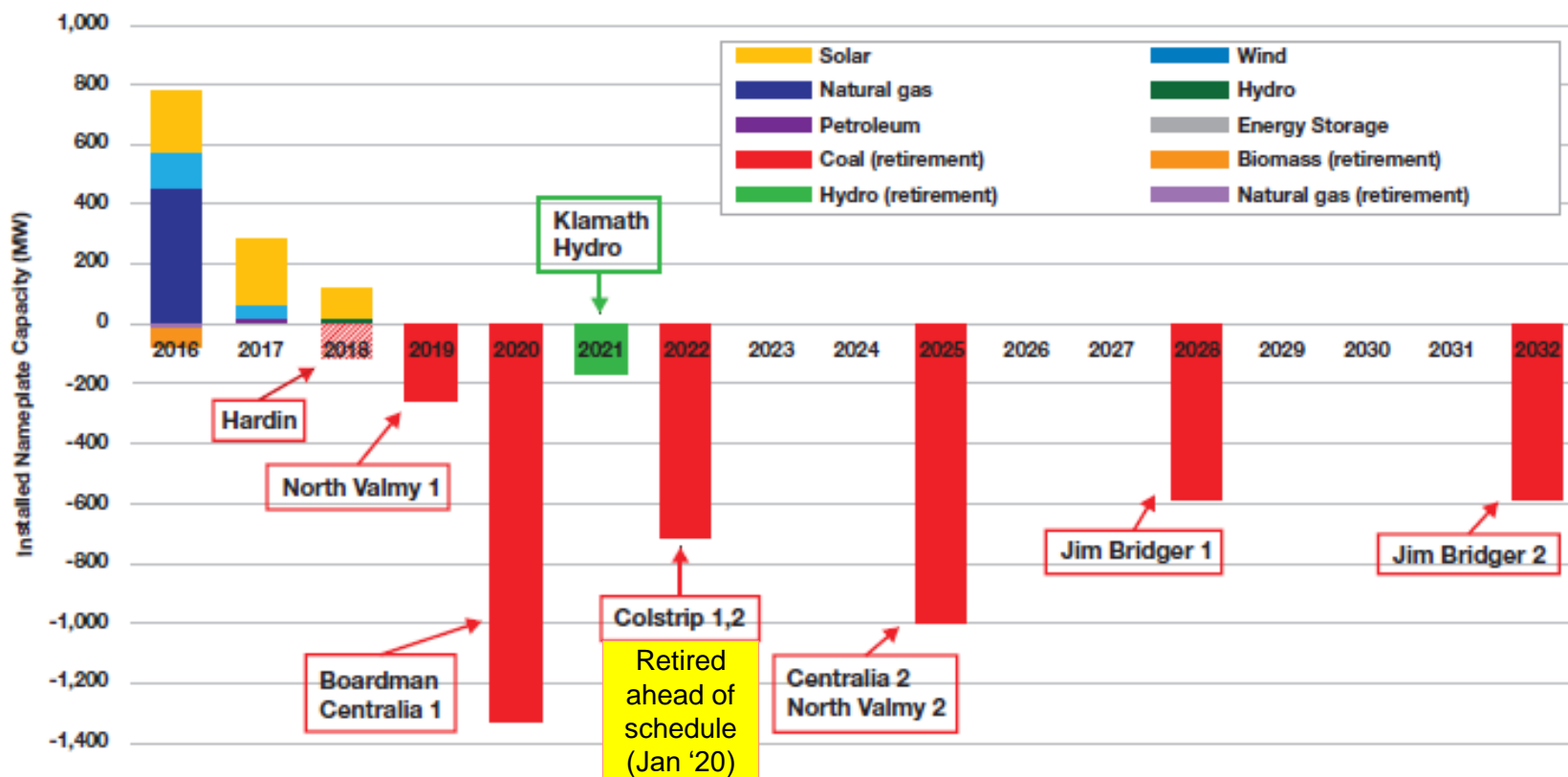
Accredited Capacity Contribution is the ability of each resource fuel-type to contribute to meet demand during peak energy usage by customers.

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	153.5	-	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



