



# 2021 Third Quarter Earnings Webcast

October 25, 2021

**NorthWestern<sup>®</sup>**  
**Energy**  
*Delivering a Bright Future*



**Bob Rowe,**  
CEO



**Brian Bird,**  
President & COO



**Crystal Lail,**  
Vice President & CFO

## Forward Looking Statements

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

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



# Significant Events

- **Net income for the third quarter of 2021 increased \$5.7 million, as compared to the same period in 2020.**
  - Diluted earnings per share increased \$0.10 as compared to the same period in 2020.
  - After adjusting for weather differences and a non-cash liability adjustment, Non-GAAP\* adjusted earnings per share increased \$0.06 as compared to the same period in 2020.
- The Board of Directors declared a quarterly dividend of \$0.62 per share payable December 31, 2021 to shareholders of record as of December 15, 2021.
- During the quarter, we issued 1,040,085 shares of our common stock under our Equity Distribution Agreement at an average price of \$63.13, for net proceeds of \$64.8 million
  - \$121.1 million net proceeds received in total under the \$200 million program.

*Boulder River, Montana*





# Summary Financial Results

(Third Quarter)

(in millions except per share amounts)

	Three Months Ended September 30,			
	2021	2020	Variance	% Variance
<b>Operating Revenues</b>	\$ 326.0	\$ 280.6	\$ 45.4	16.2%
Cost of Sales	98.7	68.0	30.7	45.1%
<b>Gross Margin <sup>(1)</sup></b>	<b>227.3</b>	<b>212.6</b>	<b>14.7</b>	<b>6.9%</b>
<b>Operating Expenses</b>				
Operating, general & administrative	80.9	73.3	7.6	10.4%
Property and other taxes	43.6	45.3	(1.7)	(3.8%)
Depreciation and depletion	47.1	44.3	2.8	6.3%
<b>Total Operating Expenses</b>	<b>171.6</b>	<b>162.9</b>	<b>8.7</b>	<b>5.3%</b>
<b>Operating Income</b>	<b>55.7</b>	<b>49.7</b>	<b>6.0</b>	<b>12.1%</b>
Interest Expense	(23.3)	(23.7)	0.4	1.7%
Other Income	5.3	0.8	4.5	(562.5%)
<b>Income Before Taxes</b>	<b>37.7</b>	<b>26.8</b>	<b>10.9</b>	<b>40.7%</b>
Income Tax (Expense) Benefit	(2.5)	2.7	(5.2)	(192.6%)
<b>Net Income</b>	<b>\$ 35.2</b>	<b>\$ 29.5</b>	<b>\$ 5.7</b>	<b>19.3%</b>
Effective Tax Rate	6.6%	(10.1%)	16.7%	
Diluted Shares Outstanding	52.0	50.7	1.4	2.7%
Diluted Earnings Per Share	\$0.68	\$ 0.58	\$ 0.10	17.2%
Dividends Paid per Common Share	\$ 0.62	\$ 0.60	\$ 0.02	3.3%

(1) Gross Margin, defined as revenues less cost of sales, is a non-GAAP Measure. See Appendix slide 36 for a reconciliation and additional disclosure.



# Gross Margin

(Third Quarter)

(dollars in millions)

## Three Months Ended September 30,

	2021	2020	Variance	
Electric	\$ 198.1	\$ 183.0	\$ 15.1	8.3%
Natural Gas	29.2	29.6	(0.4)	(1.4%)
<b>Total Gross Margin <sup>(1)</sup></b>	<b>\$ 227.3</b>	<b>\$ 212.6</b>	<b>\$ 14.7</b>	<b>6.9%</b>

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

(1) Gross Margin, defined as revenues less cost of sales, is a non-GAAP Measure. See Appendix slide 36 for a reconciliation and additional disclosure.

\$ 10.1	Montana electric transmission revenue
8.4	Electric retail volumes
(2.1)	Montana electric supply cost recovery
(1.3)	Electric QF liability adjustment
(0.6)	Natural gas retail volumes
0.4	Other
<u>\$ 14.9</u>	<b>Change in Gross Margin Impacting Net Income</b>

\$ (1.3)	Property taxes recovered in revenue, offset in property tax expense
0.2	Gas production taxes recovered in revenue, offset in property and other taxes
0.3	Operating expense recovered in revenue, offset in operating expense
0.6	Production tax credits reducing revenue, offset in income tax expense
<u>\$ (0.2)</u>	<b>Change in Gross Margin Offset Within Net Income</b>
<u><u>\$ 14.7</u></u>	<b>Increase in Gross Margin</b>



## Cooling Degree-Days

	Qtr 3 Degree Days			Q3 2021 as compared with:	
	2021	2020	Historic Average	2020	Historic Average
Montana	493	340	361	45% warmer	37% warmer
South Dakota	818	755	638	8% warmer	28% warmer

## Heating Degree - Days

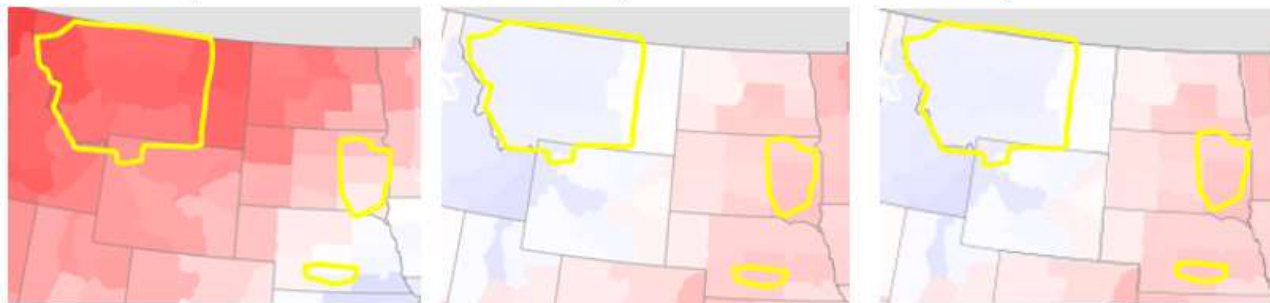
	Qtr 3 Degree Days			Q3 2021 as compared with:	
	2021	2020	Historic Average	2020	Historic Average
Montana	300	306	319	2% warmer	6% warmer
South Dakota	23	71	87	68% warmer	74% warmer
Nebraska	9	40	47	78% warmer	81% warmer

## Mean Temperature Departures from Average

July 2021

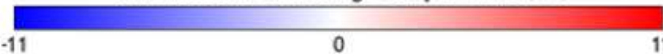
August 2021

September 2021



Compared to 1981-2010

Difference from average temperature (°F)



We estimate favorable weather in Q3 2021 resulted in a \$3.4M pretax benefit as compared to normal and \$4.0M pretax benefit as compared to Q3 2020.



