

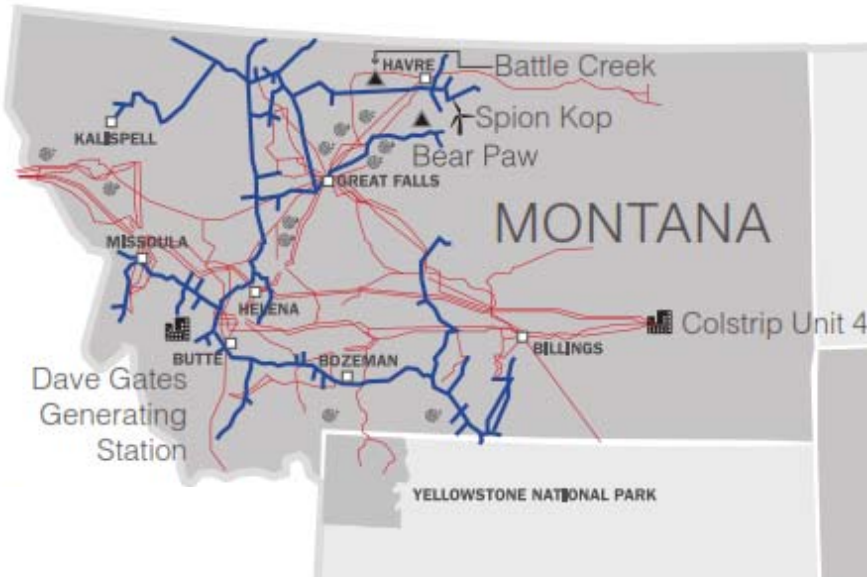


South Dakota PUC Public Meeting – Yankton, SD | 5/14/2015

**NorthWestern**  
**Energy**  
Delivering a Bright Future



# About NorthWestern



## Montana Operations

### Electric

353,600 customers  
 24,300 miles – transmission & distribution lines  
 895 MW of baseload power generation  
 105 MW of regulating services generation

### Natural Gas

189,000 customers  
 7,200 miles of transmission and distribution pipeline  
 18 Bcf of gas storage capacity  
 Owns 70 Bcf of proven natural gas reserves

## NORTH DAKOTA

Coyote 1

## South Dakota Operations

### Electric

62,500 customers  
 3,500 miles – transmission & distribution lines  
 360 MW of power generation

### Natural Gas

45,500 customers  
 1,655 miles of transmission and distribution pipeline

## SOUTH DAKOTA

Big Stone

ABERDEEN  
 HURON  
 BROOKINGS  
 MITCHELL  
 YANKTON

## NEBRASKA

NORTH PLATTE  
 GRAND ISLAND  
 KEARNEY

Neal 4

## IOWA

## Nebraska Operations

### Natural Gas

42,000 customers  
 750 miles of distribution pipeline

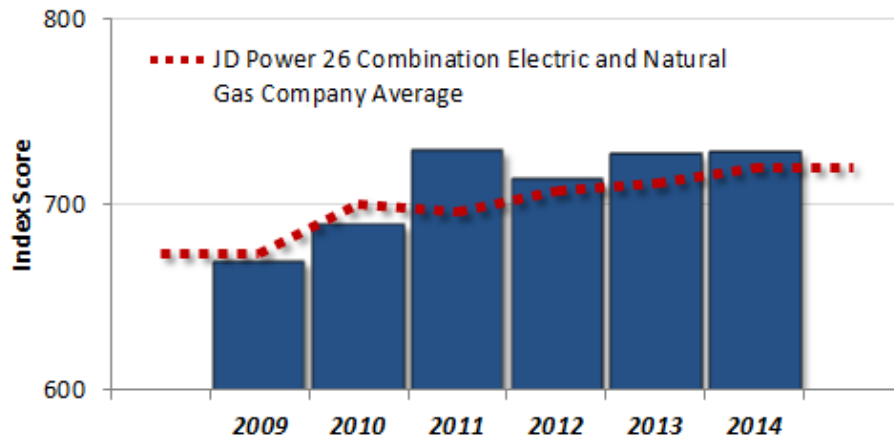
- Natural Gas
- Electric
- Electric Generating Plants
- ▲ Natural Gas Reserves
- ⤴ Wind Farm
- ⊙ Hydro Facilities