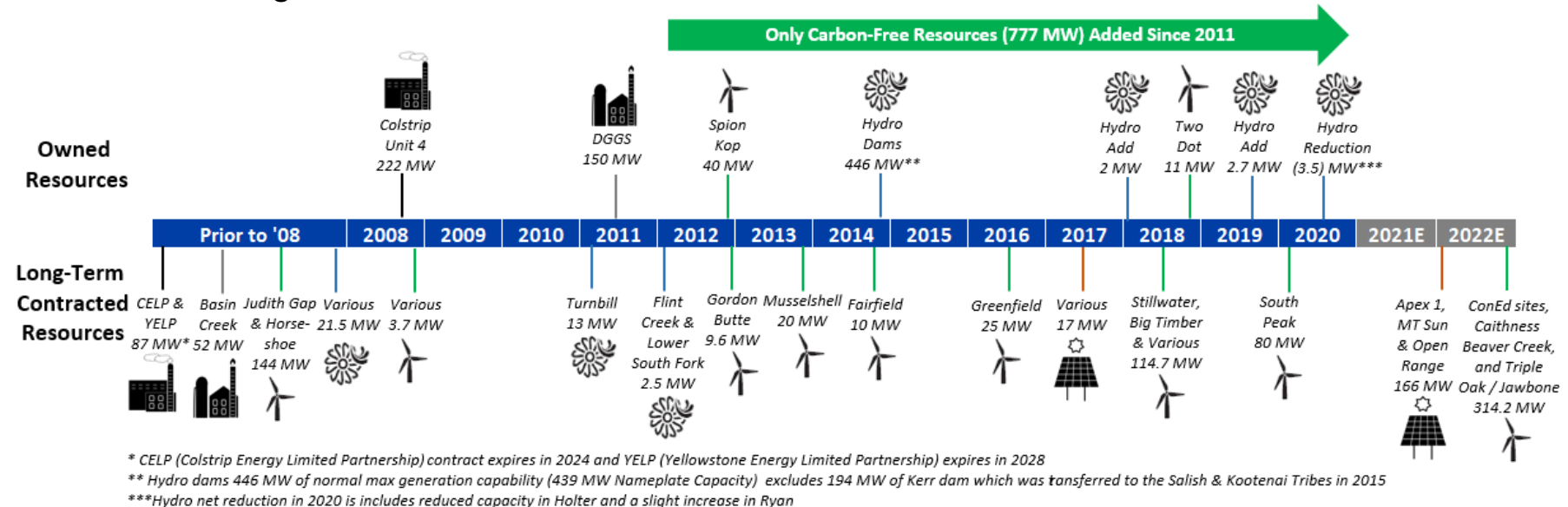
## Colstrip Transmission System



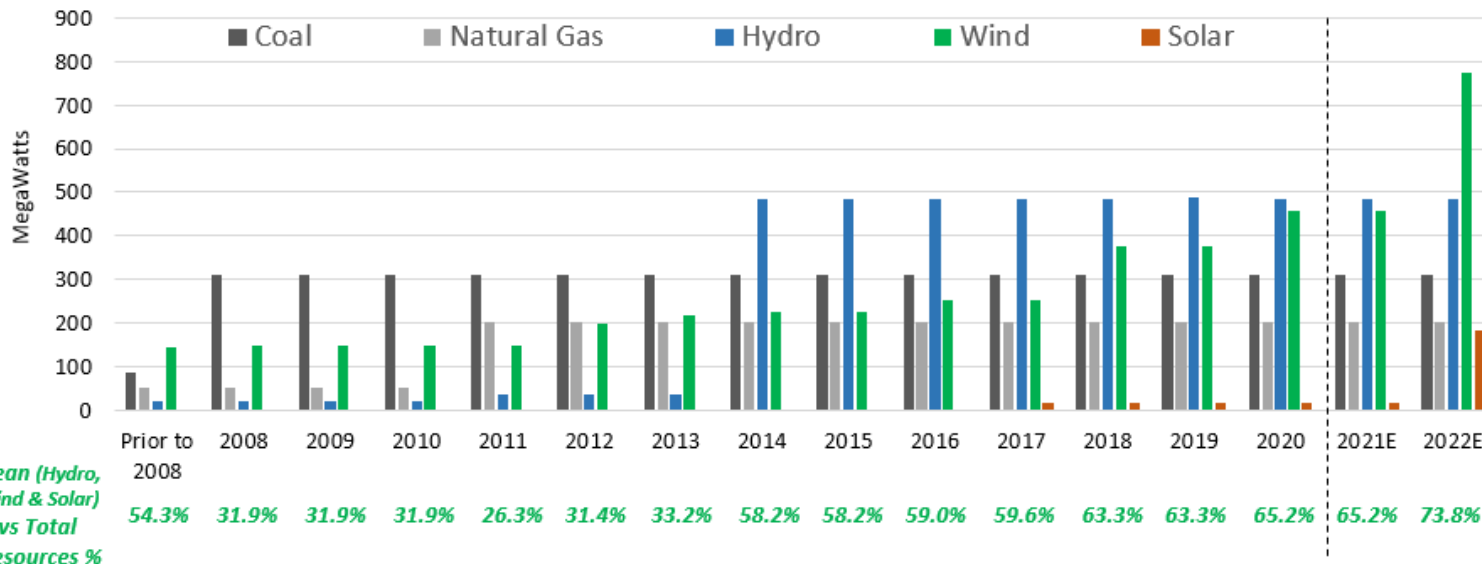
System Owner	Segment A	Segment B
AVISTA Corporation	10.2%	12.1%
NorthWestern Energy	36.4%	24.3%
PacifiCorp	6.8%	8.1%
Portland General	13.6%	16.2%
Puget Sound Energy	33.0%	39.3%

# Timeline of Montana Generation Portfolio

## Owned and Long-Term Resource Portfolio Timeline



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



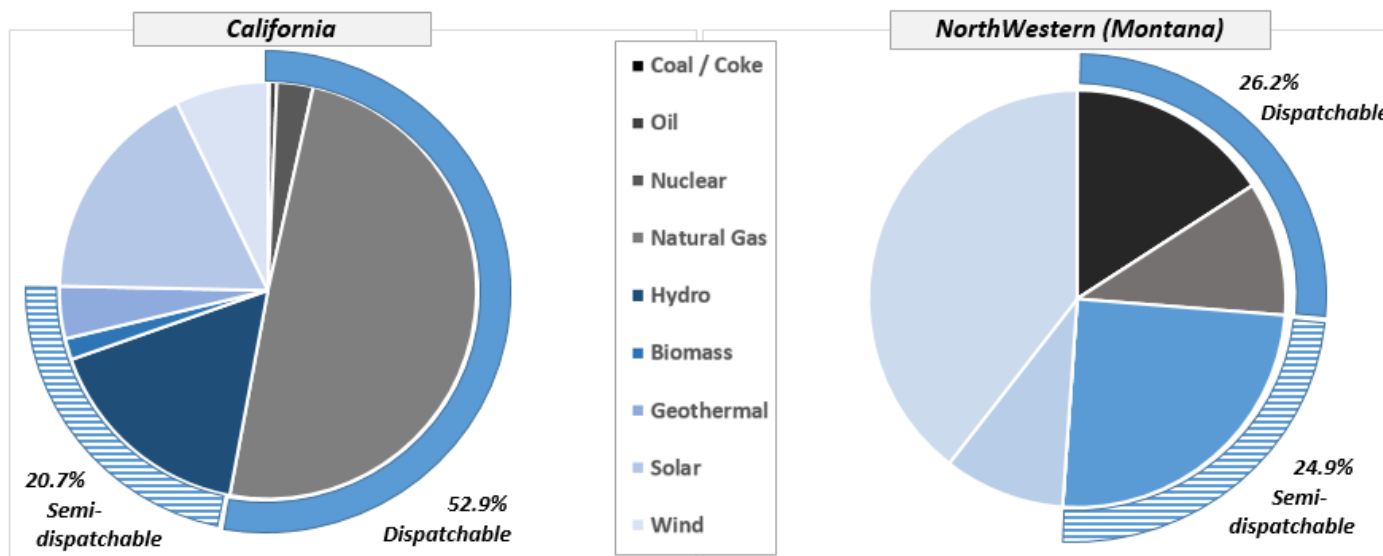
Since 2011, we have added over 775 MW of generation, both owned and long-term contract, to our generation portfolio, all of which is from carbon-free resources.