# Operating Expenses

(Third Quarter)

(dollars in millions)

## Three Months Ended September 30,

	2021	2020	Variance	
Operating, general & admin.	\$ 80.9	\$ 73.3	\$ 7.6	10.4%
Property and other taxes	43.6	45.3	(1.7)	(3.8)%
Depreciation and depletion	47.1	44.3	2.8	6.3%
<b>Operating Expenses</b>	<b>\$ 171.6</b>	<b>\$ 162.9</b>	<b>\$ 8.7</b>	<b>5.3%</b>

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

\$ 3.3	Employee benefits
1.8	Technology implementation and maintenance
1.3	Generation maintenance
1.2	Write-off of preliminary construction costs
0.4	Travel and training
(2.7)	Uncollectible accounts
(0.3)	Other
<u>\$ 5.0</u>	<b>Change in OG&amp;A Items Impacting Net Income</b>
\$ 1.2	Pension and other postretirement benefits, offset in other income
1.1	Non-employee directors deferred compensation, offset in other income
0.3	Operating expenses recovered in trackers, offset in revenue
<u>\$ 2.6</u>	<b>Change in OG&amp;A Items Offset Within Net Income</b>
<u><u>\$ 7.6</u></u>	<b>Increase in Operating, General &amp; Administrative Expense</b>

**\$1.7 million decrease in property and other taxes** due primarily to decrease in estimated Montana state and local taxes.

**\$2.8 million increase in depreciation expense** primarily due to plant additions.



# Operating to Net Income

(Third Quarter)

(dollars in millions)

Three Months Ended September 30,

	2021	2020	Variance	
<b>Operating Income</b>	<b>\$ 55.7</b>	<b>\$ 49.7</b>	<b>\$ 6.0</b>	<b>12.1%</b>
Interest Expense	(23.3)	(23.7)	0.4	1.7%
Other Income	5.3	0.8	4.5	562.5%
<b>Income Before Taxes</b>	<b>37.7</b>	<b>26.8</b>	<b>10.9</b>	<b>40.7%</b>
Income Tax (Expense) / Benefit	(2.5)	2.7	(5.2)	(192.6%)
<b>Net Income</b>	<b>\$ 35.2</b>	<b>\$ 29.5</b>	<b>\$ 5.7</b>	<b>19.3%</b>

**\$0.4 million decrease in interest expense**, was primarily due to higher capitalization of Allowance for Funds Used During Construction (AFUDC), partly offset by higher borrowings.

**\$4.5 million increase in other income** includes approximately \$2.3 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 includes an approximately \$1.1 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 \$1.2 million.

**\$5.2 million increase in income tax expense** due primarily to higher pre-tax income and lower permanent or flow-through income tax benefits.



# 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



# Adjusted Non-GAAP Earnings

(Third Quarter)

