
Hauser Dam, near Helena, MT

2019 Third Quarter Earnings Webcast

October 30, 2019

NorthWestern Energy

Delivering a Bright Future

Presenting Today

Bob Rowe,
President & CEO

Brian Bird,
Chief Financial Officer

Forward Looking Statements

During the course of this presentation, there will be forward-looking statements within the meaning of the “safe harbor” provisions of the Private Securities Litigation Reform Act of 1995. Forward-looking statements often address our expected future business and financial performance, and often contain words such as “expects,” “anticipates,” “intends,” “plans,” “believes,” “seeks,” or “will.”

The information in this presentation is based upon our current expectations as of the date of this document unless otherwise noted. Our actual future business and financial performance may differ materially and adversely from our expectations expressed in any forward-looking statements. We undertake no obligation to revise or publicly update our forward-looking statements or this presentation for any reason. Although our expectations and beliefs are based on reasonable assumptions, actual results may differ materially. The factors that may affect our results are listed in certain of our press releases and disclosed in the Company’s 10-K and 10-Q along with other public filings with the SEC.

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Third Quarter Highlights

- **Net income for the quarter decreased $6.5 million, or 23.0%, as compared to the same period in 2018.** This decrease was primarily due to higher operating costs, lower demand to transmit energy across our system and lower electric retail volumes due to mild weather. These decreases were partly offset by a reduction in revenue in 2018 due to the impact of the Tax Cuts and Jobs Act, higher recovery of our Montana electric supply costs and an increase in Montana electric retail rates, subject to refund.

Morony Dam, near Great Falls, MT

- Diluted earnings per share decreased $0.14, or 25.0%, as compared to the same period in 2018.
- Weather-normalized Non-GAAP Adjusted EPS was $0.50, which is 8 cents or 13.8% lower than the same period last year.
- In June 2019, the FERC issued an order accepting our filing with FERC for our Montana transmission assets, granting interim rates (subject to refund) effective July 1, 2019, establishing settlement procedures and terminating our related Tax Cuts and Jobs Act filing.
- Announcing results of our South Dakota competitive solicitation process for new generation capacity.
- The Board of Directors declared a quarterly dividend of $0.575 per share payable December 31st to shareholders of record as of December 13th, 2019.

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Summary Financial Results
(Third Quarter)

(in millions except per share amounts)

	Three Months Ended September 30,						
	2019		2018		Variance		% Variance
Operating Revenues	$	274.8	$	279.9	$	(5.1)	(1.8%)
Cost of Sales		64.2		72.2		(8.0)	(11.1%)
Gross Margin [(1)]		**210.6**		**207.7**		**2.9**	**1.4%**
Operating Expenses							
Operating, general & administrative		77.0		73.8		3.2	4.3%
Property and other taxes		44.1		42.5		1.6	3.8%
Depreciation and depletion		43.2		43.6		(0.4)	(0.9%)
Total Operating Expenses		**164.3**		**159.9**		**4.4**	**2.8%**
Operating Income		**46.4**		**47.8**		**(1.4)**	**(2.9%)**
Interest Expense		(23.7)		(22.0)		(1.7)	(7.7%)
Other (Expense) / Income		(0.4)		2.0		(2.4)	(120.0%)
Income Before Taxes		**22.2**		**27.8**		**(5.6)**	**(20.1%)**
Income Tax (Expense) / Benefit		(0.6)		0.4		(1.0)	(250.0%)
Net Income	**$**	**21.7**	**$**	**28.2**	**$**	**(6.5)**	**(23.0%)**
Effective Tax Rate		2.7%		(1.4%)		3.8%	
Diluted: Shares Outstanding		50.8		50.5		0.3	0.7%
Diluted Earnings Per Share	$	0.42	$	0.56	$	(0.14)	(25.0%)
Dividends Paid per Common Share	$	0.575	$	0.550	$	0.025	4.5%

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

Gross Margin
(Third Quarter)

(dollars in millions)

	Three Months Ended September 30,			
	2019	2018	Variance	
Electric	$ 182.5	$ 178.7	$ 3.8	2.1%
Natural Gas	28.1	29.0	(0.9)	(3.1%)
Total Gross Margin (1)	**$ 210.6**	**$ 207.7**	**$ 2.9**	**1.4%**

Increase in gross margin due to the following factors:

$ 2.8	Tax Cuts and Jobs Act impact
1.9	Montana electric supply cost recovery
1.6	Montana electric rates, subject to refund
0.3	Natural gas retail volumes
(1.9)	Electric retail volumes
(1.8)	Electric transmission
(0.3)	Montana natural gas rates
(2.3)	Other
$ 0.3	**Change in Gross Margin Impacting Net Income**
$ 1.6	Property taxes recovered in trackers
1.4	Production tax credits flowed-through trackers
(0.4)	Operating expense recovered in trackers
$ 2.6	**Change in Gross Margin Offset Within Net Income**
$ 2.9	**Increase in Gross Margin**

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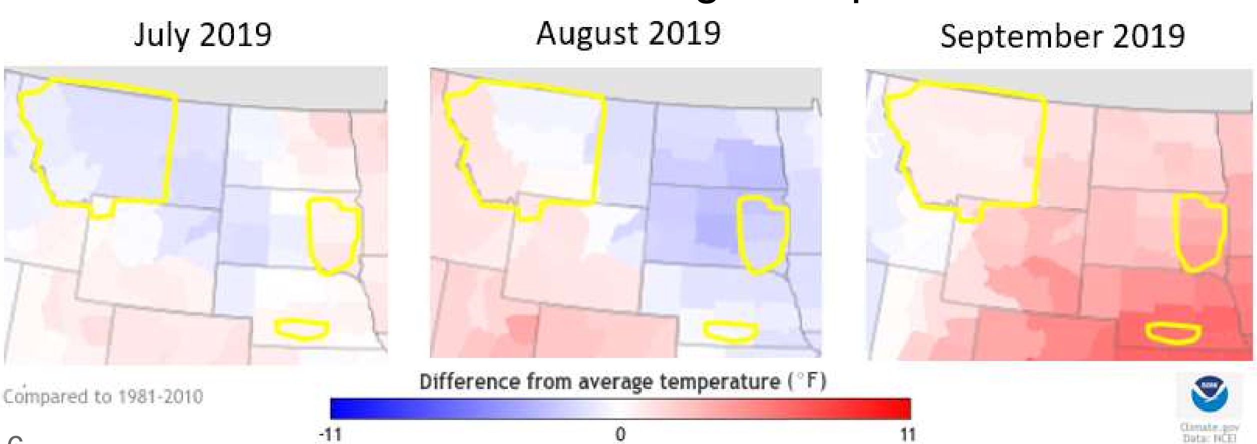
(1) Gross Margin, defined as revenues less cost of sales, is a non-GAAP Measure See appendix for additional disclosure.

Weather
(Third Quarter)

Heating Degree - Days	Qtr 3 Degree Days			Q3 2019 as compared with:	
	2019	2018	Historic Average	2018	Historic Average
Montana	353	417	346	15% warmer	2% colder
South Dakota	37	23	84	61% colder	56% warmer
Nebraska	17	10	44	70% colder	61% warmer

Cooling Degree-Days	Qtr 3 Degree Days			Q3 2019 as compared with:	
	2019	2018	Historic Average	2018	Historic Average
Montana	332	305	350	9% warmer	5% colder
South Dakota	606	706	640	14% colder	5% colder

Difference from Average Temperatures



We estimate unfavorable weather in Q3 2019 resulted in a $5.7M pretax detriment as compared to normal and $4.6M pretax detriment as compared to Q3 2018.

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Operating Expenses
(Third Quarter)

(dollars in millions)

	Three Months Ended September 30,			
	2019	2018	Variance	
Operating, general & admin.	$ 77.0	$ 73.8	$ 3.2	4.3%
Property and other taxes	44.1	42.5	1.6	3.8%
Depreciation and depletion	43.2	43.6	(0.4)	(0.9%)
Operating Expenses	**$ 164.3**	**$ 159.9**	**$ 4.4**	**2.8%**

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

$ 2.7	Employee benefits
1.2	Hazard trees
0.5	Labor
0.4	Legal costs
(1.0)	Generation maintenance
2.4	Other
$ 6.2	**Change in OG&A Items Impacting Net Income**
($2.5)	Pension and other postretirement benefits
(0.4)	Operating expenses recovered in trackers
(0.1)	Non-employee directors deferred compensation
$ (3.0)	**Change in OG&A Items Offset Within Net Income**
$ 3.2	**Increase in Operating, General & Administrative Expenses**

$1.6 million increase in property and other taxes due primarily to plant additions and higher annual estimated property valuations in Montana.