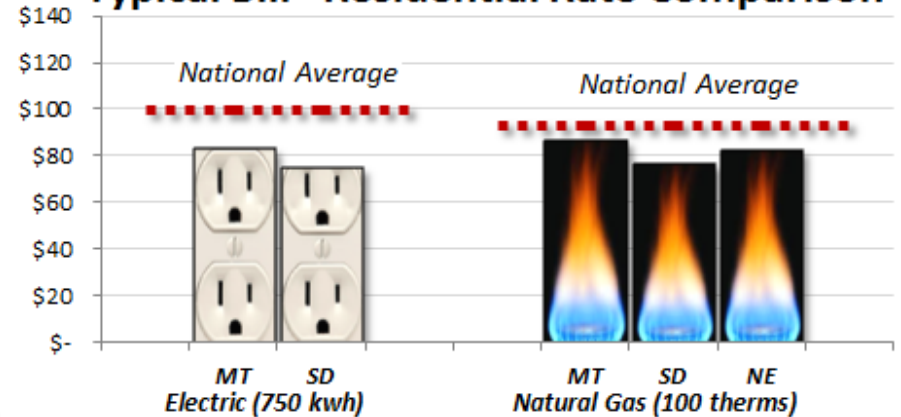


# Strong Utility Foundation

## JD Power - Customer Service Index Score

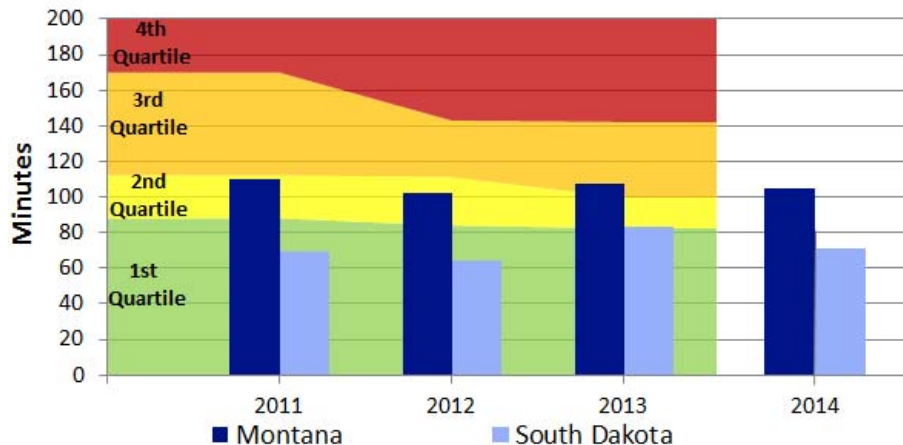


## "Typical Bill" Residential Rate Comparison



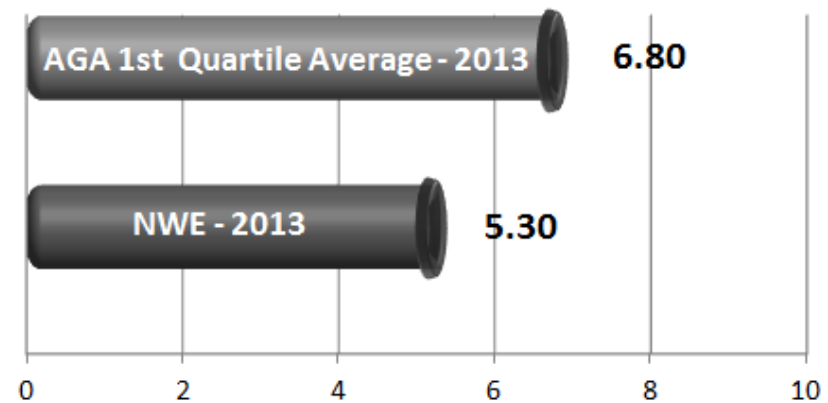
Electric source: Edison Electric Institute Typical Bills and Average Rates Report, 1/1/14  
 Natural gas source: US Dept of Energy Monthly residential supply and delivery rates as of 1/1/14

## Customer Average Interruption Duration Index (CAIDI) NWE versus EEI System Reliability Quartiles



CAIDI Reliability Indices with Major Events Excluded. 2014 EEI benchmark data not yet available.