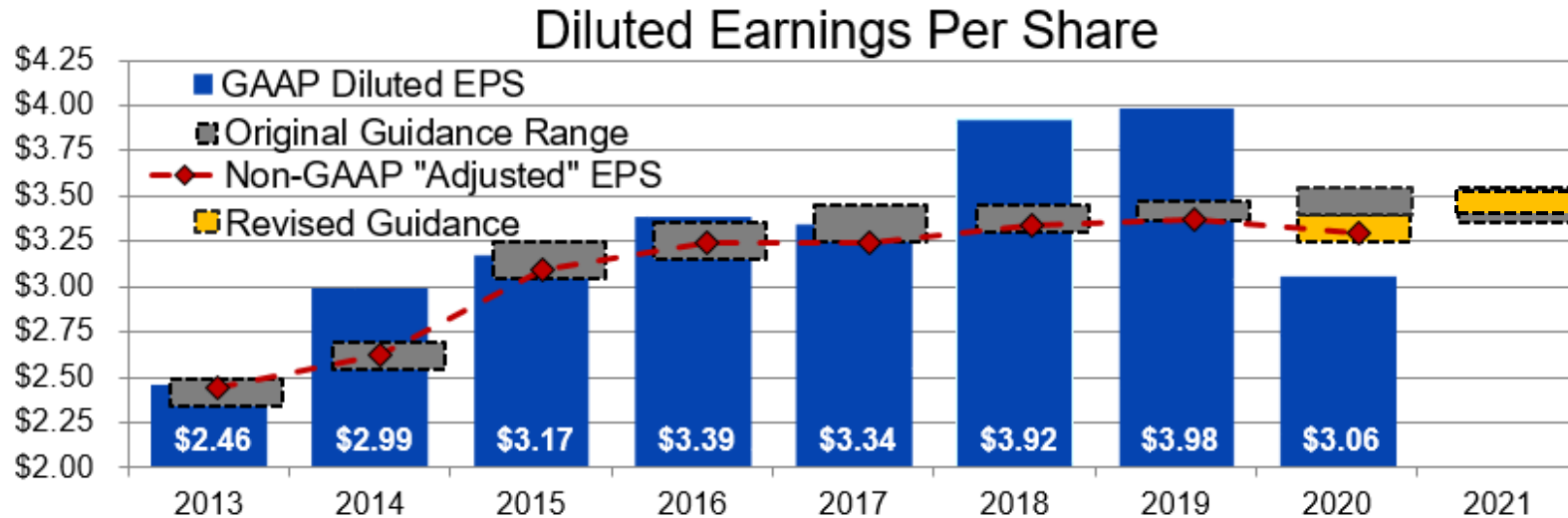
Three Months Ended September 30,												
	2021					Variance		2020				
	GAAP	Favorable Weather	(1) Move Pension Expense to OG&A (disaggregated with ASU 2017-07)	Non-employee Deferred Compensation	QF Liability - adjustment associated with one-time clarification of contract term	Non-GAAP		Non-GAAP	Non-employee Deferred Compensation	(1) Move Pension Expense to OG&A (disaggregated with ASU 2017-07)	Unfavorable Weather	GAAP
	Three Months Ended Sept. 30, 2021							Three Months Ended Sept. 30, 2020				Three Months Ended Sept. 30, 2020
						\$	%					
Revenues	\$326.0	(3.4)			1.3	\$323.9	\$42.7 15.2%	\$281.2			0.6	\$280.6
Cost of sales	98.7					98.7	30.7 45.1%	68.0				68.0
<b>Gross Margin</b>	<b>227.3</b>	<b>(3.4)</b>	<b>-</b>	<b>-</b>	<b>1.3</b>	<b>225.2</b>	<b>12.0 5.6%</b>	<b>213.2</b>	<b>-</b>	<b>-</b>	<b>0.6</b>	<b>212.6</b>
<b>Op. Expenses</b>												
OG&A	80.9		(1.1)	0.1		79.9	5.3 7.1%	74.6	1.2	0.1		73.3
Prop. & other taxes	43.6					43.6	(1.7) -3.8%	45.3				45.3
Depreciation	47.1					47.1	2.8 6.3%	44.3				44.3
<b>Total Op. Exp.</b>	<b>171.6</b>	<b>-</b>	<b>(1.1)</b>	<b>0.1</b>	<b>-</b>	<b>170.6</b>	<b>6.4 3.9%</b>	<b>164.2</b>	<b>1.2</b>	<b>0.1</b>	<b>-</b>	<b>162.9</b>
<b>Op. Income</b>	<b>55.7</b>	<b>(3.4)</b>	<b>1.1</b>	<b>(0.1)</b>	<b>1.3</b>	<b>54.6</b>	<b>5.6 11.4%</b>	<b>49.0</b>	<b>(1.2)</b>	<b>(0.1)</b>	<b>0.6</b>	<b>49.7</b>
Interest expense	(23.3)					(23.3)	0.4 1.7%	(23.7)				(23.7)
Other (Exp.) Inc., net	5.3		(1.1)	0.1		4.3	2.2 104.8%	2.1	1.2	0.1		0.8
<b>Pretax Income</b>	<b>37.7</b>	<b>(3.4)</b>	<b>-</b>	<b>-</b>	<b>1.3</b>	<b>35.6</b>	<b>8.2 29.9%</b>	<b>27.4</b>	<b>-</b>	<b>-</b>	<b>0.6</b>	<b>26.8</b>
Income tax	(2.5)	0.9	-	-	(0.3)	(2.0)	(4.5) -180.0%	2.5	-	-	(0.2)	2.7
<b>Net Income</b>	<b>\$35.2</b>	<b>(2.5)</b>	<b>-</b>	<b>-</b>	<b>1.0</b>	<b>\$33.6</b>	<b>\$3.7 12.4%</b>	<b>\$29.9</b>	<b>-</b>	<b>-</b>	<b>0.4</b>	<b>\$29.5</b>
<i>ETP</i>	6.4%	25.3%	-	-	25.3%	5.5%		-9.3%	-	-	25.3%	-10.1%
Diluted Shares	52.0					52.0	1.3 2.6%	50.7				50.7
<b>Diluted EPS</b>	<b>\$0.68</b>	<b>(0.05)</b>	<b>-</b>	<b>-</b>	<b>0.02</b>	<b>\$0.65</b>	<b>\$0.06 10.2%</b>	<b>\$0.59</b>	<b>-</b>	<b>-</b>	<b>0.01</b>	<b>\$0.58</b>

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).



# Diluted Earnings Per Share



Non-GAAP Adjusted EPS Growth Averaged 4.3% from 2013 - 2020

NorthWestern confirms its 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 dividend growth rate to be in line with the EPS growth rate going forward.**

# Regulatory Update

- **We will not make a general rate case filing in any of our regulatory jurisdictions during 2021.** We have made several other regulatory filings, primarily in our Montana jurisdiction, including:

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 and we await the final written order;** and

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.

- 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.

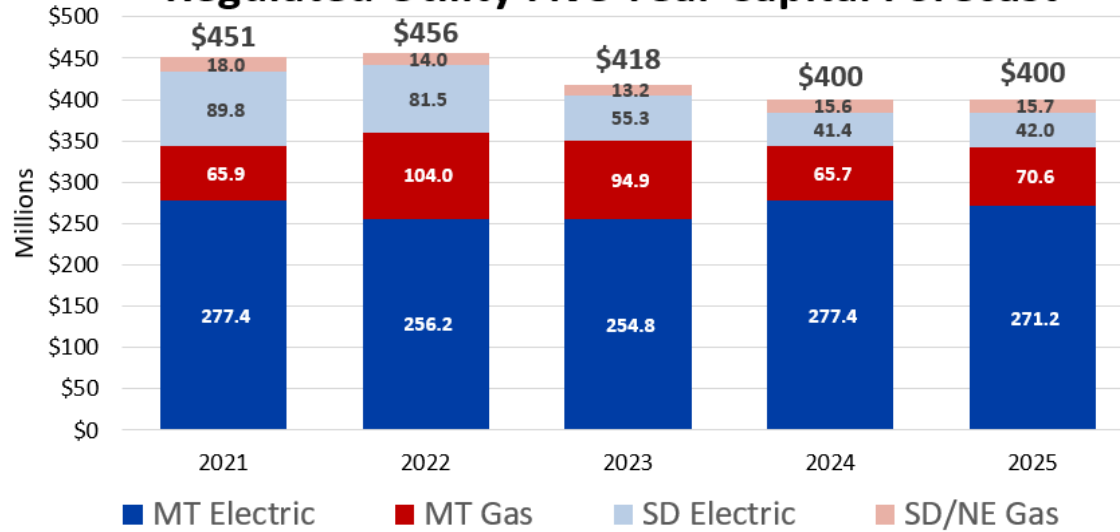




# Robust Capital Investment Plan

- **\$2.1 billion** of total capital investment over the five year period. We expect to finance this capital with a combination of cash flows from operations, first mortgage bonds and equity issuances.
- During the second quarter of 2021 we initiated a \$200 million At-the-Market (ATM) offering. **We expect a total of approximately \$200 million of equity proceeds during 2021 to support our current capital program and maintain and protect our credit ratings.**
- Financing plans are subject to change, depending on capital expenditures, regulatory outcomes, internal cash generation, market conditions and other factors.