$0.4 million decrease in depreciation expense due to the depreciation adjustment consistent with the proposed settlement in our Montana electric rate case, partly offset by plant additions.

Operating to Net Income
(Third Quarter)

(dollars in millions)

	Three Months Ended September 30,			
	2019	2018	Variance	
Operating Income	**$ 46.4**	**$ 47.8**	**$ (1.4)**	**(2.9%)**
Interest Expense	(23.7)	(22.0)	(1.7)	(7.7%)
Other (Expense) / Income	(0.4)	2.0	(2.4)	(120.0%)
Income Before Taxes	**22.2**	**27.8**	**(5.6)**	**(20.1%)**
Income Tax (Expense) / Benefit	(0.6)	0.4	(1.0)	(250.0%)
Net Income	**$ 21.7**	**$ 28.2**	**$ (6.5)**	**(23.0%)**

$1.7 million increase in interest expenses was primarily due to higher borrowings.

$2.4 million decrease in other income was due to an increase in pension expense and a decrease in the value of deferred shares held in trust for non-employee directors deferred compensation, both of which are offset in operating, general and administrative expense with no impact to net income. These expense increases were partly offset by higher capitalization of Allowance for Funds Used During Construction (AFUDC).

$1.0 million increase in income tax expense due primarily due to prior year permanent return to accrual adjustments in 2018 vs 2019 offset by higher pre-tax income.

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Income Tax Reconciliation
(Third Quarter)

(in millions)	Three Months Ended September 30,				
	2019		2018		Variance
Income Before Income Taxes	**$22.2**		**$27.8**		**($5.6)**
Income tax calculated at federal statutory rate	4.7	21.0%	5.8	21.0%	(1.1)
Permanent or flow through adjustments:					
State income, net of federal provisions	0.1	0.3%	0.6	2.3%	(0.5)
Flow - through repairs deductions	(2.6)	(11.7%)	(2.4)	(8.6%)	(0.2)
Production tax credits	(1.4)	(6.3%)	(1.6)	(6.0%)	0.2
Amortization of excess deferred income tax	(0.4)	(1.7%)	(0.4)	(1.5%)	-
Plant and depreciation of flow through items	(0.3)	(1.2%)	(0.1)	(0.3%)	(0.2)
Prior year permanent return to accrual adjustments	0.6	2.5%	(3.0)	(10.7%)	3.6
Other, net	(0.1)	(0.4%)	0.7	2.5%	(0.8)
Sub-total	(4.1)	(18.5%)	(6.2)	(22.3%)	2.1
Income Tax Expense (Benefit)	**$ 0.6**	**2.5%**	**$ (0.4)**	**(1.3%)**	**$ 1.0**

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Balance Sheet

(dollars in millions)	As of September 30, 2019		As of December 31, 2018	
Cash and cash equivalents	$	5.0	$	7.9
Restricted cash		9.1		7.5
Accounts receivable, net		126.4		162.4
Inventories		55.2		50.8
Other current assets		70.2		49.2
Goodwill and other intangibles, net		358.0		357.6
PP&E and other non-current assets		5,186.4		5,009.1
Total Assets	**$**	**5,810.2**	**$**	**5,644.4**
Payables		66.6		87.0
Finance leases		2.4		2.3
Other current liabilities		264.7		257.7
Long-term debt & capital leases		2,194.1		2,122.3
Other non-current liabilities		1,277.8		1,232.7
Shareholders' equity		2,004.5		1,942.4
Total Liabilities and Equity	**$**	**5,810.2**	**$**	**5,644.4**
Capitalization:				
Finance Leases		2.4		2.3
Long Term Debt & Finance Leases		2,194.1		2,122.3
Less: Basin Creek Finance Lease		(20.5)		(22.2)
Less: New Market Tax Credit Financing Debt		(27.0)		(27.0)
Shareholders' Equity		2,004.5		1,942.4
Total Capitalization	**$**	**4,153.6**	**$**	**4,017.7**
Ratio of Debt to Total Capitalization		**51.7%**		**51.7%**

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Cash Flow

(dollars in millions)	Nine Months Ending September 30, 2019	2018
Operating Activities		
Net Income	$ 142.1	$ 130.5
Non-Cash adjustments to net income	117.4	142.8
Changes in working capital	2.4	92.1
Other non-current assets & liabilities	(8.0)	(19.0)
Cash provided by Operating Activities	**253.9**	**346.4**
Investing Activities		
PP&E additions	(242.9)	(193.4)
Acquisitions / Investments	-	(18.5)
Proceeds from sale of assets	-	0.1
Cash used in Investing Activities	**(242.9)**	**(211.8)**
Financing Activities		
Proceeds from issuance of common stock, net	-	44.8
Issuance (Repayments) of debt, net	74.0	(97.6)
Dividends on common stock	(86.3)	(81.7)
Financing costs	(1.1)	(0.1)
Other	1.2	2.1
Cash used in Financing Activities	(12.2)	(132.5)
(Decrease) Increase in Cash, Cash Equiv. & Restricted Cash	**(1.2)**	**2.1**
Beginning Cash, Cash Equiv. & Restricted Cash	15.3	12.0
Ending Cash, Cash Equiv. & Restricted Cash	**$ 14.1**	**$ 14.1**

Cash from operating activities decreased by ~$92M primarily due to the under collection of supply costs from customers in 2019 as compared with an over collection in 2018 resulting in ~$44.9M reduction of working capital, credits to Montana customers during the current period related to the Tax Cuts and Jobs Act of ~$20.5M, transmission generation interconnection refunds in the current period compared with deposits in the prior period decreasing working capital by ~$19.4M and the receipt of insurance proceeds of ~%6.1M during the first quarter of 2018.

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Adjusted Non-GAAP Earnings

(Third Quarter)

(in millions)	GAAP Three Months Ended Sept. 30, 2019	Unfavorable Weather	(1) Move Pension Expense to OG&A (disaggregated with ASU 2017-07)	Non-employee Deferred Compensation	Non GAAP Three Months Ended Sept. 30, 2019	Non-GAAP Variance Variance $	%	Non GAAP Three Months Ended Sept. 30, 2018	Non-employee Deferred Compensation	(1) Move Pension Expense to OG&A (disaggregated with ASU 2017-07)	Unfavorable Weather	GAAP Three Months Ended Sept. 30, 2018
Revenues	$274.8	5.7			$280.5	($0.5)	-0.2%	$281.0	-		1.1	$279.9
Cost of sales	64.2				64.2	(8.0)	-11.1%	72.2	-			72.2
Gross Margin	**210.6**	**5.7**	**-**	**-**	**216.3**	**7.5**	**3.6%**	**208.8**	**-**	**-**	**1.1**	**207.7**
Op. Expenses												
OG&A	77.0		2.5	(0.6)	78.9	5.9	8.1%	73.0	(0.7)	(0.1)	-	73.8
Prop. & other taxes	44.1				44.1	1.6	3.8%	42.5	-		-	42.5
Depreciation	43.2				43.2	(0.4)	-0.9%	43.6	-		-	43.6
Total Op. Exp.	**164.3**	**-**	**2.5**	**(0.6)**	**166.2**	**7.1**	**4.5%**	**159.1**	**(0.7)**	**(0.1)**	**-**	**159.9**
Op. Income	**46.4**	**5.7**	**(2.5)**	**0.6**	**50.2**	**0.5**	**1.0%**	**49.7**	**0.7**	**0.1**	**1.1**	**47.8**
Interest expense	(23.7)				(23.7)	(1.7)	-7.7%	(22.0)	-		-	(22.0)
Other (Exp.) Inc., net	(0.4)		2.5	(0.6)	1.5	0.3	25.0%	1.2	(0.7)	(0.1)	-	2.0
Pretax Income	**22.2**	**5.7**	**-**	**-**	**27.9**	**(1.0)**	**-3.5%**	**28.9**	**-**	**-**	**1.1**	**27.8**
Income tax	(0.6)	(1.4)	-	-	(2.0)	(2.1)	-1725.6%	0.1	-	-	(0.3)	0.4
Net Income	**$21.7**	**4.3**	**-**	**-**	**$26.0**	**($3.0)**	**-10.3%**	**$29.0**	**-**	**-**	**0.8**	**$28.2**
ETR	2.5%	25.3%	-	-	7.3%			-0.4%	-	-	25.3%	-1.3%
Diluted Shares	50.8				50.8	0.3	0.6%	50.5				50.5
Diluted EPS	$0.42	0.08	-	-	$0.50	($0.08)	-13.8%	$0.58	-	-	0.02	$0.56