## Leaks per 100 Miles of Pipe Excluding Excavation Damages - 2013



- Customer service satisfaction scores in line or better than survey average (JD Powers)
- Residential electric and natural gas rates below national average
- Solid electric system reliability and low gas leaks per mile

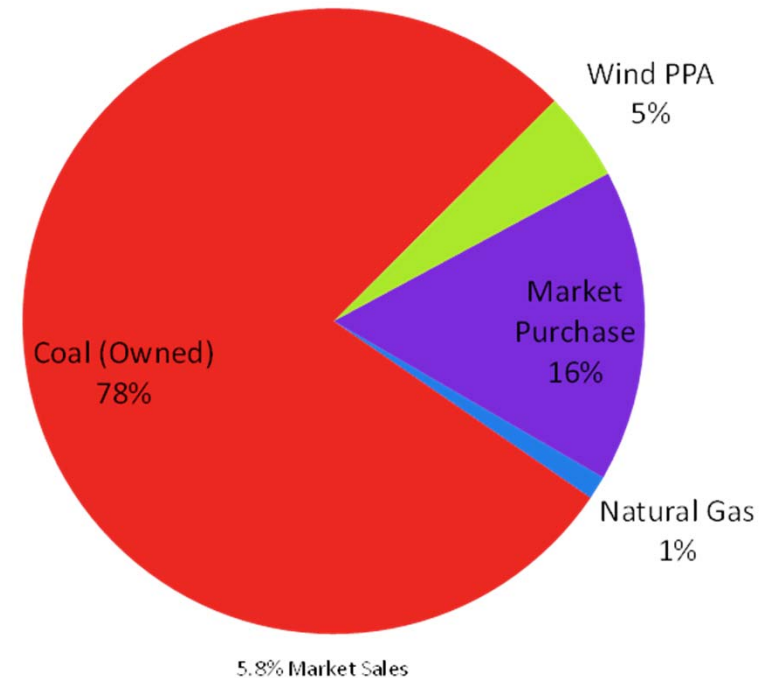


# South Dakota Electric Generation Mix

- 78% of electricity supplied by NorthWestern is coal generated
- Joint owner of three coal-fired plants in South Dakota, North Dakota and Iowa
  - Big Stone Plant (South Dakota)
  - Coyote Plant (North Dakota)
  - Neal 4 (Iowa)
- By 2016, nearly 25% of SD generation will be wind.
  - 74% will be coal

2013 Energy Resource Mix

1.85 GWh Total





# Strong Corporate Governance



## Forbes America's Most Trustworthy Companies 2013

For the 3rd consecutive time, NorthWestern Corporation was recognized by Forbes as one of "America's Most Trustworthy Companies," which identifies the most transparent and trustworthy businesses that trade on the American exchanges. In the past, Forbes turned to Audit Integrity who recently merged with Corporate Library and Governance Metrics International to form GMI Ratings (GMI). GMI's quantitative and qualitative data analysis looks beyond the raw data on companies' income statement and balance sheets to assess the true quality of corporate accounting and management practices. Each year Forbes recognizes 100 companies out of over 8,000 for this foremost honor. NWE was one of only three utilities to be distinguished with this honor, by Forbes, in 2013.

## Cogent Reports



NorthWestern Energy was among 53 companies nationwide to earn the honor bestowed by Cogent Reports at Market Strategies International, which surveyed utility customers to develop brand-trust scores. NorthWestern earned the top regional score for combined electric and natural gas utility.



## NYSE Ethics

NorthWestern Energy earned an "A" from the New York Stock Exchange's Corpedia, for its Code of Conduct and Ethics, putting it in the top 2 percent of all energy and utility companies reviewed.



## Fortnightly 40

For the second year in a row, NorthWestern Energy was recognized as one of the top 40 best energy companies in the United States by Fortnightly 40. The report compares shareholder value performance by looking at uniform data sets among the leading publicly traded electric and gas companies across a range of metrics.



## New York Stock Exchange Century Index

Created in 2012 to recognize companies that have thrived for over a century while demonstrating the ability to innovate, transform and grow through the decades of economic and social progress.



## Glass Lewis

NorthWestern was recognized by Glass Lewis, a leading investment research and global proxy advisory firm, as one of the top 42 companies in the US for its 2011 "Say on Pay" proposals, which recognizes companies with clear disclosure and conservative policy with regards to compensation.



## Corporate Governance Award Winner

In 2014, NorthWestern Corporation's proxy statement was named "Best Proxy Statement (small cap)" by Corporate Secretary – Governance, Risk & Compliance organization. NorthWestern was recognized as a finalist in this category in both 2012 and 2013.

# South Dakota Electric Rate Increase Request



# SD Electric Rate Increase Request Overview

- First request to increase South Dakota electric rates in 34 years.
  - Filing submitted to South Dakota Public Utilities Commission (SDPUC) on December 19, 2014.
- Community growth, maintaining high levels of system reliability and numerous federal environmental mandates have required NorthWestern Energy to make significant investments in our South Dakota electric infrastructure.
- Amount of requested revenue increase: \$26.5 million
  - Average customer using 750 kWh can expect a monthly bill increase of \$16.76/month or 56 cents/day.
  - Actual bill impact will vary dependent on customer usage or for commercial/industrial customers their rate class, load factor and nature/amount of use.