### Regulated Utility Five Year Capital Forecast



\$ Millions	2021	2022	2023	2024	2025
Electric	* \$367	\$338	\$310	\$319	\$313
Natural Gas	\$84	\$118	\$108	\$81	\$87
<b>Total Capital Forecast</b>	<b>\$451</b>	<b>\$456</b>	<b>\$418</b>	<b>\$400</b>	<b>\$400</b>

\* Our 5 year capital investment forecast above, and included in our 2020 Form10-K, includes approximately \$60 million for a 30-40 MW flexible natural gas plant near Aberdeen, SD. During the third quarter of 2021, we decided to discontinue our plans to build this project as a result of significant increases in estimated construction cost and global supply chain challenges. Alternatively, the projections above do not include \$275 million of anticipated accelerated investment on the 175 MW generation facility to be constructed near Laurel, MT.

**This level of capital investment is anticipated to result in annualized rate base growth of 4%-5%. With the acceleration of the Laurel project and the discontinuation of the Aberdeen project, we anticipate providing the updated 5 Year capital forecast at the EEI Financial Conference.**



# Generation Portfolio Update

## Montana

- On May 19, 2021 we made a filing requesting approval to acquire electric capacity resources identified through our January 2020 RFP, including:
  - **Laurel Generation Station** - Construction of 175 MW of flexible reciprocating internal combustion engines (RICE) near Laurel, Montana at a cost of approximately \$275 million, including AFUDC.
  - **Beartooth Battery Contract** – A 20-year agreement to purchase capacity and ancillary services from a 50 MW battery storage facility that will be constructed in Yellowstone County, Montana; and
  - **Powerex Transaction** – a 5-year power purchase agreement for 100 MW of capacity and energy products originating predominately from hydroelectric resources.



However, the upheaval in the construction market and, specifically, timely availability of critical components and escalating labor and construction costs due to the Covid-19 pandemic, necessitates the flexibility to expend capital and make commercial decisions in advance of the timeline established by the MPSC approval docket.

**Accordingly, we withdrew our application on September 21, 2021 and intend to seek approval from the MPSC to place the Laurel Generating Station in rate base through a future filing.** The accelerated timeline should allow the plant to be in service for our Montana customers during the 2023-2024 winter season.

## South Dakota

- **As a result of global supply chain challenges and significant increases in construction costs, we decided to discontinue our plans to build an additional 30-40 MW of flexible generation in Aberdeen, SD, that was expected to be online in early 2024 with initial costs estimates of approximately \$60 million. As a result, we recorded a \$1.2 million pre-tax charge during the quarter** related to write-off of preliminary construction costs.
- Construction continues for a **60MW reciprocating internal combustion engine project** in Huron, SD **to be online in early 2022** with total construction costs of approximately \$80 million (approximately \$40 million invested in 2020).

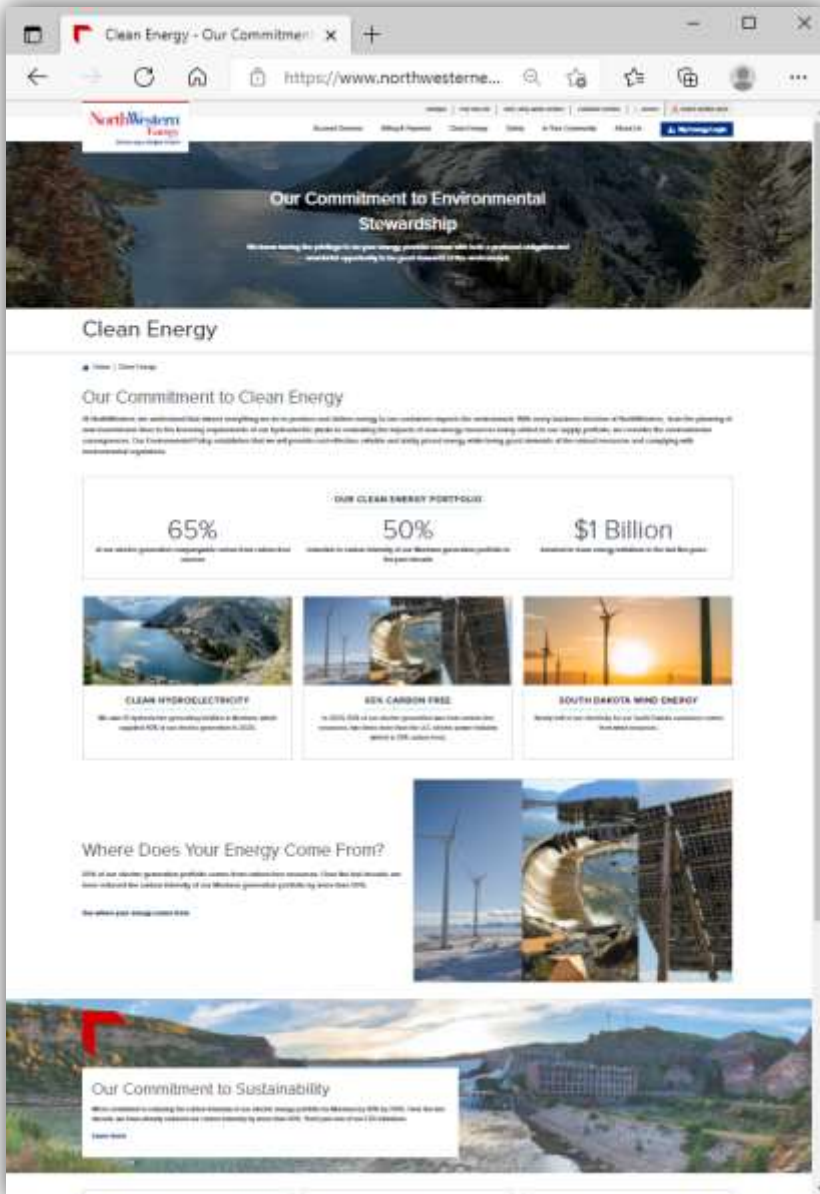
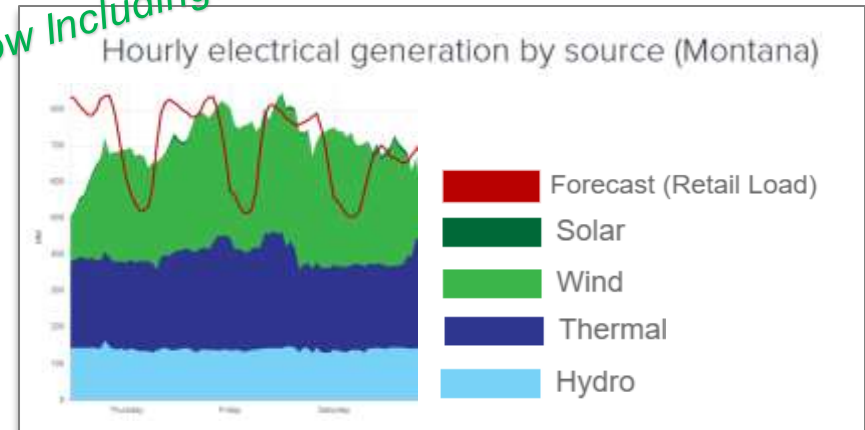