The adjusted non-GAAP measures presented in the table are being shown to reflect significant items that are 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).*

Summary Financial Results
(Nine Months Ended September 30)

(in millions except per share amounts)

	Nine Months Ended September 30,			
	2019	2018	Variance	% Variance
Operating Revenues	$ 929.8	$ 883.2	$ 46.6	5.3%
Cost of Sales	235.7	200.5	35.2	17.6%
Gross Margin (1)	**694.1**	**682.7**	**11.4**	**1.7%**
Operating Expenses				
Operating, general & administrative	238.9	222.0	16.9	7.6%
Property and other taxes	133.2	128.3	4.9	3.8%
Depreciation and depletion	129.8	130.9	(1.1)	(0.8%)
Total Operating Expenses	**501.9**	**481.2**	**20.7**	**4.3%**
Operating Income	**192.2**	**201.5**	**(9.3)**	**(4.6%)**
Interest Expense	(71.0)	(68.2)	(2.8)	(4.1%)
Other Income	0.9	1.8	(0.9)	(50.0%)
Income Before Taxes	**122.1**	**135.1**	**(13.0)**	**(9.7%)**
Income Tax Benefit / (Expense)	20.1	(4.6)	24.7	537.0%
Net Income	**$ 142.1**	**$ 130.5**	**$ 11.6**	**8.9%**
Effective Tax Rate	-16.5%	3.4%	-19.9%	
Diluted: Average Shares Outstanding	50.8	50.0	0.8	1.6%
Diluted Earnings Per Share	$2.80	$2.61	$0.19	7.3%
Dividends Paid per Common Share	$ 1.725	$ 1.650	$ 0.075	4.5%

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

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Adjusted Non-GAAP Earnings

(Nine Months Ended September 30)

(in millions)	GAAP Nine Months Ended Sept. 30, 2019	Favorable Weather	(1) Move Pension Expense to OG&A (disaggregated with ASU 2017-07)	Non-employee Deferred Compensation	Remove Benefit Related to Release of Previously Unrecognized Tax Benefits	Non GAAP Nine Months Ended Sept. 30, 2019	Non-GAAP Variance Variance $	%	Non GAAP Nine Months Ended Sept. 30, 2018	Non-employee Deferred Compensation	(1) Move Pension Expense to OG&A (disaggregated with ASU 2017-07)	(2) Gain on Qualified Facilities (Periodic Liability Reset)	Favorable Weather	GAAP Nine Months Ended Sept. 30, 2018
Revenues	$929.8	(8.0)	-	-	-	$921.8	$40.9	4.6%	$880.9	-	-	-	(2.3)	$883.2
Cost of sales	235.7	-	-	-	-	235.7	17.7	8.1%	218.0	-	-	17.5	-	200.5
Gross Margin	**694.1**	**(8.0)**	-	-	-	**686.1**	**23.2**	**3.5%**	**662.9**	-	-	**(17.5)**	**(2.3)**	**682.7**
Op. Expenses	-	-	-	-	-	-			-	-	-	-	-	-
OG&A	238.9	-	6.0	(3.1)	-	241.8	20.1	9.1%	221.7	(0.1)	(0.2)	-	-	222.0
Prop. & other taxes	133.2	-	-	-	-	133.2	4.9	3.8%	128.3	-	-	-	-	128.3
Depreciation	129.8	-	-	-	-	129.8	(1.1)	-0.8%	130.9	-	-	-	-	130.9
Total Op. Exp.	**501.9**	-	**6.0**	**(3.1)**	-	**504.8**	**24.0**	**5.0%**	**480.8**	**(0.1)**	**(0.2)**	-	-	**481.2**
Op. Income	**192.2**	**(8.0)**	**(6.0)**	**3.1**	-	**181.3**	**(0.7)**	**-0.4%**	**182.0**	**0.1**	**0.2**	**(17.5)**	**(2.3)**	**201.5**
Interest expense	(71.0)	-	-	-	-	(71.0)	(2.8)	-4.1%	(68.2)	-	-	-	-	(68.2)
Other (Exp.) Inc., net	0.9	-	6.0	(3.1)	-	3.8	2.3	153.3%	1.5	(0.1)	(0.2)	-	-	1.8
Pretax Income	**122.0**	**(8.0)**	-	-	-	**114.0**	**(1.3)**	**-1.1%**	**115.3**	-	-	**(17.5)**	**(2.3)**	**135.1**
Income tax	20.1	2.0	-	-	(22.8)	(0.7)	(1.1)	-268.7%	0.4	-	-	4.4	0.6	(4.6)
Net Income	**$142.1**	**(6.0)**	-	-	**(22.8)**	**$113.3**	**($2.4)**	**-2.1%**	**$115.7**	-	-	**(13.1)**	**(1.7)**	**$130.5**
ETR	-16.5%	25.3%	-	-	-	0.6%			-0.4%	-	-	25.3%	25.3%	3.4%
Diluted Shares	50.8					50.8	0.8	1.6%	50.0					50.0
Diluted EPS	**$2.80**	(0.11)	-	-	(0.45)	$2.24	($0.08)	-3.4%	$2.32	-	-	(0.26)	(0.03)	**$2.61**

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).

(2) Due to our expectations regarding remeasurement of our Qualifying Facilities (QF) liability, we no longer reflect this adjustment as a non-GAAP measure. Absent an adjustment to remove the QF liability benefit, our 2018 Adjusted Non-GAAP Diluted EPS would have been $2.58 for the six months ended September 30, 2018. The 2019 QF adjustment, as noted in our gross margin discussion herein, was $6.3 million ($3.3 million liability reduction plus $3.0 million lower actual output and pricing).

2018 to 2019 Non-GAAP EPS Bridge

	Low	High
2018 Non-GAAP Adjusted Diluted EPS	$3.39	$3.39
2019 Earnings Drivers (after-tax per share)		
Gross margin improvements	0.42	0.44
OG&A expense increases	(0.26)	(0.24)
Property & other taxes	(0.09)	(0.08)
Depreciation & depletion	0.02	0.02
Interest expense	(0.03)	(0.02)
Other income	-	0.03
Incremental tax detriment *	(0.04)	(0.03)
Subtotal of anticipated changes	**0.02**	**0.12**
Range prior to Equity Dilution (2018 ATM)	**$3.41**	**$3.51**
Share count Dilution	(0.03)	(0.03)
2019 EPS guidance range after equity dilution	**$3.38**	**$3.48**

* 2019 earnings drivers shown above are calculated using a 25.3% effective tax rate.

NorthWestern initiates its 2019 adjusted non-GAAP earnings guidance range of $3.38 - $3.48 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;
- MPSC approval of our pending settlement agreement in our Montana electric rate case;
- A consolidated income tax rate of approximately 0% to 5% of pre-tax income; and
- Diluted shares outstanding of approximately 50.7 million.

Continued investment in our system to serve our customers and communities is expected to provide a targeted long-term 6-9% total return to our investors through a combination of earnings growth and dividend yield. However, negative outcomes in upcoming regulatory proceedings may result in near-term returns below our 6-9% targeted range.

2019 Non-GAAP Diluted EPS Guidance

	Nine Months Ended September 30, 2019			Estimated to Meet Guidance: EPS Q4 2019			Estimated to Meet Guidance: EPS Full Year 2019		
	Pre-tax Income	Net[1] Income	Diluted EPS	Low	-	High	Low	-	High
2019 Reported GAAP	$ 122.0	$ 142.1	$ 2.80						
Non-GAAP Adjustments:									
Remove impact of favorable weather	(8.0)	(6.0)	(0.11)						
Remove impact of unrecognized income tax benefit	—	(22.8)	(0.45)						
2019 Adjusted Non-GAAP	$ 114.0	$ 113.3	$ 2.24	$1.14	-	$1.24	$3.38	-	$3.48

	Nine Months Ended September 30, 2018			Actual: Q4 2018			Actual: Full Year 2018		
	Pre-tax Income	Net[1] Income	Diluted EPS	Pre-tax Income	Net[1] Income	Diluted EPS	Pre-tax Income	Net[1] Income	Diluted EPS
2018 Reported GAAP	$ 135.1	$ 130.5	$ 2.61	$ 43.2	$ 66.5	$ 1.31	$178.3	$197.0	$ 3.92
Non-GAAP Adjustments:									
Remove impact of unfavorable (favorable) weather	(2.3)	(1.7)	(0.03)	1.0	0.7	0.01	(1.3)	(1.0)	(0.02)
Gain on QF Liability [2]	(17.5)	(13.1)	(0.26)	—	—	—	(17.5)	(13.1)	(0.26)
Impact of Tax Cuts and Jobs Act Settlements	—	—	—	9.4	(12.8)	(0.25)	9.4	(12.8)	(0.25)
2018 Adjusted Non-GAAP	$ 115.3	$ 115.7	$ 2.32	$ 53.6	$ 54.4	$ 1.07	$168.9	$170.1	$ 3.39

(1) Income Tax Benefit (Expense) calculation on reconciling items assumes blended federal plus state effective tax rate of 25.3%.