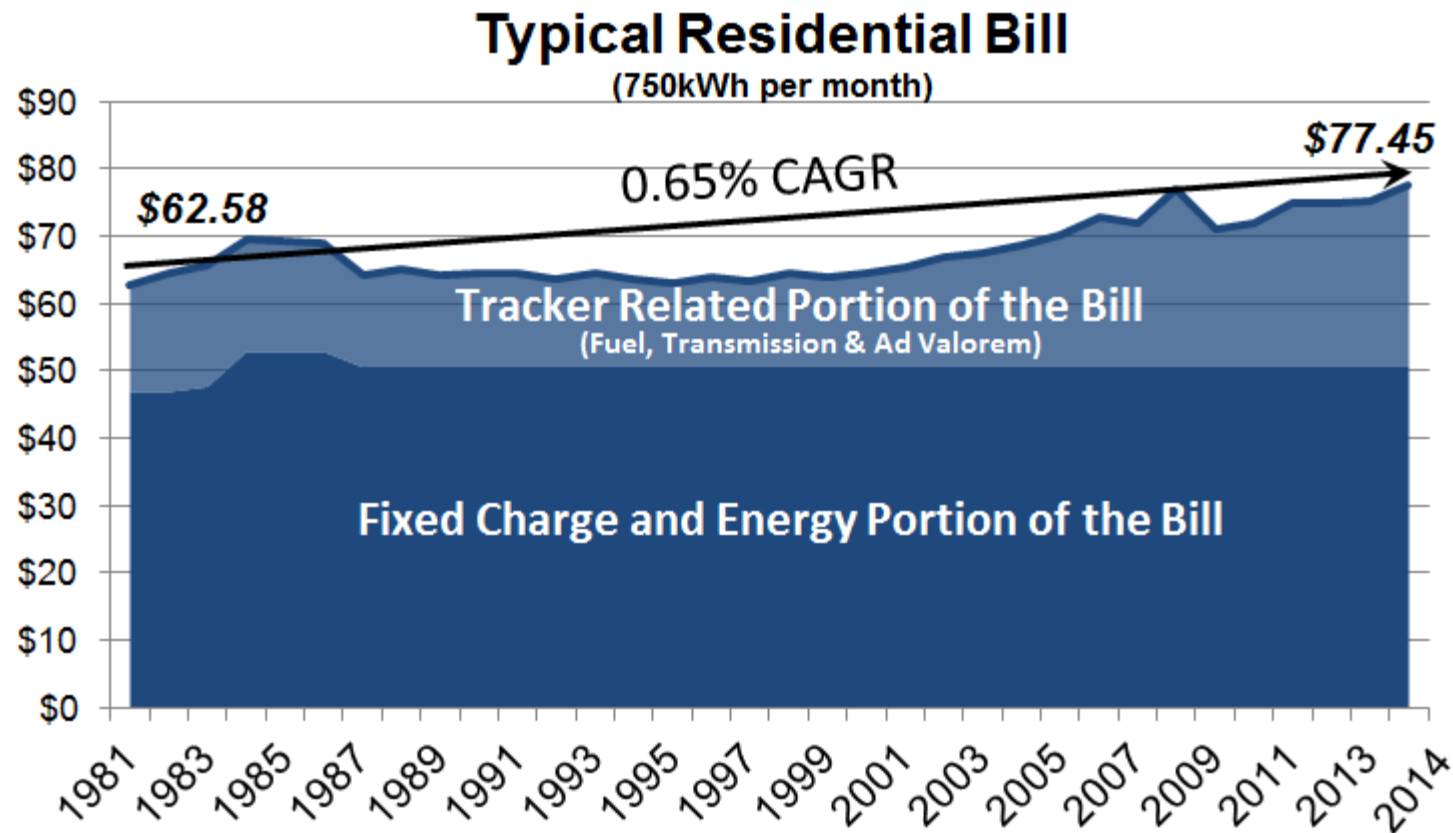
# SD Electric Rate Increase Request Overview

- Residential and Commercial customers will both be impacted by the rate increase.
  - Natural Gas customers are not affected.
- Interim rates anticipated to go into effect with meter reads beginning July 1, 2015.
  - Interim rates will be used until a final decision is reached by the SDPUC regarding our requested rate increase.
- SDPUC will review our requested rate increase to:
  - Determine the actual amount of any rate adjustment, which may be more or less than requested.
  - Establish the date that new electric rates will go into effect.
- If the SDPUC establishes rates lower than the interim rate, customers will receive refunds (with interest) of the difference.