# ESG Advancements

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:





# Conclusion

Pure  
Electric &  
Gas Utility

Solid Utility  
Foundation

Best  
Practices  
Corporate  
Governance

Attractive  
Future  
Growth  
Prospects

Strong  
Earnings &  
Cash Flows





(in millions)

	Three Months Ended September 30,				
	2021		2020		Variance
<b>Income Before Income Taxes</b>	<b>\$37.7</b>		<b>\$26.8</b>		<b>\$10.9</b>
Income tax calculated at federal statutory rate	7.9	21.0%	5.6	21.00%	2.3
<u>Permanent or flow through adjustments:</u>					
State income, net of federal provisions	0.4	1.1%	0.0	0.2%	0.4
Flow - through repairs deductions	(3.5)	(9.2%)	(4.2)	(15.7%)	0.7
Production tax credits	(1.9)	(5.0%)	(2.2)	(8.2%)	0.3
Plant and depreciation of flow-through items	(0.3)	(0.8%)	0.1	0.4%	(0.4)
Amortization of excess deferred income taxes	(0.1)	(0.3%)	(0.2)	(0.8%)	0.1
Share-based compensation	(0.1)	(0.2%)	-	-	(0.1)
Income tax return to accrual adjustment	0.4	1.0%	(1.7)	(6.5%)	2.1
Other, net	(0.3)	(1.0%)	(0.1)	(0.5%)	(0.2)
Sub-total	(5.4)	(14.4%)	(8.3)	(31.1%)	2.9
<b>Income Tax Expense / (Benefit)</b>	<b>\$ 2.5</b>	<b>6.6%</b>	<b>\$ (2.7)</b>	<b>(10.1%)</b>	<b>\$ 5.2</b>

(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>

(Unaudited) (in thousands)

Three Months Ending September 30, 2021	Electric	Gas	Other	Total
Operating revenues	\$ 287,473	\$ 38,482	\$ -	\$ 325,955
Cost of sales	89,375	9,284	-	98,659
Gross margin <sup>(1)</sup>	198,098	29,198	-	227,296
Operating, general and administrative	60,621	20,429	(102)	80,948
Property and other taxes	34,066	9,504	2	43,572
Depreciation & depletion	38,634	8,478	-	47,112
Operating income	64,777	(9,213)	100	55,664
Interest expense	(20,429)	(1,640)	(1,214)	(23,283)
Other income (expense)	3,348	2,016	(38)	5,326
Income tax expense	(1,680)	725	(1,556)	(2,511)
Net income (loss)	\$ 46,016	\$ (8,112)	\$ (2,708)	\$ 35,196

Three Months Ending September 30, 2020	Electric	Gas	Other	Total
Operating revenues	\$ 244,155	\$ 36,455	\$ -	\$ 280,610
Cost of sales	61,155	6,883	-	68,038
Gross margin <sup>(1)</sup>	183,000	29,572	-	212,572
Operating, general and administrative	54,367	20,059	(1,104)	73,322
Property and other taxes	35,532	9,772	2	45,306
Depreciation & depletion	36,670	7,619	-	44,289
Operating income	56,431	(7,878)	1,102	49,655
Interest expense	(21,286)	(1,574)	(817)	(23,677)
Other income (expense)	1,559	459	(1,233)	785
Income tax benefit (expense)	1,197	607	899	2,703
Net income (loss)	\$ 37,901	\$ (8,386)	\$ (49)	\$ 29,466