(2) Due to our expectations regarding remeasurement of our Qualifying Facilities (QF) liability, we no longer reflect this adjustment as a non-GAAP measure. Absent a QF liability adjustment, our 2018 Adjusted Non-GAAP Diluted EPS would have been $3.65 for the twelve months ended December 31, 2018. The 2019 QF adjustment, as noted in our gross margin discussion herein, was $6.3 million ($3.3 million liability reduction plus $3.0 million lower actual output and pricing).

We will need fourth quarter diluted EPS of $1.14 to $1.24 to meet our guidance range of $3.38 to 3.48 for 2019. This compares to $1.07 during the same quarter last year. We anticipate achieving this with a fourth quarter commensurate with the first (i.e. first quarter Non-GAAP EPS was $0.12 better than last year) and fourth quarter operating expense at, or below, last years level due primarily to timing differences.

NWE Energy Supply Resource Plans

South Dakota Electricity Supply Resource Plan

- Published fall of 2018, the plan focuses on modernization of our fleet to improve reliability and flexibility, maintain compliance in Southwest Power Pool, and lowering operating costs. The plan identifies 90MWs of existing generation that should be retired and replaced over the next 10 years.
- On April 15, 2019, we issued a request for proposals for 60 MW of flexible capacity resources to begin serving South Dakota customers by the end of 2021.
- As a result of the competitive solicitation process, we anticipate to construct and own natural gas fired reciprocating internal combustion engines at a brownfield site in Huron, South Dakota. Dependent upon manufacturer selection, we anticipate 55-60 MW of new capacity to be online by late 2021 at a total investment of approximately $80 million. The selected proposal is subject to the execution of construction contracts and obtaining the applicable environmental and construction related permits.

Montana Electricity Supply Resource Plan Submitted August 2019


Ryan Dam Upgrade

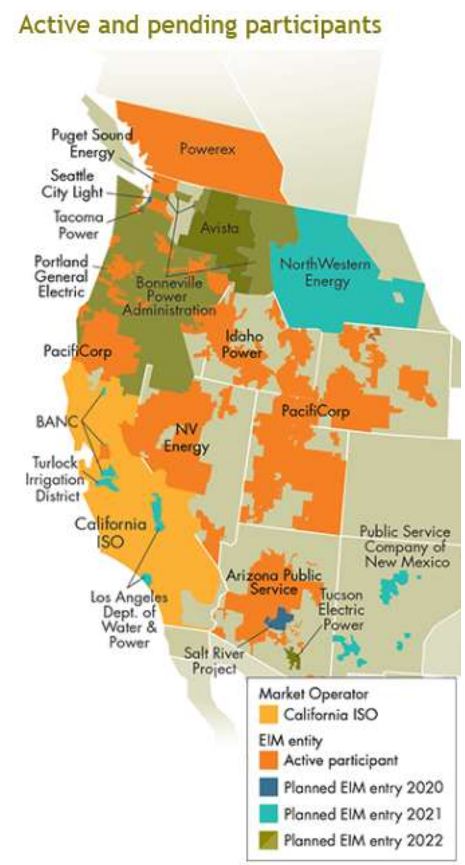
- The plan supports the goal of developing resources that will address the changing energy landscape in Montana to meet our customers' electric energy needs in a reliable and affordable manner.
  - We are currently 630 MW short of our peak needs, which we procure in the market. We forecast that our energy portfolio will be 725 MW short by 2025, considering expiring contracts and a modest increase in customer demand.
- We expect to solicit competitive all-source proposals in late 2019 for peaking capacity to be available for commercial operation in early 2023. We expect to use an independent evaluator to administer the solicitation process and evaluate proposals. We expect the process will be repeated in subsequent years to provide a resource-adequate energy and capacity portfolio by 2025.

The all-source capacity additions discussed above are subject to a competitive solicitation process administered by independent evaluators. As a result, we have not included the necessary capital investment in our current five year capital forecast. These additions could increase our capital spending in excess of $200 million over the next five years.

Looking Forward

Regulatory

- In May 2019, we reached a settlement in our Montana electric rate case that would result in an annual increase to electric revenue of approximately $6.5 million (based upon a 9.65% ROE and capital structure as filed) and a $9.0 million decrease in depreciation expense. A hearing was held in May 2019 and briefing was completed in late August 2019. A September 2019 staff memo recommended the approval of the settlement as filed. **We expect a final order from the MPSC during the fourth quarter of 2019.**
- In May 2019, we submitted a filing with FERC for our Montana transmission assets. In June 2019, the FERC issued an order accepting our filing, granting interim rates (effective July 1 and subject to refund), establishing settlement procedures and terminating our related Tax Cuts and Jobs Act filing. A settlement judge has been appointed. **We expect to host technical conferences and engage in settlement discussions with intervenors, FERC and MPSC staff in the fourth quarter of 2019.**



Legislative

- The 2019 Montana legislature revised the electricity cost recovery statute to prohibit a deadband, and to require 100% recovery of Qualifying facility purchases and 90%/ customer/ 10% shareholder sharing of costs above or below a baseline.

Continue to Invest in our Transmission & Distribution infrastructure

- Comprehensive infrastructure program to ensure safety, capacity and reliability.
- Natural gas pipeline investment (SAFE PIPES Act, Integrity Verification Process and Pipeline & Hazardous Materials Safety Administration proposed regulations).
- Grid modernization, advanced distribution management system and advanced metering infrastructure investment

Plans to join Western Energy Imbalance Market (EIM) in April 2021

- Real-time energy market could mean lower cost of energy for Montana customers, more efficient use of renewables and greater power grid reliability.

Cost Control Efforts

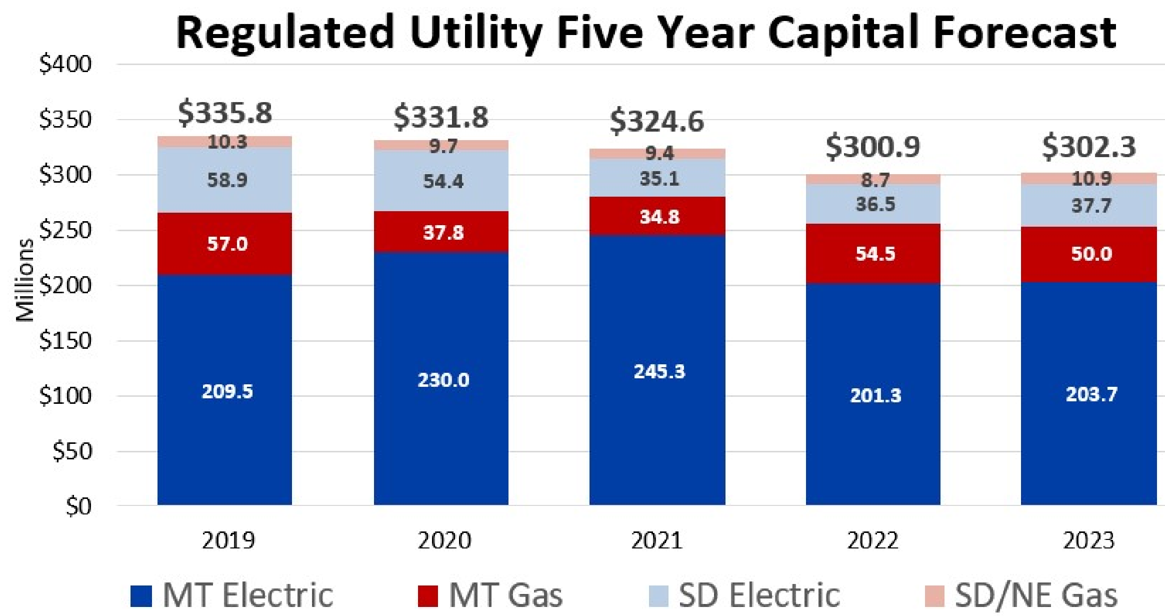
- Continue to monitor costs, including labor, benefits and property tax valuations.