# Comparison of Installed Capacity

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

	California			
	MW	Percent		
		2020	of Total	Dispatchable Non-Carbon
Coal / Coke	90	0.1%	0.1%	
Oil	476	0.6%	0.6%	
Nuclear	2,323	2.8%	2.8%	
Natural Gas	40,957	49.5%	49.5%	
Hydro	13,811	16.7%		16.7%
Biomass	1,371	1.7%		
Geothermal	3,362	4.1%		4.1%
Solar	14,458	17.5%		17.5%
Wind	5,971	7.2%		7.2%
	82,819	100.0%	52.9%	45.4%

	NorthWestern Energy (Montana)					
	MW			Percent		
	2020	QF Adds	Proforma 2022	of Total	Dispatchable	Non-Carbon
	309		309	15.9%	15.9%	
	0		0	0.0%		
	202		202	10.4%	10.4%	
	484		484	24.9%		24.9%
			0	0.0%		
			0	0.0%		
	17	166	183	9.4%		9.4%
	454	314	769	39.5%		39.5%
	1,467	480	1,947	100.0%	26.2%	73.8%



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

(Nine Months Ended Sept. 30)

(in millions except per share amounts)

	<b>Nine Months Ended September 30,</b>			
	<b>2021</b>	<b>2020</b>	<b>Variance</b>	<b>% Variance</b>
<b>Operating Revenues</b>	\$ 1,025.0	\$ 885.2	\$ 139.8	15.8%
Cost of Sales	311.2	220.4	90.8	41.2%
<b>Gross Margin <sup>(1)</sup></b>	<b>713.8</b>	<b>664.8</b>	<b>49.0</b>	<b>7.4%</b>
<b>Operating Expenses</b>				
Operating, general & administrative	238.9	224.0	14.9	6.7%
Property and other taxes	138.3	136.8	1.5	1.1%
Depreciation and depletion	140.9	134.3	6.6	4.9%
<b>Total Operating Expenses</b>	<b>518.1</b>	<b>495.1</b>	<b>23.0</b>	<b>4.6%</b>
<b>Operating Income</b>	<b>195.7</b>	<b>169.7</b>	<b>26.0</b>	<b>15.3%</b>
Interest Expense	(70.3)	(72.3)	2.0	2.8%
Other Income, net	13.9	(1.0)	14.9	1490.0%
<b>Income Before Taxes</b>	<b>139.4</b>	<b>96.4</b>	<b>43.0</b>	<b>44.6%</b>
Income Tax Benefit	(3.9)	5.3	(9.2)	(173.6%)
<b>Net Income</b>	<b>\$ 135.5</b>	<b>\$ 101.7</b>	<b>\$ 33.8</b>	<b>33.2%</b>
Effective Tax Rate	2.8%	(5.4%)	8.2%	
Diluted: Average Shares Outstanding	51.3	50.7	0.6	1.1%
<b>Diluted Earnings Per Share</b>	<b>\$ 2.64</b>	<b>\$ 2.01</b>	<b>\$ 0.63</b>	<b>31.3%</b>
Dividends Paid per Common Share	\$ 1.86	\$ 1.80	\$ 0.06	3.3%

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



# Gross Margin

(Nine Months Ended Sept. 30)

(dollars in millions)

## Nine Months Ended September 30,

	2021	2020	Variance <sup>(1)</sup>	
Electric	\$ 580.2	\$ 533.4	\$ 46.8	8.8%
Natural Gas	133.6	131.4	2.2	1.7%
<b>Total Gross Margin</b>	<b>\$ 713.8</b>	<b>\$ 664.8</b>	<b>\$ 49.0</b>	<b>7.4%</b>

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

\$21.3	Montana electric transmission revenue
18.1	Electric retail volumes
4.8	Electric QF liability adjustment
1.8	Natural gas retail volumes
(4.3)	Montana electric supply cost recovery
(0.8)	Montana natural gas production rates
4.3	Other
<b>\$45.1</b>	<b>Change in Gross Margin Impacting Net Income</b>

\$2.2	Production tax credits reducing revenue, offset in income tax benefit
1.0	Property taxes recovered in revenue, offset in property tax expense
0.4	Gas production taxes recovered in revenue, offset in property and other taxes
0.3	Operating expenses recovered in revenue, offset in operating expense
<b>\$3.9</b>	<b>Change in Gross Margin Offset Within Net Income</b>
<b>\$49.0</b>	<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

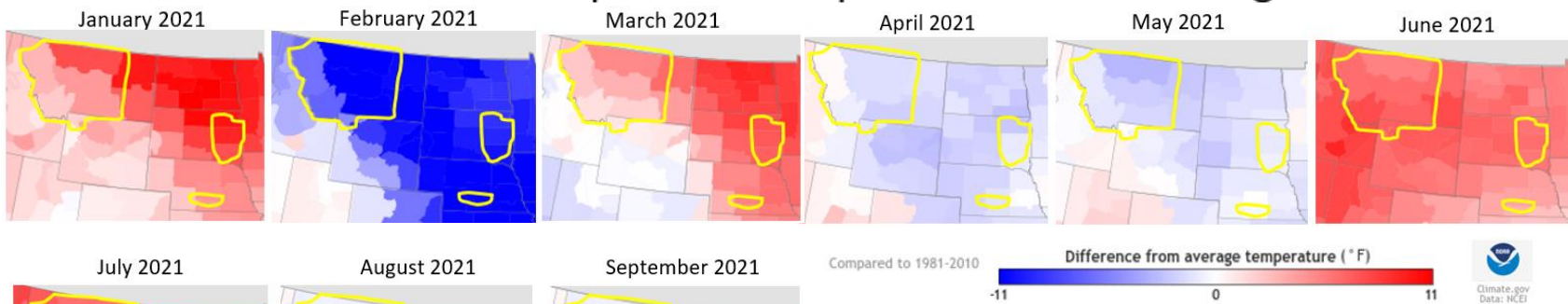
(Nine Months Ended Sept. 30)