	Revenues		Change		Megawatt Hours (MWH)		Average Customer Counts	
	2021	2020	\$	%	2021	2020	2021	2020
	(in thousands)							
Montana	\$ 85,539	\$ 78,549	\$ 6,990	8.9 %	692	633	312,265	307,892
South Dakota	18,882	18,912	(30)	(0.2) %	158	160	50,756	50,584
<b>Residential</b>	<b>104,421</b>	<b>97,461</b>	<b>6,960</b>	<b>7.1 %</b>	<b>850</b>	<b>793</b>	<b>363,021</b>	<b>358,476</b>
Montana	95,248	89,082	6,166	6.9 %	847	794	71,766	70,320
South Dakota	28,798	27,373	1,425	5.2 %	296	284	12,835	12,870
<b>Commercial</b>	<b>124,046</b>	<b>116,455</b>	<b>7,591</b>	<b>6.5 %</b>	<b>1,143</b>	<b>1,078</b>	<b>84,601</b>	<b>83,190</b>
Industrial	9,147	9,212	(65)	(0.7) %	611	621	76	78
Other	13,089	11,910	1,179	9.9 %	89	86	8,226	8,193
<b>Total Retail Electric</b>	<b>\$ 250,703</b>	<b>\$ 235,038</b>	<b>\$ 15,665</b>	<b>6.7 %</b>	<b>2,693</b>	<b>2,578</b>	<b>455,924</b>	<b>449,937</b>
Regulatory amortization	9,922	(5,526)	15,448	(279.6) %				
Transmission	25,172	12,906	12,266	95.0 %				
Wholesale and other	1,676	1,737	(61)	(3.5) %				
<b>Total Revenues</b>	<b>\$ 287,473</b>	<b>\$ 244,155</b>	<b>\$ 43,318</b>	<b>17.7 %</b>				
<b>Total Cost of Sales</b>	<b>89,375</b>	<b>61,154</b>	<b>28,221</b>	<b>46.1 %</b>				
<b>Gross Margin <sup>(1)</sup></b>	<b>\$ 198,098</b>	<b>\$ 183,001</b>	<b>\$ 15,097</b>	<b>8.2 %</b>				

	Revenues		Change		Dekatherms (Dkt)		Average Customer Counts	
	2021	2020	\$	%	2021	2020	2021	2020
	(in thousands)							
Montana	\$ 9,910	\$ 9,896	\$ 14	0.1 %	845	956	179,571	177,410
South Dakota	2,179	1,702	477	28.0 %	106	114	40,826	40,437
Nebraksa	2,443	1,698	745	43.9 %	144	156	37,406	37,467
<b>Residential</b>	<b>14,532</b>	<b>13,296</b>	<b>1,236</b>	<b>9.3 %</b>	<b>1,095</b>	<b>1,226</b>	<b>257,803</b>	<b>255,314</b>
Montana	6,110	5,598	512	9.1 %	603	611	24,872	24,412
South Dakota	1,781	1,030	751	72.9 %	179	170	6,846	6,864
Nebraksa	1,461	684	777	113.6 %	144	143	4,920	4,945
<b>Commercial</b>	<b>9,352</b>	<b>7,312</b>	<b>2,040</b>	<b>27.9 %</b>	<b>926</b>	<b>924</b>	<b>36,638</b>	<b>36,221</b>
Industrial	76	51	25	49.0 %	8	6	227	231
Other	163	92	71	77.2 %	18	12	168	153
<b>Total Retail Electric</b>	<b>\$ 24,123</b>	<b>\$ 20,751</b>	<b>\$ 3,372</b>	<b>16.2 %</b>	<b>2,047</b>	<b>2,168</b>	<b>294,836</b>	<b>291,919</b>
Regulatory amortization	5,415	7,265	(1,850)	(25.5) %				
Wholesale and other	8,944	8,439	505	6.0 %				
<b>Total Revenues</b>	<b>\$ 38,482</b>	<b>\$ 36,455</b>	<b>\$ 2,027</b>	<b>5.6 %</b>				
<b>Total Cost of Sales</b>	<b>9,284</b>	<b>6,882</b>	<b>2,402</b>	<b>34.9 %</b>				
<b>Gross Margin <sup>(1)</sup></b>	<b>\$ 29,198</b>	<b>\$ 29,573</b>	<b>\$ (375)</b>	<b>(1.3) %</b>				

# Summary Financial Results

(Nine Months Ended September 30)

(in millions except per share amounts)

## Nine Months Ended September 30,

	2021	2020	Variance	% Variance
<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 slide 36 for a reconciliation and additional disclosure.

(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
1.7	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 slide 36 for a reconciliation and additional disclosure.

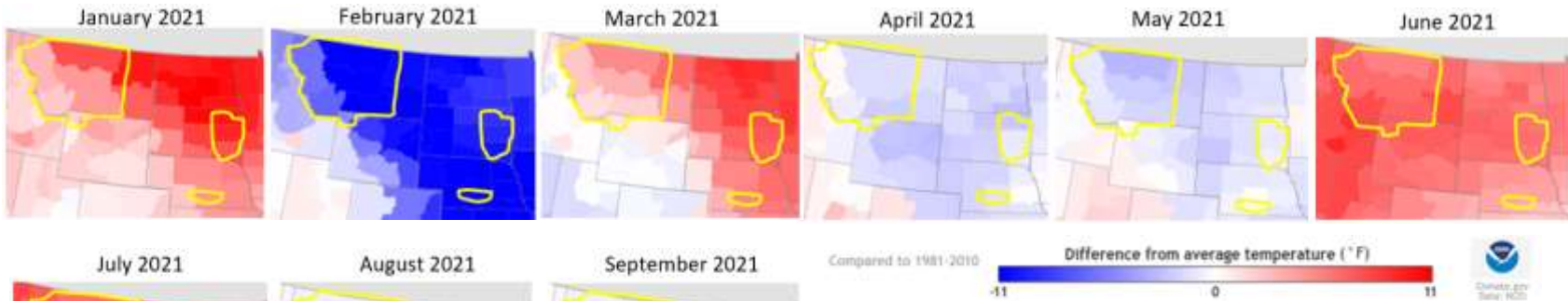


(Nine Months Ended September 30)

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.

(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>\$14.9</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

(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 September 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 September 30)

(in millions)

	2021					Non-GAAP Variance	2020						
	GAAP	Favorable Weather	(1) Move Pension Expense to OG&A (disaggregated with ASU 2017-07)	Non-employee Deferred Compensation	GF Liability - adjustment associated with one-time clarification of contract term		Non-GAAP	(1) Non-employee Deferred Compensation	Move Pension Expense to OG&A (disaggregated with ASU 2017-07)	Unfavorable Weather	GAAP		
	Nine Months Ended Sep. 30, 2021						Nine Months Ended Sep. 30, 2020			Nine Months Ended Sep. 30, 2020			
						<b>Variance</b>							
						\$ %							
<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</b>	<b>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</b>	<b>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</b>	<b>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</b>	<b>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</b>	<b>21.1%</b>	<b>\$104.8</b>	<b>-</b>	<b>-</b>	<b>3.1</b>	<b>\$101.7</b>
	<i>ETR</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</b>	<b>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).