Capital Investment Forecast

$1.6 billion of total capital investment over five years

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

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



$ Millions	**2019**	**2020**	**2021**	**2022**	**2023**
Electric	$ 268.4	$ 284.4	$ 280.5	$ 237.8	$ 241.4
Naural Gas	67.4	47.4	44.1	63.1	60.9
Total Capital Forecast	$ 335.8	$ 331.8	$ 324.6	$ 300.9	$ 302.3

UPDATE

Capital projections above <u>do not</u> include investment necessary to address identified generation capacity issues in South Dakota and Montana. However, based on the results of the recent competitive solicitation process in South Dakota, <u>we will be adding approximately $80 million of incremental investment</u> (spread between 2020-2021) with our next capital update in February 2020.

NorthWestern Energy
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NorthWestern Welcomes new Board Members

Term commences immediately

Jeffrey Yingling is a Senior Advisor Investment of Banking for Power, Energy and Renewables at Guggenheim Securities, LLC, the investment banking and capital markets business of Guggenheim Partners, with more than 35 years of investment banking experience, serving as an advisor to companies in the power and utilities sector. Along with Yingling's experience with Guggenheim Securities, his career has included senior investment banking positions in the power and utilities sector, with J.P. Morgan, Morgan Stanley, Dean Witter Reynolds, and The First Boston Corporation. He also serves on the board of directors of LendingPoint LLC, and the board of trustees of the Chicago Historical Society. He formerly served on the board of directors for Navigant Consulting, Inc.

Term commences Dec. 1, 2019

Mahvash Yazdi is president of Feasible Management Consulting, providing strategic consulting in energy and technology, and the former senior vice president and chief information officer of Edison International as well as former chief information officer at Hughes Electronics. Yazdi is nationally recognized as an expert in corporate information technology, drawing from over 38 years of experience over three industries and continents. She also has dedicated her life to serving others, exemplified by receiving the prestigious Ellis Island Medal of Honor and publishing her charitable memoir, *60:60 Celebrating Sixty Years With Sixty Acts Of Kindness*.

NorthWestern Energy
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Conclusion

Pure Electric & Gas Utility

Solid Utility Foundation

Best Practices Corporate Governance

Attractive Future Growth Prospects

Strong Earnings & Cash Flows

Appendix

Appendix

Montana Electric Rate Case

September 2018 Filing (Docket D2018.2.12)

- Filed based on 2017 test year and $2.34 billion of rate base.
- Requested $34.9 million annual increase to electric rates.
- On April 5, 2019, we filed rebuttal testimony that updated and lowered our requested increase to $30.7 million. This update responded to intervenor testimony and included certain known and measurable adjustments.
- Request includes a 10.65% return on equity, 4.26% cost of debt, 49.4% equity & 7.42% return on rate base[1]
- In March 2019, the MPSC issued an order approving an increase in rates of approximately $10.5 million on an interim and refundable basis effective April 1, 2019.

The filing also requests approval to:

- Capitalize Demand Side Management Costs;
- Establish a new baseline for PCCAM costs;
- Place Two Dot Wind in rate base; and
- Create new net metering customer class and rate for new residential private generation.

Update

- In May 2019, we reached a settlement with all parties who filed comprehensive revenue requirement, cost allocation, and rate design testimony in our Montana electric rate case. If the MPSC approves the settlement, it will result in an annual increase to electric revenue of approximately $6.5 million (based upon a 9.65% return on equity and rate base and capital structure as filed) and an annual decrease in depreciation expense of approximately $9 million.
- A comprehensive hearing was held in May 2019 with post-hearing briefing completed in late August 2019.
- MPSC staff recommended that the MPSC approve and adopt the settlement as filed in September 2019.
- A work session to discuss staff recommendations and act on an order is scheduled for October 30th.

Next Steps

- We expect a final order from the MPSC during the fourth quarter of 2019.
- As of September 30, 2019 we have recognized revenue of approximately $2.8 million, reduced depreciation expense by approximately $6.7 million, and have deferred approximately $1.8 million of the interim revenues based on the proposed settlement. Any difference between the interim and final approved rates will be refunded to customers.

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

NorthWestern Energy
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Segment Results
(Third Quarter)

(Unaudited) (in thousands)

Three Months Ending September 30, 2019	Electric	Gas	Other	Total
Operating revenues	$ 241,237	$ 33,599	$ -	$ 274,836
Cost of sales	58,768	5,459	-	64,227
Gross margin [1]	182,469	28,140	-	210,609
Operating, general and administrative	57,433	18,830	735	76,998
Property and other taxes	34,731	9,355	3	44,089
Depreciation & depletion	35,824	7,342	-	43,166
Operating Income (loss)	54,481	(7,387)	(738)	46,356
Interest expense	(19,481)	(1,588)	(2,653)	(23,722)
Other (expense) income	(677)	(344)	612	(409)
Income tax (expense) benefit	(1,415)	(232)	1,092	(555)
Net income (loss)	$ 32,908	$ (9,551)	$ (1,687)	$ 21,670

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

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

NorthWestern Energy
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Electric Segment
(Third Quarter)

(dollars in millions)	Results 2019	Results 2018	Results Change	Results % Change
Retail revenues	$ 221.4	$ 215.5	$ 5.9	2.7 %
Regulatory amortization	4.6	16.8	(12.2)	(72.6)
Total retail revenue	226.0	232.3	(6.3)	(2.7)
Transmission	13.3	11.3	2.0	17.7
Wholesale and other	1.9	1.6	0.3	18.8
Total Revenues	**241.2**	**245.2**	**(4.0)**	**(1.6)**
Total Cost of Sales	**58.7**	**66.5**	**(7.8)**	**(11.7)**
Gross Margin [(1)]	**182.5**	**178.7**	**3.8**	**2.1 %**

	Revenues 2019	Revenues 2018	Megawatt Hours (MWH) 2019	Megawatt Hours (MWH) 2018	Avg. Customer Count 2019	Avg. Customer Count 2018
	(in thousands)					
Retail Electric						
Montana	$ 68,469	$ 67,567	569	582	303,263	299,612
South Dakota	15,987	16,483	141	145	50,596	50,541
Residential	**84,456**	**84,050**	**710**	**727**	**353,859**	**350,153**
Montana	87,754	85,774	807	816	69,217	67,724
South Dakota	26,295	24,403	291	280	12,873	12,808
Commercial	**114,049**	**110,177**	**1,098**	**1,096**	**82,090**	**80,532**
Industrial	10,523	9,833	766	654	78	75
Other	12,324	11,431	90	91	8,140	8,017
Total Retail Electric	**$ 221,352**	**$ 215,491**	**2,664**	**2,568**	**444,167**	**438,777**

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

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Appendix

Natural Gas Segment
(Third Quarter)

(dollars in millions)	Results 2019	Results 2018	Results Change	Results % Change
Retail revenues	$ 20.3	$ 20.5	$ (0.2)	(1.0) %
Regulatory amortization	5.4	5.4	-	-
Total retail revenue	25.7	25.9	(0.2)	(0.8)
Wholesale and other	7.9	8.8	(0.9)	(10.2)
Total Revenues	**33.6**	**34.7**	**(1.1)**	**(3.2)**
Total Cost of Sales	**5.5**	**5.7**	**(0.2)**	**(3.5)**
Gross Margin (1)	**$ 28.1**	**$ 29.0**	**$ (0.9)**	**$ (3.1) %**

	Revenues 2019	Revenues 2018	Dekatherms (Dkt) 2019	Dekatherms (Dkt) 2018	Avg. Customer Count 2019	Avg. Customer Count 2018
	(in thousands)					
Retail Gas						
Montana	$ 8,909	$ 9,379	945	961	174,550	172,443
South Dakota	1,676	1,720	112	104	39,795	39,405
Nebraska	1,833	1,869	141	138	37,173	37,071
Residential	**12,418**	**12,968**	**1,198**	**1,203**	**251,518**	**248,919**
Montana	5,490	5,563	675	660	24,094	23,755
South Dakota	1,283	941	216	205	6,740	6,631
Nebraska	900	877	156	147	4,872	4,769
Commercial	**7,673**	**7,381**	**1,047**	**1,012**	**35,706**	**35,155**
Industrial	79	90	11	12	239	241
Other	97	60	14	7	166	162
Total Retail Gas	**$ 20,267**	**$ 20,499**	**2,270**	**2,234**	**287,629**	**284,477**

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

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Appendix

Summary Financial Results
(Nine Months Ended September 30)

(in millions except per share amounts)