# History of South Dakota Electric Rates



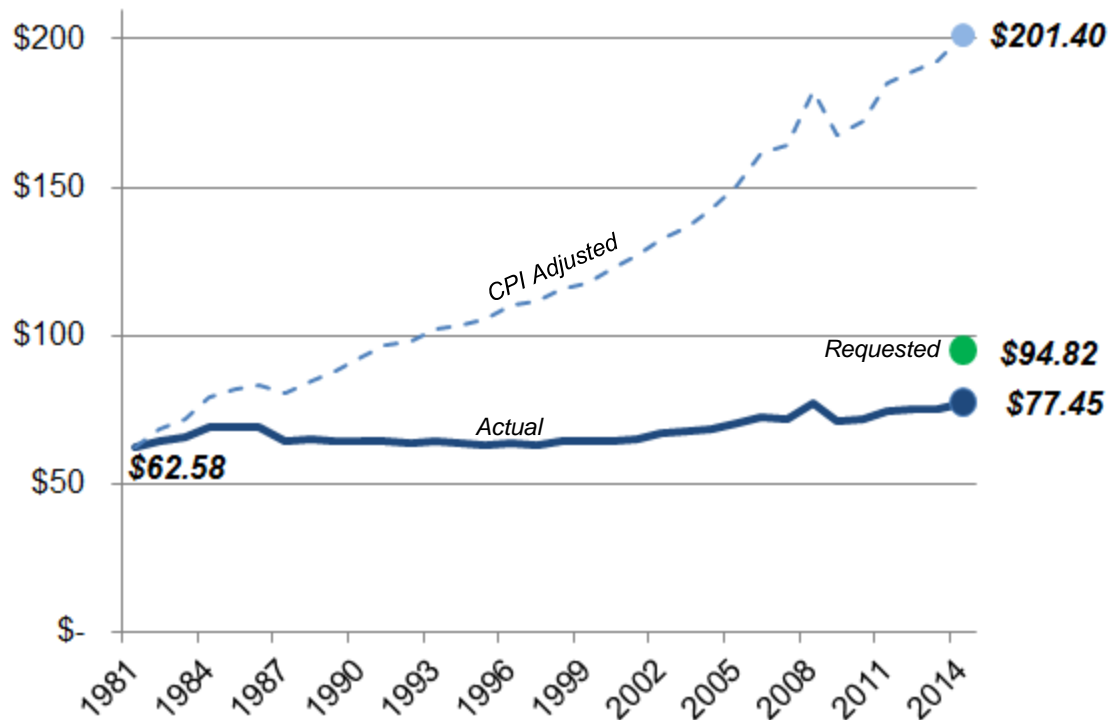
Source: Company data

Over the last 34 years, the fixed portion of our customers bills have stayed flat with the only increases coming through tracker related items such as fuel costs and taxes. Including tracker items, the total typical bill has only seen increases of 0.65% (less than 1%) annually over this period of time.



# Our Rates vs Inflation

## 750 kWh per month Residential Bill Actual Bill vs Filed and CPI Adjusted



Source: Company data and BLS.gov at 4/30/15

Our typical residential bill in South Dakota would be over \$200 today **if** it had increased at the same pace as most other products you consume.

\* Estimate is based on inflating our 1981 typical residential 750 kWh bill using the **Consumer Price Index (CPI)** as calculated by the U.S. Bureau of Labor Statistics. The CPI is a measure of the average change over time in the prices paid by urban consumers for a market basket of consumer goods and services.

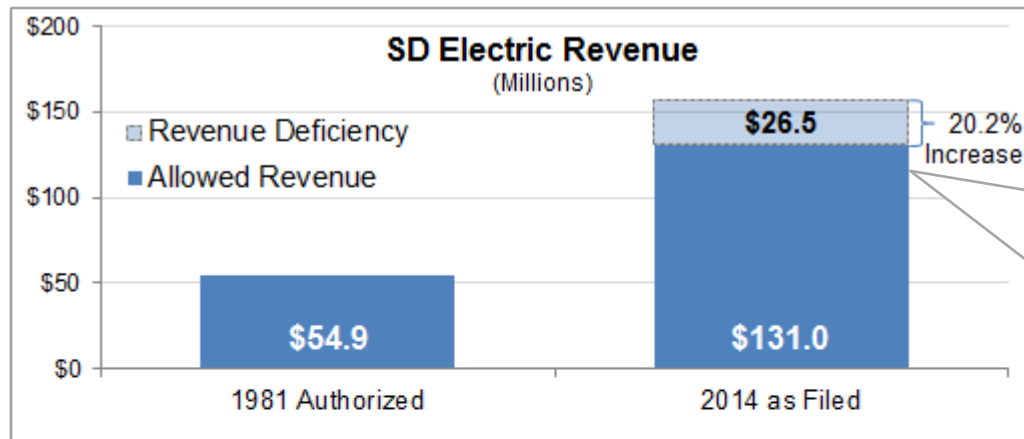
If the South Dakota PUC approves requested increase it would result in an estimated \$94.82 typical bill.