(Unaudited) (in thousands)

**Nine Months Ending September 30, 2021**

	<b>Electric</b>	<b>Gas</b>	<b>Other</b>	<b>Total</b>
Operating revenues	\$ 798,984	\$ 225,991	\$ -	\$ 1,024,975
Cost of sales	218,802	92,335	-	311,137
Gross margin <sup>(1)</sup>	580,182	133,656	-	713,838
Operating, general and administrative	176,411	60,873	1,629	238,913
Property and other taxes	108,050	30,281	6	138,337
Depreciation & depletion	115,858	25,038	-	140,896
Operating Income (loss)	179,863	17,464	(1,635)	195,692
Interest expense	(62,007)	(4,550)	(3,709)	(70,266)
Other income	8,392	4,035	1,505	13,932
Income tax (expense) benefit	(2,369)	(1,505)	20	(3,854)
Net income (loss)	\$ 123,879	\$ 15,444	\$ (3,819)	\$ 135,504

**Nine Months Ending September 30, 2020**

	<b>Electric</b>	<b>Gas</b>	<b>Other</b>	<b>Total</b>
Operating revenues	\$ 706,718	\$ 178,507	\$ -	\$ 885,225
Cost of sales	173,294	47,059	-	220,353
Gross margin <sup>(1)</sup>	533,424	131,448	-	664,872
Operating, general and administrative	166,854	61,348	(4,160)	224,042
Property and other taxes	107,079	29,700	7	136,786
Depreciation & depletion	110,692	23,644	-	134,336
Operating income	148,799	16,756	4,153	169,708
Interest expense	(63,585)	(4,824)	(3,889)	(72,298)
Other income (expense)	3,131	863	(4,967)	(973)
Income tax benefit (expense)	2,609	(467)	3,085	5,227
Net income (loss)	\$ 90,954	\$ 12,328	\$ (1,618)	\$ 101,664

(1) Gross Margin, defined as revenues less cost of sales, is a non-GAAP Measure. See Appendix slide 36 for a reconciliation and additional disclosure.

	Revenues		Change		Megawatt Hours (MWH)		Average Customer Counts	
	2021	2020	\$	%	2021	2020	2021	2020
	(in thousands)							
Montana	\$ 251,443	\$ 237,777	\$ 13,666	5.7 %	2,067	1,944	311,256	306,886
South Dakota	51,031	52,427	(1,396)	(2.7) %	453	463	50,765	50,629
<b>Residential</b>	<b>302,474</b>	<b>290,204</b>	<b>12,270</b>	<b>4.2 %</b>	<b>2,520</b>	<b>2,407</b>	<b>362,021</b>	<b>357,515</b>
Montana	266,644	252,514	14,130	5.6 %	2,398	2,269	71,437	69,949
South Dakota	76,969	77,057	(88)	(0.1) %	826	818	12,787	12,812
<b>Commercial</b>	<b>343,613</b>	<b>329,571</b>	<b>14,042</b>	<b>4.3 %</b>	<b>3,224</b>	<b>3,087</b>	<b>84,224</b>	<b>82,761</b>
Industrial	28,086	27,162	924	3.4 %	1,842	2,026	77	78
Other	26,798	26,400	398	1.5 %	155	157	6,449	6,467
<b>Total Retail Electric</b>	<b>\$ 700,971</b>	<b>\$ 673,337</b>	<b>\$ 27,634</b>	<b>4.1 %</b>	<b>7,741</b>	<b>7,677</b>	<b>452,771</b>	<b>446,821</b>
Regulatory amortization	29,913	(9,274)	39,187	(422.5) %				
Transmission	63,762	38,409	25,353	66.0 %				
Wholesale and other	4,338	4,246	92	2.2 %				
<b>Total Revenues</b>	<b>\$ 798,984</b>	<b>\$ 706,718</b>	<b>\$ 92,266</b>	<b>13.1 %</b>				
<b>Total Cost of Sales</b>	<b>218,802</b>	<b>173,294</b>	<b>45,508</b>	<b>26.3 %</b>				
<b>Gross Margin <sup>(1)</sup></b>	<b>\$ 580,182</b>	<b>\$ 533,424</b>	<b>\$ 46,758</b>	<b>8.8 %</b>				

	Revenues		Change		Dekatherms (Dkt)		Average Customer Counts	
	2021	2020	\$	%	2021	2020	2021	2020
			(in thousands)					
Montana	\$ 82,424	\$ 65,674	\$ 16,750	25.5 %	9,119	8,937	179,340	177,036
South Dakota	18,654	16,697	1,957	11.7 %	2,248	2,310	40,975	40,509
Nebraksa	14,599	12,908	1,691	13.1 %	1,987	1,984	37,560	37,542
<b>Residential</b>	<b>115,677</b>	<b>95,279</b>	<b>20,398</b>	<b>21.4 %</b>	<b>13,354</b>	<b>13,231</b>	<b>257,875</b>	<b>255,087</b>
Montana	42,890	32,988	9,902	30.0 %	4,977	4,674	24,876	24,455
South Dakota	12,562	11,213	1,349	12.0 %	2,060	2,360	6,873	6,889
Nebraksa	7,740	6,284	1,456	23.2 %	1,397	1,394	4,953	4,973
<b>Commercial</b>	<b>63,192</b>	<b>50,485</b>	<b>12,707</b>	<b>25.2 %</b>	<b>8,434</b>	<b>8,428</b>	<b>36,702</b>	<b>36,317</b>
Industrial	726	503	223	44.3 %	88	75	229	231
Other	1,007	612	395	64.5 %	136	104	164	152
<b>Total Retail Electric</b>	<b>\$ 180,602</b>	<b>\$ 146,879</b>	<b>\$ 33,723</b>	<b>23.0 %</b>	<b>22,012</b>	<b>21,838</b>	<b>294,970</b>	<b>291,787</b>
Regulatory amortization	17,951	4,966	12,985	261.5 %				
Wholesale and other	27,438	26,662	776	2.9 %				
<b>Total Revenues</b>	<b>\$ 225,991</b>	<b>\$ 178,507</b>	<b>\$ 47,484</b>	<b>26.6 %</b>				
<b>Total Cost of Sales</b>	<b>92,335</b>	<b>47,058</b>	<b>45,277</b>	<b>96.2 %</b>				
<b>Gross Margin <sup>(1)</sup></b>	<b>\$ 133,656</b>	<b>\$ 131,449</b>	<b>\$ 2,207</b>	<b>1.7 %</b>				