	Nine Months Ended September 30,			
	2019	2018	Variance	% Variance
Operating Revenues	$ 929.8	$ 883.2	$ 46.6	5.3%
Cost of Sales	235.7	200.5	35.2	17.6%
Gross Margin (1)	**694.1**	**682.7**	**11.4**	**1.7%**
Operating Expenses				
Operating, general & administrative	238.9	222.0	16.9	7.6%
Property and other taxes	133.2	128.3	4.9	3.8%
Depreciation and depletion	129.8	130.9	(1.1)	(0.8%)
Total Operating Expenses	**501.9**	**481.2**	**20.7**	**4.3%**
Operating Income	**192.2**	**201.5**	**(9.3)**	**(4.6%)**
Interest Expense	(71.0)	(68.2)	(2.8)	(4.1%)
Other Income	0.9	1.8	(0.9)	(50.0%)
Income Before Taxes	**122.1**	**135.1**	**(13.0)**	**(9.7%)**
Income Tax Benefit / (Expense)	20.1	(4.6)	24.7	537.0%
Net Income	**$ 142.1**	**$ 130.5**	**$ 11.6**	**8.9%**
Effective Tax Rate	-16.5%	3.4%	-19.9%	
Diluted: Average Shares Outstanding	50.8	50.0	0.8	1.6%
Diluted Earnings Per Share	$2.80	$2.61	$0.19	7.3%
Dividends Paid per Common Share	$ 1.725	$ 1.650	$ 0.075	4.5%

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

NorthWestern Energy
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Gross Margin
(Nine Months Ended September 30)

(dollars in millions)

	Nine Months Ended September 30,			
	2019	2018	Variance[(1)]	
Electric	$ 555.5	$ 549.9	$ 5.6	1.0%
Natural Gas	138.6	132.8	5.8	4.4%
Total Gross Margin	**$ 694.1**	**$ 682.7**	**$ 11.4**	**1.7%**

Increase in gross margin due to the following factors:

$15.4	Tax Cuts and Jobs Act impact
9.0	Natural gas retail volumes
4.9	Montana electric supply cost recover
3.1	Electric retail volumes
2.8	Montana electric rates, subject to refund
(20.9)	Electric QF liability adjustment
(4.1)	Electric transmission
(1.6)	Montana natural gas rates
(2.1)	Other
$ 6.5	**Change in Gross Margin Impacting Net Income**
$ 4.5	Property taxes recovered in trackers
1.7	Production tax credits flowed-through trackers
(1.3)	Operating expenses recovered in trackers
$ 4.9	**Change in Gross Margin Offset Within Net Income**
$ 11.4	**Increase in Gross Margin**

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

NorthWestern Energy
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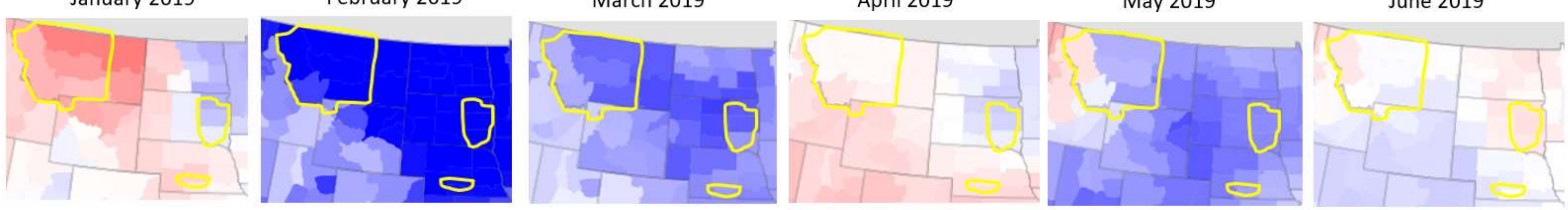
Weather
(Nine Months Ended September 30)

Cooling Degree-Days	YTD thru 9/30 Degree Days			YTD 2019 as compared with:	
	2019	2018	Historic Average	2018	Historic Average
Montana	370	337	402	10% warmer	8% colder
South Dakota	660	873	700	24% colder	6% colder

Heating Degree - Days	YTD thru 9/30 Degree Days			YTD 2019 as compared with:	
	2019	2018	Historic Average	2018	Historic Average
Montana	5,604	5,094	4,838	10% colder	16% colder
South Dakota	6,350	6,099	5,577	4% colder	14% colder
Nebraska	4,866	4,938	4,585	1% warmer	6% colder

Difference from Average Temperatures



We estimate favorable weather through the first 9 months of 2019 (all due to a cold Qtr 1) has contributed approximately $8.0M pretax benefit as compared to normal and $5.7M pretax benefit as compared to the same period in 2018.

Appendix

Operating Expenses
(Nine Months Ended September 30)

(dollars in millions)

	Nine Months Ended September 30,			
	2019	2018	Variance	
Operating, general & admin.	$ 238.9	$ 222.0	$ 16.9	7.6%
Property and other taxes	133.2	128.3	4.9	3.8%
Depreciation and depletion	129.8	130.9	(1.1)	(0.8%)
Operating Expenses	**$ 501.9**	**$ 481.2**	**$ 20.7**	**4.3%**

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

$ 5.3	Employee benefits
3.9	Hazard trees
2.4	General maintenance
1.6	Labor
1.4	Legal costs
6.8	Other
$ 21.4	**Change in OG&A Items Impacting Net Income**
($6.2)	Pension and other postretirement benefits
(1.3)	Operating expense recovered in trackers
3.0	Non-employee directors deferred compensation
($4.5)	**Change in OG&A Items Offset Within Net Income**
$ 16.9	**Increase in Operating, General & Administrative Expenses**

$4.9 million increase in property and other taxes due primarily to plant additions and higher annual estimated property valuations in Montana.

$1.1 million decrease in depreciation expense primarily due to the depreciation adjustment consistent with the proposed settlement in our Montana electric rate case.

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Operating to Net Income
(Nine Months Ended September 30)

(dollars in millions)

	Nine Months Ended September 30,			
	2019	2018	Variance	
Operating Income	**$ 192.2**	**$ 201.5**	**$ (9.3)**	**(4.6%)**
Interest Expense	(71.0)	(68.2)	(2.8)	(4.1%)
Other Income	0.9	1.8	(0.9)	(50.0%)
Income Before Taxes	**122.0**	**135.1**	**(13.1)**	**(9.7%)**
Income Tax Benefit / (Expense)	20.1	(4.6)	24.7	537.0%
Net Income	**$ 142.1**	**$ 130.5**	**$ 11.6**	**8.9%**

$2.8 million increase in interest expenses was primarily due to higher borrowings.

$0.9 million decrease in other income was due to a $6.2 million increase in other pension expense that was offset by a $3.0 million increase in the value of deferred shares held in a trust for non-employee directors deferred compensation, both of which are offset in operating, general and administrative expense with no impact to net income. This decrease was also partly offset by higher capitalization of AFUDC.

$24.7 million increase in income tax benefit. The income tax benefit for 2019 reflects the release of approximately $22.8 million of unrecognized tax benefits, including approximately $2.7 million of accrued interest and penalties, due to the lapse of statutes of limitation in the second quarter of 2019. Our effective tax rate for the nine months ended September 30, 2019 was negative 16.5% as compared with 3.4% for the same period of 2018. We expect our 2019 effective tax rate to range between negative 7% and negative 12%.