Cooling Degree-Days	YTD thru 9/30 Degree Days			YTD thru 9/30 as compared with:	
	2021	2020	Historic Average	2020	Historic Average
Montana	632	395	416	60% warmer	52% warmer
South Dakota	966	844	699	14% warmer	38% warmer

Heating Degree - Days	YTD thru 9/30 Degree Days			YTD thru 9/30 as compared with:	
	2021	2020	Historic Average	2020	Historic Average
Montana	4,767	4,707	4,857	1% cooler	2% warmer
South Dakota	5,188	5,564	5,648	7% warmer	8% warmer
Nebraska	4,432	4,250	4,646	4% cooler	5% warmer

## Mean Temperature Departures from Average



We estimate favorable weather through the first nine months of 2021 has contributed approximately \$4.1M pretax benefit as compared to normal and \$8.2M pretax benefit as compared to the same period in 2020.

# Operating Expenses

(Nine Months Ended Sept. 30)

(dollars in millions)

Nine Months Ended September 30,

	2021	2020	Variance	
Operating, general & admin.	\$ 238.9	\$ 224.0	\$ 14.9	6.7%
Property and other taxes	138.3	136.8	1.5	1.1%
Depreciation and depletion	140.9	134.3	6.6	4.9%
<b>Operating Expenses</b>	<b>\$ 518.1</b>	<b>\$ 495.1</b>	<b>\$ 23.0</b>	<b>4.6%</b>

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

\$4.7	Employee benefit
3.0	Generation maintenance
2.4	Technology implementation and maintenance
1.2	Write-off of preliminary construction costs
(7.1)	Uncollectible accounts
0.4	Other
<u>\$4.6</u>	<b>Change in OG&amp;A Items Impacting Net Income</b>
\$6.4	Non-employee directors deferred compensation, offset in other income
3.6	Pension and other postretirement benefits, offset in other income
0.3	Operating expenses recovered in trackers, offset in revenue
<u>\$10.3</u>	<b>Change in OG&amp;A Items Offset Within Net Income</b>
<u><u>\$14.9</u></u>	<b>Increase in Operating, General &amp; Administrative Expenses</b>

**\$1.5 million increase in property and other taxes** due primarily an increase in estimated Montana state and local taxes.

**\$6.6 million increase in depreciation expense** primarily due to plant additions

# Operating to Net Income

(Nine Months Ended Sept. 30)

(dollars in millions)

**Nine Months Ended September 30,**

	<b>2021</b>	<b>2020</b>	<b>Variance</b>	
<b>Operating Income</b>	<b>\$ 195.7</b>	<b>\$ 169.7</b>	<b>\$ 26.0</b>	<b>15.3%</b>
Interest Expense	(70.3)	(72.3)	2.0	2.8%
Other Income / (Expense)	13.9	(1.0)	14.9	1,490.0%
<b>Income Before Taxes</b>	<b>139.4</b>	<b>96.4</b>	<b>43.0</b>	<b>44.6%</b>
Income Tax (Expense) / Benefit	(3.9)	5.3	(9.2)	(173.6)%
<b>Net Income</b>	<b>\$ 135.5</b>	<b>\$ 101.7</b>	<b>\$ 33.8</b>	<b>33.2%</b>

**\$2.0 million decrease in interest expense**, was a result of higher capitalization of AFUDC, partly offset by higher borrowings.

**\$14.9 million increase in other income** was due to an approximately \$10.0 million related to items offset in operating, general, and administrative expense with no impact to net income and higher capitalization of AFUDC. Items offset in operating, general and administrative expense include a \$6.4 million increase in the value of deferred shares held in trust for non-employee directors deferred compensation and a decrease in other pension expense of \$3.6 million.

**\$9.2 million increase in income tax expense** was largely due to higher pre-tax income as compared to 2020. We continue to expect our 2021 effective tax rate to range between (2.5%) and 2.5%.

# Income Tax Reconciliation



(Nine Months Ended Sept. 30)

(in millions)

	Nine Months Ended September 30,				
	2021		2020		Variance
<b>Income Before Income Taxes</b>	<b>\$139.4</b>		<b>\$96.4</b>		<b>\$43.0</b>
Income tax calculated at federal statutory rate	29.3	21.0%	20.3	21.0%	9.0
<u>Permanent or flow through adjustments:</u>					
State income, net of federal provisions	0.7	0.5%	0.1	0.1%	0.6
Flow - through repairs deductions	(15.6)	(11.2%)	(14.9)	(15.4%)	(0.7)
Production tax credits	(8.4)	(6.1%)	(7.6)	(7.8%)	(0.8)
Plant and depreciation of flow-through items	(0.8)	(0.6%)	0.3	0.3%	(1.1)
Amortization of excess deferred income tax	(0.6)	(0.4%)	(0.7)	(0.8%)	0.1
Share-based compensation	(0.3)	(0.2%)	(0.6)	(0.6%)	0.3
Income tax return to accrual adjustment	0.4	0.3%	(1.7)	(1.8%)	2.1
Other, net	(0.8)	(0.5%)	(0.4)	(0.4%)	(0.4)
Sub-total	(25.4)	(18.2%)	(25.5)	(26.4%)	0.1
<b>Income Tax Expense / (Benefit)</b>	<b>\$ 3.9</b>	<b>2.8%</b>	<b>\$ (5.2)</b>	<b>(5.4%)</b>	<b>\$ 9.1</b>

# Adjusted Non-GAAP Earnings

(Nine Months Ended Sept. 30)