Actual change in a typical bill over the last 30 years results in a \$77.45 bill.

While an increase to our customers' bills is never the preferred path, we have done our best to control inflationary cost increases over the last 34 years.

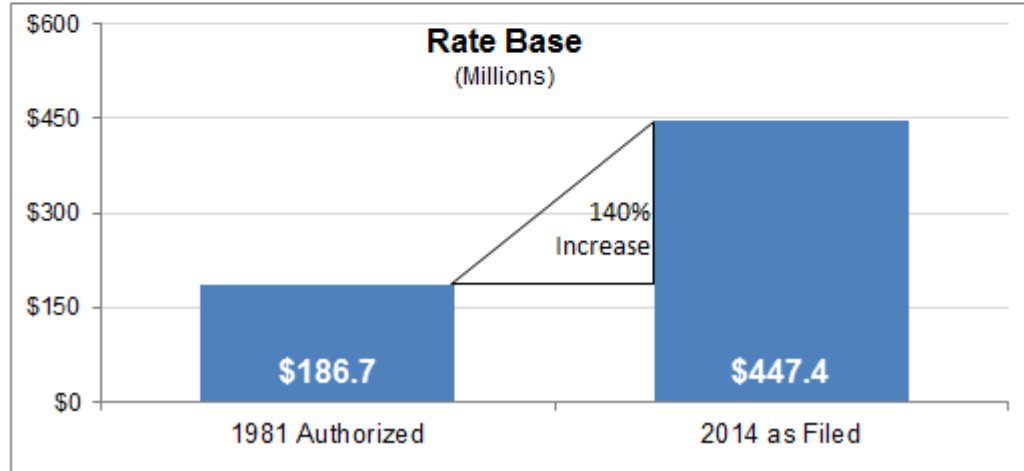


# Requested Revenue Increase



**Three major capital projects alone account for 96% of the requested \$26.5 million increase:**

*Big Stone / Neal Pollution Control.... \$15.2M*  
*Aberdeen Peaker..... \$7.4M*  
*Yankton Substation..... \$2.8M*  
*All other..... \$1.1M*  
***Total.....\$26.5M***



Over half of requested increase relates to EPA mandated pollution control equipment.



# Big Stone and Neal 4 Emissions Upgrades



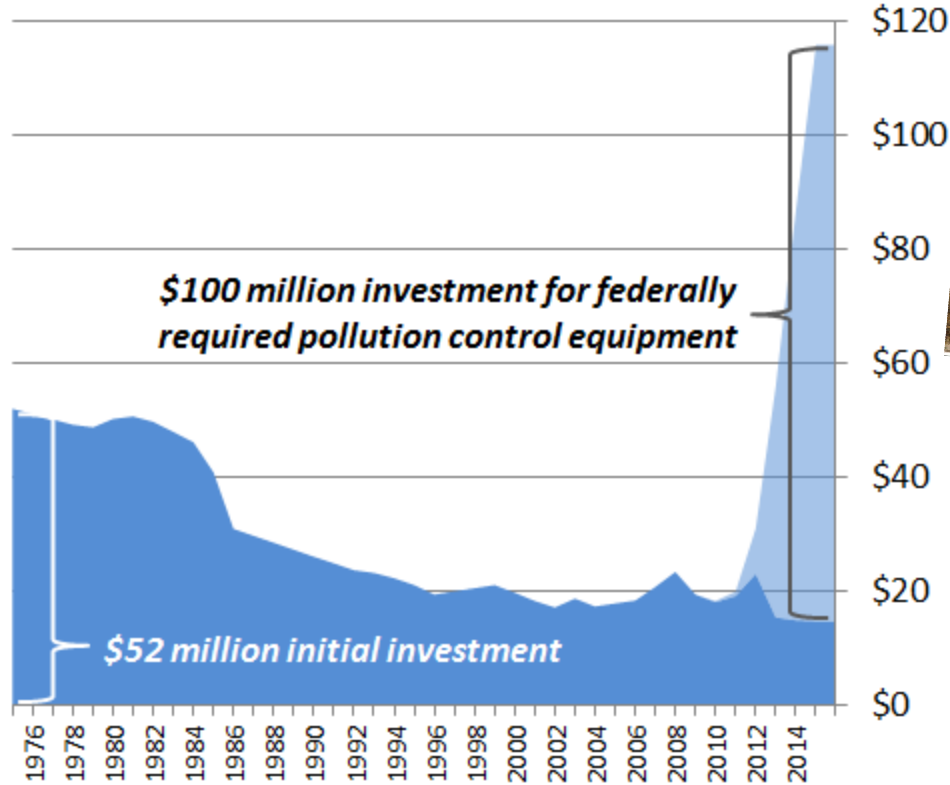
- Upgrades needed to comply with new EPA rules related to Regional Haze, mercury, nitrous oxides, and sulfur oxides emissions control.
- Approximately \$125 million investment collectively
- Excellent project management, engineering reviews and regular communications between Big Stone co-owners reduced total project costs by approximately \$107 million (NWE = \$25 M).
  - Savings benefit customers through lowered costs being included in utility rates.