Income Tax Reconciliation
(Nine Months Ended September 30)

(in millions)	Nine Months Ended September 30,				
	2019		2018		Variance
Income Before Income Taxes	**$122.1**		**$135.1**		**($13.0)**
Income tax calculated at federal statutory rate	25.6	21.0%	28.4	21.0%	(2.8)
Permanent or flow through adjustments:					
State income, net of federal provisions	1.2	1.0%	2.2	1.6%	(1.0)
Release of unrecognized tax benefit	(22.8)	(18.7%)	-	-	(22.8)
Flow - through repairs deductions	(12.7)	(10.4%)	(13.1)	(9.7%)	0.4
Production tax credits	(7.3)	(5.9%)	(8.1)	(6.0%)	0.8
Plant and depreciation of flow through items	(2.5)	(2.0%)	(1.6)	(1.2%)	(0.9)
Amortization of excess deferred income tax	(1.9)	(1.6%)	(2.0)	(1.5%)	0.1
Prior year permanent return accrual adjustments	0.6	0.4%	(3.0)	(2.2%)	3.6
Share-based compensation	0.2	0.2%	0.3	0.2%	(0.1)
Other, net	(0.5)	(0.5%)	1.6	1.2%	(2.1)
Sub-total	(45.7)	(37.5%)	(23.7)	(17.6%)	(22.0)
Income Tax (Benefit) / Expense	**$ (20.1)**	**(16.5%)**	**$ 4.7**	**3.4%**	**$ (24.8)**

NorthWestern Energy
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Appendix

Adjusted Non-GAAP Earnings

(Nine Months Ended September 30)

(in millions)	GAAP					Non GAAP	Non-GAAP Variance		Non GAAP					GAAP
	Nine Months Ended Sept. 30, 2019	Favorable Weather	(1) Move Pension Expense to OG&A (disaggregated with ASU 2017-07)	Non-employee Deferred Compensation	Remove Benefit Related to Release of Previously Unrecognized Tax Benefits	Nine Months Ended Sept. 30, 2019	Variance $	Variance %	Nine Months Ended Sept. 30, 2018	Non-employee Deferred Compensation	(1) Move Pension Expense to OG&A (disaggregated with ASU 2017-07)	(2) Gain on Qualified Facilities (Periodic Liability Reset)	Favorable Weather	Nine Months Ended Sept. 30, 2018
Revenues	$929.8	(8.0)	-	-	-	$921.8	$40.9	4.6%	$880.9	-	-	-	(2.3)	$883.2
Cost of sales	235.7	-	-	-	-	235.7	17.7	8.1%	218.0	-	-	17.5	-	200.5
Gross Margin	**694.1**	**(8.0)**	-	-	-	**686.1**	**23.2**	**3.5%**	**662.9**	-	-	**(17.5)**	**(2.3)**	**682.7**
Op. Expenses	-	-	-	-	-	-			-	-	-	-	-	-
OG&A	238.9	-	6.0	(3.1)	-	241.8	20.1	9.1%	221.7	(0.1)	(0.2)	-	-	222.0
Prop. & other taxes	133.2	-	-	-	-	133.2	4.9	3.8%	128.3	-	-	-	-	128.3
Depreciation	129.8	-	-	-	-	129.8	(1.1)	-0.8%	130.9	-	-	-	-	130.9
Total Op. Exp.	**501.9**	-	**6.0**	**(3.1)**	-	**504.8**	**24.0**	**5.0%**	**480.8**	**(0.1)**	**(0.2)**	-	-	**481.2**
Op. Income	**192.2**	**(8.0)**	**(6.0)**	**3.1**	-	**181.3**	**(0.7)**	**-0.4%**	**182.0**	**0.1**	**0.2**	**(17.5)**	**(2.3)**	**201.5**
Interest expense	(71.0)	-	-	-	-	(71.0)	(2.8)	-4.1%	(68.2)	-	-	-	-	(68.2)
Other (Exp.) Inc., net	0.9	-	6.0	(3.1)	-	3.8	2.3	153.3%	1.5	(0.1)	(0.2)	-	-	1.8
Pretax Income	**122.0**	**(8.0)**	-	-	-	**114.0**	**(1.3)**	**-1.1%**	**115.3**	-	-	**(17.5)**	**(2.3)**	**135.1**
Income tax	20.1	2.0	-	-	(22.8)	(0.7)	(1.1)	-268.7%	0.4	-	-	4.4	0.6	(4.6)
Net Income	**$142.1**	**(6.0)**	-	-	**(22.8)**	**$113.3**	**($2.4)**	**-2.1%**	**$115.7**	-	-	**(13.1)**	**(1.7)**	**$130.5**
ETR	-16.5%	25.3%	-	-	-	0.6%			-0.4%	-	-	25.3%	25.3%	3.4%
Diluted Shares	50.8					50.8	0.8	1.6%	50.0					50.0
Diluted EPS	**$2.80**	(0.11)	-	-	(0.45)	$2.24	($0.08)	-3.4%	$2.32	-	-	(0.26)	(0.03)	**$2.61**

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).

(2) Due to our expectations regarding remeasurement of our Qualifying Facilities (QF) liability, we no longer reflect this adjustment as a non-GAAP measure. Absent an adjustment to remove the QF liability benefit, our 2018 Adjusted Non-GAAP Diluted EPS would have been $2.58 for the six months ended September 30, 2018. The 2019 QF adjustment, as noted in our gross margin discussion herein, was $6.3 million ($3.3 million liability reduction plus $3.0 million lower actual output and pricing).

Appendix

Segment Results
(Nine Months Ended September 30)

(Unaudited) (in thousands)

Nine Months Ending September 30, 2019	**Electric**	**Gas**	**Other**	**Total**
Operating revenues	$ 733,933	$ 195,842	$ -	$ 929,775
Cost of sales	178,423	57,283	-	235,706
Gross margin [(1)]	555,510	138,559	-	694,069
Operating, general and administrative	174,544	60,803	3,569	238,916
Property and other taxes	104,612	28,569	7	133,188
Depreciation & depletion	107,595	22,171	-	129,766
Operating income (loss)	168,759	27,016	(3,576)	192,199
Interest expense	(58,301)	(4,599)	(8,123)	(71,023)
Other (expense) income	(1,458)	(874)	3,196	864
Income tax (expense) benefit	(4,937)	493	24,542	20,098
Net income	$ 104,063	$ 22,036	$ 16,039	$ 142,138

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

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

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Appendix

Electric Segment
(Nine Months Ended September 30)

(dollars in millions)	Results 2019	2018	Change	% Change
Retail revenues	$ 658.9	$ 638.5	$ 20.4	3.2 %
Regulatory amortization	30.0	7.4	22.6	305.4
Total retail revenue	688.9	645.9	43.0	6.7
Transmission	40.2	42.8	(2.6)	(6.1)
Wholesale and other	4.8	4.6	0.2	4.3
Total Revenues	**733.9**	**693.3**	**40.6**	**5.9**
Total Cost of Sales	**178.4**	**143.4**	**35.0**	**24.4**
Gross Margin (1)	**555.5**	**549.9**	**5.6**	**1.0 %**

	Revenues		Megawatt Hours (MWH)		Avg. Customer Count	
	2019	2018	2019	2018	2019	2018
	(in thousands)					
Retail Electric						
Montana	$ 225,392	$ 214,297	1,898	1,859	302,687	298,958
South Dakota	47,444	49,550	459	462	50,606	50,514
Residential	**272,836**	**263,847**	**2,357**	**2,321**	**353,293**	**349,472**
Montana	257,284	249,062	2,380	2,382	68,723	67,416
South Dakota	71,218	70,685	828	799	12,822	12,754
Commercial	**328,502**	**319,747**	**3,208**	**3,181**	**81,545**	**80,170**
Industrial	32,368	31,309	2,192	1,861	78	75
Other	25,228	23,568	150	149	6,336	6,259
Total Retail Electric	**$ 658,934**	**$ 638,471**	**7,907**	**7,512**	**441,252**	**435,976**

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

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Natural Gas Segment
(Nine Months Ended September 30)

(dollars in millions)	Results 2019	Results 2018	Results Change	Results % Change
Retail revenues	$ 171.1	$ 163.1	$ 8.0	4.9 %
Regulatory amortization	(1.7)	(2.8)	1.1	(39.3)
Total retail revenue	169.4	160.3	9.1	5.7
Wholesale and other	26.5	29.6	(3.1)	(10.5)
Total Revenues	**195.9**	**189.9**	**6.0**	**3.2**
Total Cost of Sales	**57.3**	**57.1**	**0.2**	**0.4**
Gross Margin (1)	**$ 138.6**	**$ 132.8**	**$ 5.8**	**$ 4.4 %**

	Revenues 2019	Revenues 2018	Dekatherms (Dkt) 2019	Dekatherms (Dkt) 2018	Avg. Customer Count 2019	Avg. Customer Count 2018
	(in thousands)					
Retail Gas						
Montana	$ 73,295	$ 67,856	10,025	8,960	174,555	172,477
South Dakota	20,376	18,745	2,545	2,480	40,019	39,628
Nebraska	15,678	18,273	2,181	2,145	37,373	37,306
Residential	**109,349**	**104,874**	**14,751**	**13,585**	**251,947**	**249,411**
Montana	37,987	34,874	5,458	4,853	24,171	23,839
South Dakota	14,074	12,397	2,481	2,372	6,789	6,673
Nebraska	8,294	9,406	1,612	1,555	4,894	4,816
Commercial	**60,355**	**56,677**	**9,551**	**8,780**	**35,854**	**35,328**
Industrial	672	810	101	118	240	245
Other	746	711	124	112	166	163
Total Retail Gas	**$ 171,122**	**$ 163,072**	**24,527**	**22,595**	**288,207**	**285,147**

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

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Appendix

Qualified Facility Earnings Adjustment

	Liability Adjustment due to underlying change in contract pricing assumptions	Actual Cost less than expected (due to price and volumes)	Total
Jun-15	(6.1)	1.8	**(4.3)**
Jun-16	0.0	1.8	**1.8**
Jun-17	0.0	2.1	**2.1**
Jun-18	17.5	9.7	**27.2**
Jun-19	3.3	3.0	**6.3**

Year-over-Year Better (Worse)

Jun-16	6.1	0.0	**6.1**
Jun-17	0.0	0.3	**0.3**
Jun-18	17.5	7.6	**25.1**
Jun-19	(14.2)	(6.7)	**(20.9)**

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.