						Non-GAAP Variance						
	GAAP		(1)					Non-GAAP			GAAP	
	Nine Months Ended Sep. 30, 2021	Favorable Weather	Move Pension Expense to OG&A (disaggregated with ASU 2017-07)	Non-employee Deferred Compensation	QF Liability - adjustment associated with one-time clarification of contract term	Nine Months Ended Sep. 30, 2021		Nine Months Ended Sep. 30, 2020	Non-employee Deferred Compensation	Move Pension Expense to OG&A (disaggregated with ASU 2017-07)	Unfavorable Weather	Nine Months Ended Sep. 30, 2020
							<u>Variance</u>					
							\$ %					
<i>(in millions)</i>												
<b>Revenues</b>	\$1,025.0	(4.1)	-	-	(7.4)	\$1,013.5	\$124.2 14.0%	\$889.3	-	-	4.1	\$885.2
Cost of sales	311.2	-	-	-	-	311.2	90.8 41.2%	220.4	-	-	-	220.4
<b>Gross Margin (1)</b>	<b>713.8</b>	<b>(4.1)</b>	<b>-</b>	<b>-</b>	<b>(7.4)</b>	<b>702.3</b>	<b>33.4 5.0%</b>	<b>668.9</b>	<b>-</b>	<b>-</b>	<b>4.1</b>	<b>664.8</b>
<b>Op. Expenses</b>												
OG&A	238.9	-	(3.2)	(1.4)	-	234.3	4.9 2.1%	229.4	5.0	0.4	-	224.0
Prop. & other taxes	138.3	-	-	-	-	138.3	1.5 1.1%	136.8	-	-	-	136.8
Depreciation	140.9	-	-	-	-	140.9	6.5 4.8%	134.4	-	-	-	134.3
<b>Total Op. Exp.</b>	<b>518.1</b>	<b>-</b>	<b>(3.2)</b>	<b>(1.4)</b>	<b>-</b>	<b>513.5</b>	<b>13.0 2.6%</b>	<b>500.5</b>	<b>5.0</b>	<b>0.4</b>	<b>-</b>	<b>495.1</b>
<b>Op. Income</b>	<b>195.7</b>	<b>(4.1)</b>	<b>3.2</b>	<b>1.4</b>	<b>(7.4)</b>	<b>188.8</b>	<b>20.4 12.1%</b>	<b>168.4</b>	<b>(5.0)</b>	<b>(0.4)</b>	<b>4.1</b>	<b>169.7</b>
Interest expense	(70.3)	-	-	-	-	(70.3)	2.0 2.8%	(72.3)	-	-	-	(72.3)
Other (Exp.) Inc., net	13.9	-	(3.2)	(1.4)	-	9.3	4.9 111.4%	4.4	5.0	0.4	-	(1.0)
<b>Pretax Income</b>	<b>139.4</b>	<b>(4.1)</b>	<b>-</b>	<b>-</b>	<b>(7.4)</b>	<b>127.9</b>	<b>27.4 27.3%</b>	<b>100.5</b>	<b>-</b>	<b>-</b>	<b>4.1</b>	<b>96.4</b>
Income tax	(3.9)	1.0	-	-	1.9	(1.0)	(5.3) -123.3%	4.3	-	-	(1.0)	5.3
<b>Net Income</b>	<b>\$135.5</b>	<b>(3.1)</b>	<b>-</b>	<b>-</b>	<b>(5.5)</b>	<b>\$126.9</b>	<b>\$22.1 21.1%</b>	<b>\$104.8</b>	<b>-</b>	<b>-</b>	<b>3.1</b>	<b>\$101.7</b>
<i>ETF</i>	2.7%	25.3%	-	-	25.3%	0.8%		-4.2%	-	-	25.3%	-5.4%
Diluted Shares	51.3					51.3	0.6 1.2%	50.7				50.7
<b>Diluted EPS</b>	<b>\$2.64</b>	<b>(0.06)</b>	<b>-</b>	<b>-</b>	<b>(0.11)</b>	<b>\$2.47</b>	<b>\$0.40 19.3%</b>	<b>\$2.07</b>	<b>-</b>	<b>-</b>	<b>0.06</b>	<b>\$2.01</b>

The adjusted non-GAAP measures presented in the table are being shown to reflect significant items that were non-recurring or variance from normal weather, however they should not be considered a substitute for financial results and measures determined or calculated in accordance with GAAP.

(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).

# Balance Sheet

(dollars in millions)

	As of September 30, 2021	As of December 31, 2020
Cash and cash equivalents	\$ 8.6	\$ 5.8
Restricted cash	15.6	11.3
Accounts receivable, net	139.3	168.2
Inventories	84.4	61.0
Other current assets	139.3	62.3
Goodwill	357.6	357.6
PP&E and other non-current assets	5,921.8	5,723.2
<b>Total Assets</b>	<b>\$ 6,666.6</b>	<b>\$ 6,389.4</b>
Payables	89.7	100.4
Current Maturities - debt and leases	2.8	102.7
Other current liabilities	315.4	263.4
Long-term debt & capital leases	2,475.7	2,330.0
Other non-current liabilities	1,536.4	1,513.9
Shareholders' equity	2,246.5	2,079.1
<b>Total Liabilities and Equity</b>	<b>\$ 6,666.6</b>	<b>\$ 6,389.4</b>
<b>Capitalization:</b>		
Short-Term Debt & Short-Term Finance Leases	2.8	102.7
Long-Term Debt & Long-Term Finance Leases	2,475.7	2,330.0
Less: Basin Creek Finance Lease	(15.5)	(17.4)
Less: New Market Tax Credit Financing Debt	-	(27.0)
Shareholders' Equity	2,246.5	2,079.1
<b>Total Capitalization</b>	<b>\$ 4,709.6</b>	<b>\$ 4,467.4</b>
<b>Ratio of Debt to Total Capitalization</b>	<b>52.3%</b>	<b>53.5%</b>