# Big Stone Air Quality Control System

## Big Stone Power Plant

NorthWestern's net book value of 23.4% ownership  
(\$millions)



NorthWestern's estimated \$100 million investment in Big Stone's federally required Air Quality Control System is twice our initial investment in the facilities in 1975 and nearly 7x its current depreciated net book value.

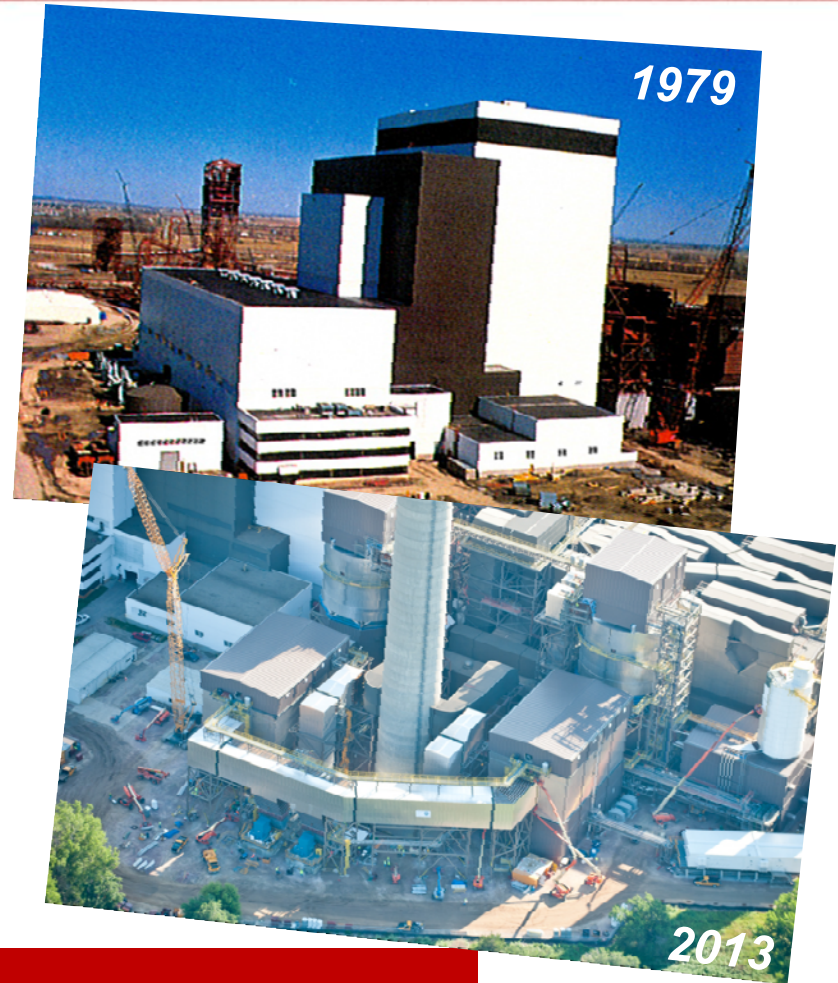
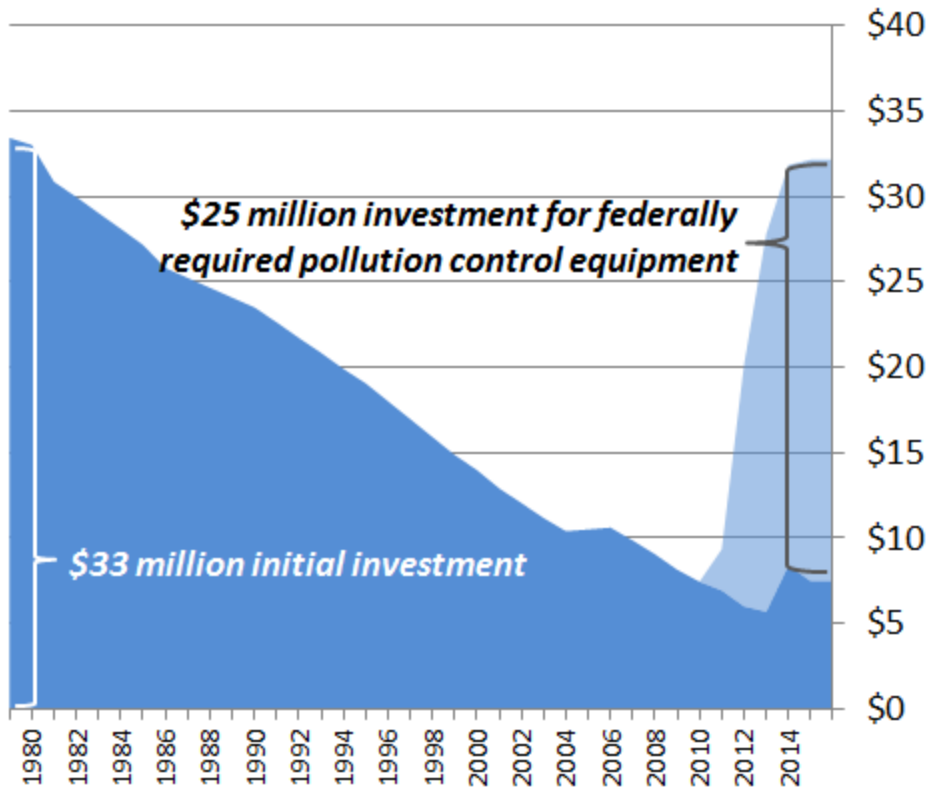




