

NorthWestern Corporation, doing business as Northwestern Energy, is one of the largest providers of electricity and natural gas in the Upper Midwest and Northwest, serving approximately 665,000 customers in Montana, South Dakota and Nebraska. We have generated and distributed electricity in South Dakota and distributed natural gas in South Dakota and Nebraska since 1923. On February 15, 2002, we acquired electricity and natural gas transmission and distribution assets and natural gas storage assets of the former Montana Power Company, which have been in operation since 1912.

Natural Gas

We provide natural gas to approximately 41,560 customers in four Nebraska communities and 43,750 in 60 South Dakota communities. We have approximately 1,450 miles of distribution gas mains in South Dakota and 750 miles in Nebraska. In South Dakota, we also transport natural gas for six gas-marketing firms and three large end-user accounts, currently serving 87 customers through our distribution systems. In Nebraska, we transport natural gas for three gas-marketing firms and one end-user account, servicing twelve customers through our distribution system. We delivered approximately 24.3 Bcf of third-party transportation volume on our South Dakota distribution system and approximately 2.0 Bcf of third-party transportation volume on our Nebraska distribution system during 2010.

Our South Dakota natural gas supply requirements for the year ended December 31, 2010, were approximately 5.9 Bcf. We have contracted with Tenaska Marketing Ventures, Inc. in South Dakota to manage transportation, storage and procurement of supply in order to minimize cost and price volatility to our customers.

To supplement firm gas supplies in South Dakota and Nebraska, we also contract for firm natural gas storage services to meet the heating season and peak day requirements of our natural gas customers. We also maintain and operate one propane-air gas peaking unit with a peak daily capacity of approximately 4,140 Mcf. These plants provide an economic alternative to pipeline transportation charges to meet the peaks caused by customer demand on extremely cold days.

Electric

Our South Dakota electric utility business operates as a vertically integrated generation, transmission and distribution utility. We have the exclusive right to serve an area in South Dakota comprised of 25 counties with a combined 2009 estimated population of approximately 219,700. We provide retail electricity to more than 60,800 customers in 110 communities in South Dakota. In 2010, by category, residential, commercial and industrial, wholesale, and other sales accounted for approximately 38%, 53%, 4% and 5%, respectively, of our South Dakota electric utility revenue. Peak demand was approximately 311 MWs, the average daily load was approximately 171 MWs, and more than 1.49 million MWhs were supplied during the year ended December 31, 2010.

Our transmission and distribution network in South Dakota consists of approximately 3,300 miles of overhead and underground transmission and distribution lines as well as 123 substations. We have interconnection and pooling arrangements with the transmission facilities of Otter Tail Power Company; Montana-Dakota Utilities Co.; Xcel Energy Inc.; and WAPA. We have emergency interconnections with the transmission facilities of East River Electric Cooperative, Inc. and West Central Electric Cooperative. These interconnection and pooling arrangements enable us to arrange purchases or sales of substantial quantities of electric power and energy with other pool members and to participate in the efficiency benefits of pool arrangements.

Breakdown of Sales between Jurisdictional

All of the company's South Dakota gas sales revenue during the test year is under the jurisdiction of the South Dakota Public Utility Commission.

Status of the Latest Rate Proceeding

The Company's most recent gas rate proceeding (Docket NG07-013) was filed with the South Dakota Public Utilities Commission on June 1, 2007. Said rates became effective December 1, 2007.