Targeted debt  
to  
capitalization  
ratio of  
50%-55%

52.3% Debt to  
Capitalization  
at  
September  
30, 2021

## Cash Flow

(dollars in millions)	Nine Months Ending September 30,	
	2021	2020
<b>Operating Activities</b>		
Net Income	\$ 135.5	\$ 101.7
Non-Cash adjustments to net income	148.7	135.0
Changes in working capital	(31.0)	99.1
Other non-current assets & liabilities	(31.6)	(13.3)
<b>Cash provided by Operating Activities</b>	<b>221.6</b>	<b>322.5</b>
<b>Investing Activities</b>		
PP&E additions	(311.2)	(283.0)
Investment in equity securities	(0.6)	-
<b>Cash used in Investing Activities</b>	<b>(311.8)</b>	<b>(283.0)</b>
<b>Financing Activities</b>		
Proceeds from issuance of common stock, net	121.1	-
Issuance of long-term debt, net	99.9	150.0
(Repayments) issuance of short-term borrowings	(100.0)	100.0
Repayments of long-term debt	(1.0)	-
Line of credit borrowings (repayments), net	73.0	(193.0)
Dividends on common stock	(95.1)	(90.3)
Financing costs	(0.9)	(2.6)
Other	0.3	(1.7)
<b>Cash Provided by (Used in) Financing Activities</b>	<b>97.3</b>	<b>(37.6)</b>
<b>Increase in Cash, Cash Equiv. &amp; Restricted Cash</b>	<b>7.1</b>	<b>1.9</b>
Beginning Cash, Cash Equiv. & Restricted Cash	17.1	12.1
<b>Ending Cash, Cash Equiv. &amp; Restricted Cash</b>	<b>\$ 24.2</b>	<b>\$ 14.0</b>

Cash from operating activities decreased by \$100.9 million primarily due to an \$106.9 million\* net increase in under collection of energy supply costs from customers in the current period, and a refund of approximately \$20.5 million to our FERC regulated customers in 2021. These reductions were offset in part by an improvement in net income.

However, funds from operations (cash from operations less current working capital) improved by \$29.2 million in the current period.

\* \$61.3 million electric and \$45.6 million natural gas



# Qualified Facility Earnings Adjustment

	Annual actual contract price escalation	Annual adjustment for actual output and pricing	Adjustment associated with the one-time clarification in contract term	Total
Nov-12	(Arbitration) \$47.9 Non-GAAP Adj.	0.0	0.0	\$47.9
Jun-13	\$0.0	1.0	0.0	\$1.0
Jun-14	\$0.0	0.0	0.0	\$0.0
Jun-15	(\$6.1) Non-GAAP Adj.	1.8	0.0	(\$4.3)
Jun-16	\$0.0	1.8	0.0	\$1.8
Jun-17	\$0.0	2.1	0.0	\$2.1
Jun-18	\$17.5 Non-GAAP Adj.	9.7	0.0	\$27.2
Jun-19	\$3.3	3.1	0.0	\$6.4
Jun-20	\$2.2 (f)	0.9 (d)	0.0	\$3.1 (b)
Jun-21	(\$2.1) (e)	2.6 (c)	8.7 Non-GAAP Adj.	\$9.2 (a)
Sep-21	\$0.0	0.0	(g) (1.3) Non-GAAP Adj.	(\$1.3) (a)

## Year-over-Year Better (Worse)

Jun-13	(\$47.9)	1.0	0.0	(\$46.9)
Jun-14	\$0.0	(1.0)	0.0	(\$1.0)
Jun-15	(\$6.1)	1.8	0.0	(\$4.3)
Jun-16	\$6.1	0.0	0.0	\$6.1
Jun-17	\$0.0	0.3	0.0	\$0.3
Jun-18	\$17.5	7.6	0.0	\$25.1
Jun-19	(\$14.2)	(6.6)	0.0	(\$20.8)
Jun-20	(\$1.1)	(2.2)	0.0	(\$3.3)
Jun-21	(\$4.3)	1.7	8.7	\$6.1 *
Sep-21	\$0.0	0.0	(1.3)	(\$1.3) *

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.

\$4.3 million YTD benefit \* due to a more favorable adjustment of our electric QF liability (unrecoverable costs associated with PURPA contracts as part of a 2002 stipulation with the MPSC and other parties) reflecting a \$7.9 million gain in 2021 (a), as compared with a \$3.1 million gain for the same period in 2020 (b), due to the combination of:

- A \$2.6 million favorable reduction in costs for the current contract year to record the annual adjustment for actual output and pricing (c) as compared with a \$0.9 million favorable reduction in costs in the prior period (d);
- A negative adjustment, increasing the QF liability by \$2.1 million (e), reflecting annual actual contract price escalation, which was more than previously estimated, compared to a favorable adjustment of \$2.2 million in the prior year due to lower actual price escalation (f); and
- A favorable adjustment of approximately \$7.4 million decreasing the QF liability due to a one-time clarification in contract term (g).