# Neal Pollution Control Equipment

## Neal Unit 4 Power Plant

NorthWestern's net book value of 8.7% ownership  
(\$millions)



Similarly, NorthWestern's now complete \$25 million investment in Neal's federally required baghouse and scrubber equipment brings our net investment in the plant back to up the 1979 level when the plant was first constructed.



# Aberdeen Peaker

- 60 MW facility; \$55 million investment
- Assist in meeting summer/winter peaks without needing to rely on market purchases or purchased power agreements





# Yankton Project



- Switchyard, transmission line, substation
- Addresses capacity, reliability and maintenance needs
- Construction is underway; completion expected Fall 2015
- \$21 million investment



Efficiency Plus is here to  
help you save energy!

# Efficiency Plus

- Formally launched in October 2014 following SDPUC approval
- Energy efficiency programs available for electric and natural gas customers
- E+ Hotline: 1-800-823-5995
- Information regarding energy efficiency offerings also at [www.northwesternenergy.com](http://www.northwesternenergy.com)

Emergency? 24/7 Service // (888) 467-2689 (MT) (800) 245-8977 (SD/NE)

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**Efficiency Plus**

### Choose Your Service State

In an era of increased attention to energy issues and related costs, more and more people are looking for ways to manage energy consumption. That is why NorthWestern Energy created the Efficiency Plus (E+) brand to signal ways that the consumer can reduce their use and seize the savings.

Because we are a regulated utility, E+ program offerings vary depending upon which state you live in. Nevertheless, no matter where you are - NorthWestern Energy has many helpful ways to be energy efficient.

Montana  
South Dakota  
Nebraska

**Montana residents**  
Learn more >>

**Nebraska residents**  
Learn more >>

**South Dakota residents**  
Learn more >>

We created the Efficiency Plus (E+) brand to identify tools and information for our customers to better manage their overall energy costs and, where applicable, obtain rebates or incentives to help offset the purchase and installation of qualifying measures.



## Spring Instant In-Store CFL Coupon

- Coupon mailed to all Residential Electric Customers \$1 off per CFL at participating retailers
- Offer ends June 14, 2015

## E+ Audit for the Home

- Space or water heat customers with homes over 5 years old

## Rebate Applications Available for

- Programmable Thermostats
- High Efficiency Boilers/Furnaces
- Commercial Lighting Projects
- ENERGY STAR Refrigerators



Questions?



Delivering a  
**bright future**

**NorthWestern**<sup>®</sup>  
Energy