# Quarterly PCCAM Impacts

	Q1	Q2	Q3	Q4	Full Year
'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>
					<i>Full Year</i>
'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>
					<i>Full Year</i>
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>(\$0.5)</b>
					<i>Year to Date</i>
'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.

# 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)
Sept-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
Sept-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).

# NWE Rate Base and Earnings Profile

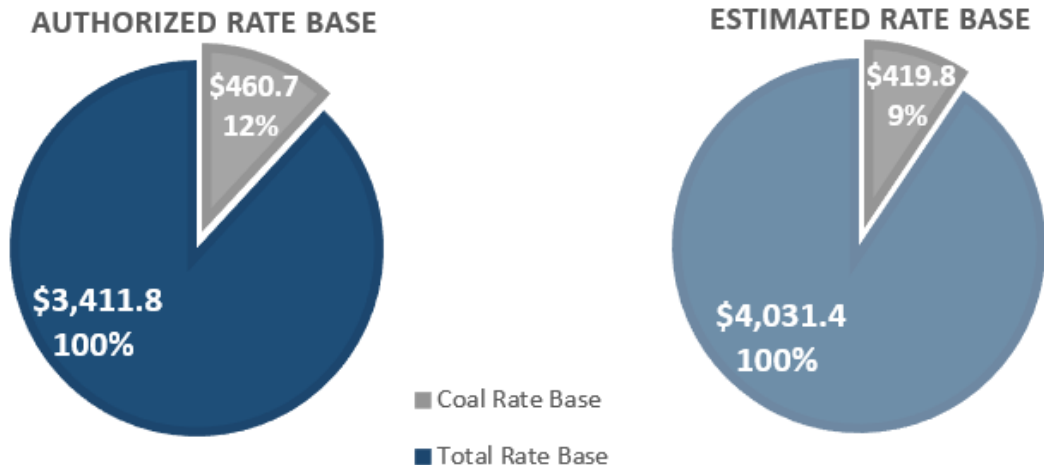
Jurisdiction and Service	Implementation Date	Authorized Rate Base (millions)	Estimated Rate Base (millions)	Authorized Overall Rate of Return	Authorized Return on Equity	Authorized Equity Level
Montana electric delivery and production (1)	April 2019	\$ 2,030.1	\$ 2,500.9	6.92%	9.65%	49.38%
Montana - 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 on 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



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.

## Reconciliation of Operating Revenues to Gross Margin

(Dollars in millions)	Three Months Ending September 30,					
	Electric		Natural Gas		Total	
	2021	2020	2021	2020	2021	2020
Reconciliation of Operating Revenue to Gross Margin						
Operating Revenues	\$ 287.5	\$ 244.2	\$ 38.5	\$ 36.5	\$ 326.0	\$ 280.7
Cost of Sales	\$ 89.4	\$ 61.2	\$ 9.3	\$ 6.9	\$ 98.7	\$ 68.1
<b>Gross Margin</b>	<b>\$ 198.1</b>	<b>\$ 183.0</b>	<b>\$ 29.2</b>	<b>\$ 29.6</b>	<b>\$ 227.3</b>	<b>\$ 212.6</b>

(Dollars in millions)	Nine Months Ending September 30,					
	Electric		Natural Gas		Total	
	2021	2020	2021	2020	2021	2020
Reconciliation of Operating Revenue to Gross Margin						
Operating Revenues	\$ 799.0	\$ 706.7	\$ 226.0	\$ 178.5	\$1,025.0	\$ 885.2
Cost of Sales	\$ 218.8	\$ 173.3	\$ 92.4	\$ 47.1	\$ 311.2	\$ 220.4
<b>Gross Margin</b>	<b>\$ 580.2</b>	<b>\$ 533.4</b>	<b>\$ 133.6</b>	<b>\$ 131.4</b>	<b>\$ 713.8</b>	<b>\$ 664.8</b>

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<b>Pre-Tax Adjustments (\$ Millions)</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>Reported GAAP Pre-Tax Income</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	(3.7)	(1.3)	13.2	15.2	(3.4)	(1.3)	(7.3)	9.8
Lost revenue recovery related to prior periods	(1.0)	-	-	(14.2)	-	-	-	-
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
Income tax adjustment	-	-	-	-	-	9.4	-	-
Unplanned Equity Dilution from Hydro transaction	-	-	-	-	-	-	-	-
<b>Adjusted Non-GAAP Pre-Tax Income</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 (\$ Millions)</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>\$ 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	(2.3)	(0.8)	8.1	9.3	(2.1)	(1.0)	(5.5)	7.3
Lost revenue recovery related to prior periods	(0.6)	-	-	(8.7)	-	-	-	-
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
Income tax adjustment	-	(18.5)	-	(12.5)	-	(12.8)	(22.8)	-
Unplanned Equity Dilution from Hydro transaction	-	-	-	-	-	-	-	-
<b>Non-GAAP Net Income</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>

<b>Non-GAAP Diluted Earnings Per Share</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>
<i>Diluted Average Shares (Millions)</i>	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>\$ 2.46</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)	(0.02)	0.17	0.19	(0.04)	(0.02)	(0.11)	0.14
Lost revenue recovery related to prior periods	(0.02)	-	-	(0.18)	-	-	-	-
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
Income tax adjustment	-	(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>\$ 2.50</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>

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