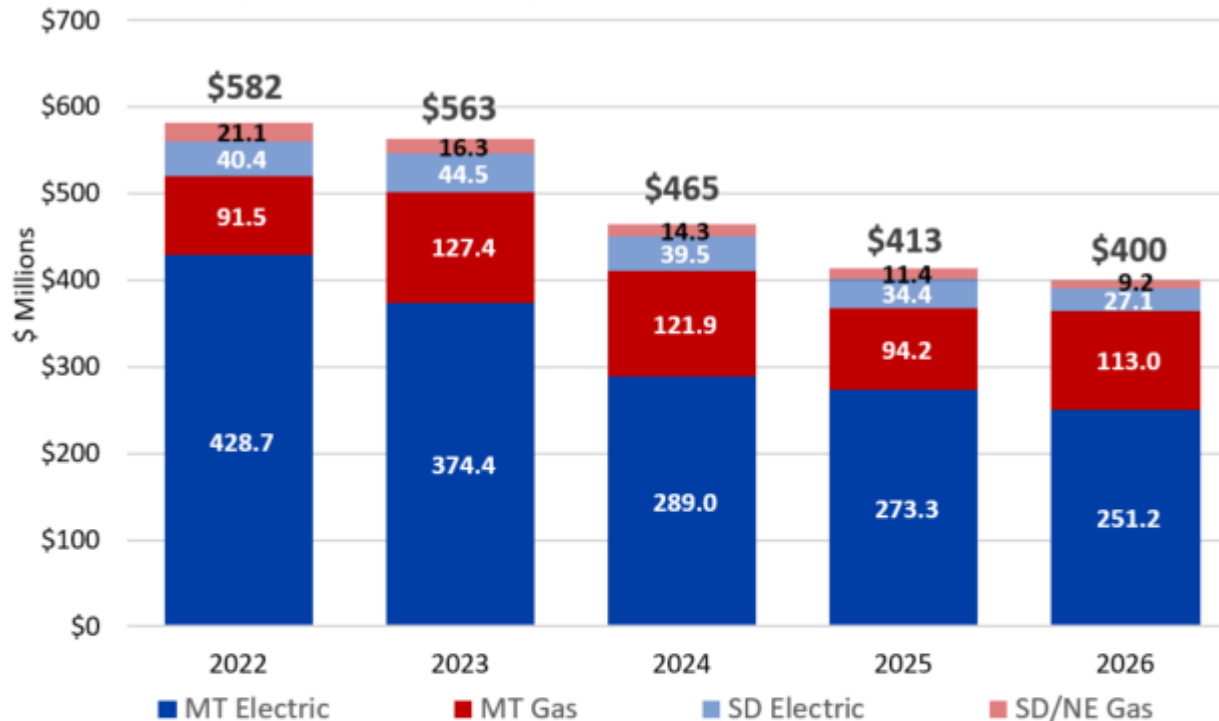
# Quarterly PCCAM Impacts

	<u>Q1</u>	<u>Q2</u>	<u>Q3</u>	<u>Q4</u>	<u>Full Year</u>
'17/'18 Tracker	First full year recorded in Q3			\$3.3	\$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>
					<u>Full Year</u>
'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>
					<u>Full Year</u>
CU4 Disallowance ('18/'19 Tracker)				(\$9.4)	(\$9.4)
'19/'20 Tracker	(\$0.1)	\$0.2			\$0.1
Recovery of modeling costs	\$0.7				\$0.7
'20/'21 Tracker			(\$0.6)	(\$0.3)	(0.9)
<b>2020 (Expense) Benefit</b>	<b>\$0.6</b>	<b>\$0.2</b>	<b>(\$0.6)</b>	<b>(\$0.7)</b>	<b>(\$9.5)</b>
					<u>Year to Date</u>
'20/'21 Tracker	(\$0.8)	(\$0.6)			(\$1.4)
'21/'22 Tracker			(\$2.7)		(2.7)
<b>2021 (Expense) Benefit</b>	<b>(\$0.8)</b>	<b>(\$0.6)</b>	<b>(\$2.7)</b>	<b>\$0.0</b>	<b>(\$4.1)</b>
<b>Year-over-Year Variance</b>	<b>(\$1.4)</b>	<b>(\$0.8)</b>	<b>(\$2.1)</b>		<b>(\$4.3)</b>

We recover the cost of our electric and natural gas supply through tracking mechanisms. The natural gas supply tracking mechanism in each of our jurisdictions, and electric supply tracking mechanism in South Dakota are designed to provide stable recovery of supply costs, with a monthly purchased natural gas rate tracker adjustment and a quarterly electric fuel cost rate tracker adjustment to correct for any under or over collection. The Montana electric supply tracking mechanism implemented in 2018, the PCCAM, is designed for us to absorb risk through a sharing mechanism, with 90% of the variance above or below the established base revenues and actual costs collected from or refunded to customers. Our electric supply rates were adjusted monthly under the prior tracker, and under the PCCAM design are adjusted annually. In periods of significant fluctuation of loads and / or market prices, this design impacts our cash flows as application of the PCCAM requires that we absorb certain power cost increases before we are allowed to recover increases from customers.

# Segmented Capital Forecast

## Regulated Utility Five-Year Capital Forecast



\$ Millions	2022	2023	2024	2025	2026
Electric	469.1	419.0	328.5	307.7	278.3
Natural Gas	112.6	143.6	136.2	105.6	122.2
<b>Total Capital Forecast</b>	<b>581.7</b>	<b>562.6</b>	<b>464.7</b>	<b>413.3</b>	<b>400.5</b>

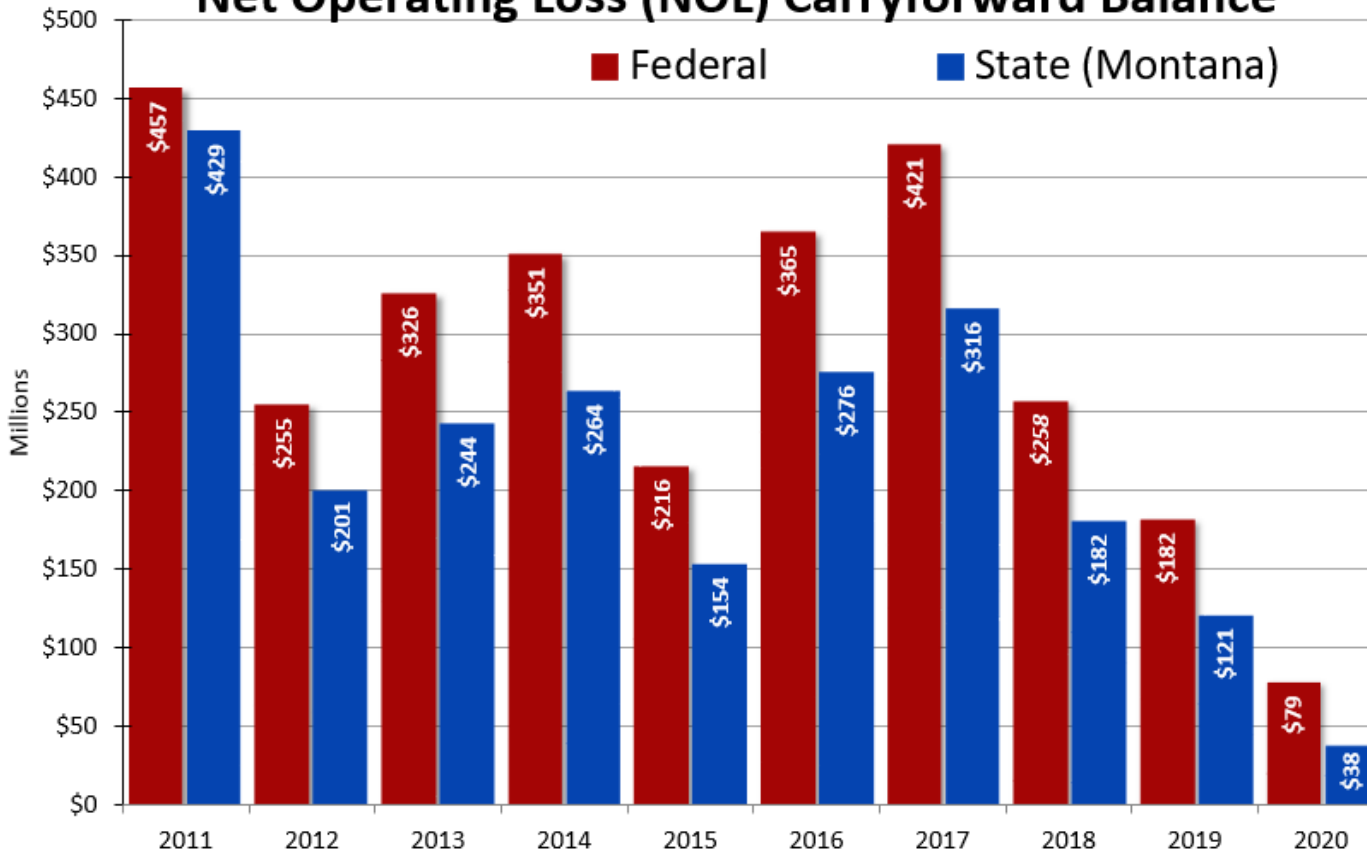
\$ Millions	2022	2023	2024	2025	2026
Montana	520.2	501.8	410.9	367.5	364.2
South Dakota / Nebraska	61.5	60.8	53.8	45.8	36.3
<b>Total Capital Forecast</b>	<b>581.7</b>	<b>562.6</b>	<b>464.7</b>	<b>413.3</b>	<b>400.5</b>