The gain in 2019 for our QF liability was $6.3 million in total, it was comprised of $3.3 million adjustment to the liability and $3.0 million lower actual costs over last 12 months (QF contract year). This $6.6 million benefit is $20.9 million less than the $27.2 million total benefit we recognized in Q2 last year.

Due to our expectations regarding remeasurement of our QF liability, we no longer reflect this adjustment as a non-GAAP measure. Absent a QF liability adjustment, our 2018 Adjusted Non-GAAP Diluted EPS would have been $0.89 and $2.00 for the three and six months ended June 30, 2018, respectively.

Appendix

Quarterly PCCAM Impacts

Pretax Millions

	Q1	Q2	Q3	YTD	Q4
'17/'18 Tracker	Full year recorded in Q3		$ 3.3	$ 3.3	
'18/'19 Tracker			$ (5.1)	$ (5.1)	$ 0.3
2018 (Expense) Benefit	**$ -**	**$ -**	**$ (1.8)**	**$ (1.8)**	**$ 0.3**
'18/'19 Tracker	$ (1.6)	$ 4.6		$ 3.0	
'19/'20 Tracker			$ 0.1	$ 0.1	?
2019 (Expense) Benefit	**$ (1.6)**	**$ 4.6**	**$ 0.1**	**$ 3.1**	**$ -**
Year-over-Year Variance	***$ (1.6)***	***$ 4.6***	***$ 1.9***	***$ 4.9***	***?***

In 2017, the Montana legislature revised the statute regarding our recovery of electric supply costs. In response, the MPSC approved a new design for our electric tracker in 2018, effective July 1, 2017. The revised electric tracker, or PCCAM established a baseline of power supply costs and tracks the differences between the actual costs and revenues. Variances in supply costs above or below the baseline are allocated 90% to customers and 10% to shareholders, with an annual adjustment. From July 2017 to May 2019, the PCCAM also included a "deadband" which required us to absorb the variances within +/- $4.1 million from the base, with 90% of the variance above or below the deadband collected from or refunded to customers. In 2019, the Montana legislature revised the statute effective May 7, 2019, prohibiting a deadband, allowing 100% recovery of QF purchases, and maintaining the 90% / 10% sharing ratio for other purchases.

Appendix

Non-GAAP Financial Measures

Pre-Tax Adjustments ($ Millions)	2013	2014	2015	2016	2017	2018
Reported GAAP Pre-Tax Income	**$ 108.3**	**$ 110.4**	**$ 181.2**	**$ 156.5**	**$ 176.1**	**$ 178.3**
Non-GAAP Adjustments to Pre-Tax Income:						
Weather	(3.7)	(1.3)	13.2	15.2	(3.4)	(1.3)
Release of MPSC DGGS deferral	-	-	-	-	-	-
Lost revenue recovery related to prior periods	(1.0)	-	-	(14.2)	-	-
DGGS FERC ALJ initial decision - portion related to 2011	-	-	-	-	-	-
MSTI Impairment	-	-	-	-	-	-
Favorable CELP arbitration decision	-	-	-	-	-	-
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	-	-
Transmission impacts (unfavorable hydro conditions)	-	-	-	-	-	-
Settlement of Workers Compensation Claim	-	-	-	-	-	-
Remove Montana Rate Adjustments not included in guidance						-
Increased pension expense	-	-	-	-	-	-
Transaction costs related to Colstrip Unit 4 sales process						-
Income tax adjustment	-		-		-	9.4
Unplanned Equity Dilution from Hydro transaction						-
Adjusted Non-GAAP Pre-Tax Income	**$ 109.8**	**$ 115.8**	**$ 179.7**	**$ 169.7**	**$ 172.7**	**$ 168.8**

Tax Adjustments to Non-GAAP Items ($ Millions)	2013	2014	2015	2016	2017	2018
GAAP Net Income	**$ 94.0**	**$ 120.7**	**$ 151.2**	**$ 164.2**	**$ 162.7**	**$ 197.0**
Non-GAAP Adjustments Taxed at 38.5%:						
Weather	(2.3)	(0.8)	8.1	9.3	(2.1)	(1.0)
Release of MPSC DGGS deferral	-	-	-	-	-	-
Lost revenue recovery related to prior periods	(0.6)	-	-	(8.7)	-	-
DGGS FERC ALJ initial decision - portion related to 2011	-	-	-	-	-	-
MSTI Impairment	-	-	-	-	-	-
Favorable CELP arbitration decision	-	-	-	-	-	-
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	-	-
Transmission impacts (unfavorable hydro conditions)	-	-	-	-	-	-
Settlement of Workers Compensation Claim	-	-	-	-	-	-
Remove Montana Rate Adjustments not included in guidance	-	-	-	-	-	-
Increased pension expense	-	-	-	-	-	-
Transaction costs related to Colstrip Unit 4 sales process	-	-	-	-	-	-
Income tax adjustment	-	(18.5)	-	(12.5)	-	(12.8)
Unplanned Equity Dilution from Hydro transaction						
Non-GAAP Net Income	**$ 94.9**	**$ 105.5**	**$ 150.3**	**$ 159.8**	**$ 160.6**	**$ 170.2**

Non-GAAP Diluted Earnings Per Share	2013	2014	2015	2016	2017	2018
Diluted Average Shares (Millions)	*38.2*	*40.4*	*47.6*	*48.5*	*48.7*	*50.2*
Reported GAAP Diluted earnings per share	**$ 2.46**	**$ 2.99**	**$ 3.17**	**$ 3.39**	**$ 3.34**	**$ 3.92**
Non-GAAP Adjustments:						
Weather	(0.05)	(0.02)	0.17	0.19	(0.04)	(0.02)
Release of MPSC DGGS deferral	-	-	-	-	-	-
Lost revenue recovery related to prior periods	(0.02)	-	-	(0.18)	-	-
DGGS FERC ALJ initial decision - portion related to 2011	-	-	-	-	-	-
MSTI Impairment	-	-	-	-	-	-
Favorable CELP arbitration decision	-	-	-	-	-	-
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	-	-
Transmission impacts (unfavorable hydro conditions)	-	-	-	-	-	-
Settlement of Workers Compensation Claim	-	-	-	-	-	-
Remove Montana rate adjustments not included in guidance	-	-	-	-	-	-
Increased pension expense	-	-	-	-	-	-
Transaction costs related to Colstrip Unit 4 sales process	-	-	-	-	-	-
Income tax adjustment	-	(0.47)	-	(0.26)	-	(0.25)
Unplanned Equity Dilution from Hydro transaction	-	0.08	-	-	-	-
Non-GAAP Diluted Earnings Per Share	**$ 2.50**	**$ 2.68**	**$ 3.15**	**$ 3.30**	**$ 3.30**	**$ 3.39**

These materials include financial information prepared in accordance with GAAP, as well as other financial measures, such as Gross Margin and Adjusted Diluted EPS, that are considered "non-GAAP financial measures." Generally, a non-GAAP financial measure is a numerical measure of a company's financial performance, financial position or cash flows that exclude (or include) amounts that are included in (or excluded from) the most directly comparable measure calculated and presented in accordance with GAAP. Gross Margin (Revenues less Cost of Sales) is a non-GAAP financial measure due to the exclusion of depreciation from the measure. Gross Margin is used by us to determine whether we are collecting the appropriate amount of energy costs from customers to allow recovery of operating costs. Adjusted Diluted EPS is another non-GAAP measure. The Company believes the presentation of Adjusted Diluted EPS is more representative of our normal earnings than the GAAP EPS due to the exclusion (or inclusion) of certain impacts that are not reflective of ongoing earnings.

The presentation of these non-GAAP measures is intended to supplement investors' understanding of our financial performance and not to replace other GAAP measures as an indicator of actual operating performance. Our measures may not be comparable to other companies' similarly titled measures.

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