**\$2.4 billion** of total capital investment over the five year period (a \$300 million increase to prior 5-year forecast). We expect to finance this capital with a combination of cash flows from operations, first mortgage bonds and equity issuances.

Financing plans are subject to change depending on capital expenditures, regulatory outcomes, internal cash generation, market conditions and other factors.

# Net Operating Losses & Effective Tax Rate

## Net Operating Loss (NOL) Carryforward Balance



### 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.

# 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>			

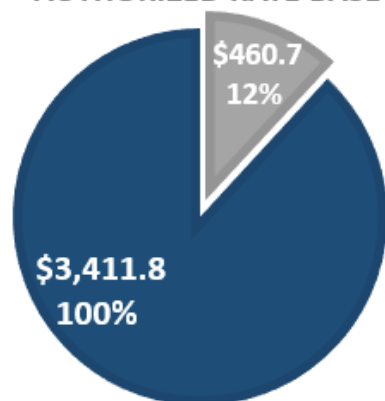
(1) The revenue requirement associated with the FERC regulated portion of Montana electric transmission and ancillary services are included as revenue credits to our MPSC jurisdictional customers. Therefore, we do not separately reflect FERC authorized rate base or authorized returns.

(2) The Montana gas revenue requirement includes a step down which approximates annual depletion of our natural gas production assets included in rate base.

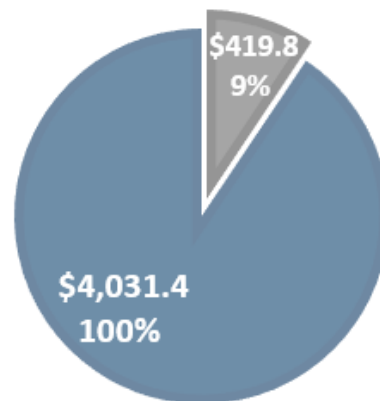
(3) For those items marked as "n/a," the respective settlement and/or order was not specific as to these terms.

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

AUTHORIZED RATE BASE



ESTIMATED RATE BASE



■ Coal Rate Base  
■ 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>Electric (MW)</b>	<b>MT</b>	<b>SD</b>	<b>Total</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>Natural Gas (Bcf)</b>	<b>MT</b>	<b>SD</b>	<b>Total</b>
Proven reserves	43.1	-	43.1
Annual production	3.5	-	3.5
Storage	17.8	-	17.8



## Transmission

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

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



## Distribution

<b>Demand</b>	<b>MT</b>	<b>SD / NE (1)</b>	<b>Total</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>Customers</b>	<b>MT</b>	<b>SD / NE</b>	<b>Total</b>
Electric	384,700	63,900	448,600
Natural gas	203,700	90,700	294,400
Total	588,400	154,600	743,000

<b>System (miles)</b>	<b>MT</b>	<b>SD / NE</b>	<b>Total</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 (DGGs) 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 2)

## 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>
<b>Tax Adjustments to Non-GAAP Items (\$ Million)</b>	<b>2011</b>	<b>2012</b>	<b>2013</b>	<b>2014</b>	<b>2015</b>	<b>2016</b>	<b>2017</b>	<b>2018</b>	<b>2019</b>	<b>2020</b>
<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 2)

## 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%

## Use of Non-GAAP Financial Measures - Gross Margin Through September 30, 2021

(in millions)	Electric	Gas	Other	Total
Operating Revenues	\$ 799.0	\$ 226.0	\$ -	\$ 1,025.0
Cost of Sales	\$ 218.8	\$ 92.3	\$ -	\$ 311.2
Gross Margin	\$ 580.2	\$ 133.7	\$ -	\$ 713.8

### 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.

## Use of Non-GAAP Financial Measures - Gross Margin Through September 30, 2021

(in millions)	Montana	South Dakota	Nebraska	Eliminations	Total
Operating Revenues	\$ 809.9	\$ 197.2	\$ 23.1	\$ (5.3)	\$ 1,025.0
Cost of Sales	\$ 207.5	\$ 94.2	\$ 14.8	\$ (5.3)	\$ 311.2
Gross Margin	\$ 602.5	\$ 103.0	\$ 8.4	\$ -	\$ 713.8

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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