



This proxy statement contains information related to the solicitation of proxies by the Board of Directors (the Board) of NorthWestern Corporation d/b/a NorthWestern Energy (NorthWestern, the company, we, us, or our) in connection with our 2020 Annual Meeting of Shareholders. See the Proxy Statement Glossary on the inside back cover for additional definitions used in this proxy statement.

## **IMPORTANT VOTING INFORMATION**

If you owned shares of NorthWestern Corporation common stock at the close of business on February 24, 2020 (the Record Date), you are entitled to one vote per share upon each matter presented at the annual meeting of shareholders to be held on April 23, 2020. Shareholders whose shares are held in an account at a brokerage firm, bank, or other nominee (*i.e.*, in “street name”) will need to obtain a proxy from the broker, bank, or other nominee that holds their shares authorizing them to vote at the annual meeting.

Your broker is not permitted to vote on your behalf on the election of directors and other matters to be considered at this shareholders meeting, except on the ratification of our appointment of Deloitte & Touche LLP as our independent registered public accounting firm for 2020, unless you provide specific instructions by completing and returning the voting instruction form or following the instructions provided to you to vote your shares via telephone or the internet. For your vote to be counted, you will need to communicate your voting decisions to your broker, bank, or other financial institution before the date of the annual meeting.

## **YOUR VOTE IS IMPORTANT**

Your vote is important. Our Board strongly encourages you to exercise your right to vote. Voting early helps ensure that we receive a quorum of shares necessary to hold the annual meeting.

## **ASSISTANCE**

If you have any questions about the proxy voting process, please contact the broker, bank, or other financial institution where you hold your shares. The Securities and Exchange Commission also has a website ([www.sec.gov/spotlight/proxymatters.shtml](http://www.sec.gov/spotlight/proxymatters.shtml)) with more information about your rights as a shareholder. You also may contact our Investor Relations Department by phone at (605) 978-2945 or by email at [investor.relations@northwestern.com](mailto:investor.relations@northwestern.com).

### **IMPORTANT NOTICE REGARDING THE AVAILABILITY OF PROXY MATERIALS FOR THE ANNUAL MEETING OF STOCKHOLDERS TO BE HELD ON APRIL 23, 2020**

**The Notice of Annual Meeting, Proxy Statement, and 2019 Annual Report to  
Shareholders are available on the internet at [www.proxyvote.com](http://www.proxyvote.com).**

## **ATTENDING THE ANNUAL MEETING IN PERSON OR BY WEBCAST**

Only shareholders of record or their legal proxy holders as of the record date or our invited guests may attend the annual meeting in person. If you wish to attend the annual meeting and your shares are held in street name at a brokerage firm, bank, or other nominee, you will need to bring your notice or a copy of your brokerage statement or other documentation reflecting your stock ownership as of the record date. You may be asked to provide photo identification, such as a driver’s license.

The annual meeting will be webcast (audio and slides) simultaneously with the meeting. You may access the webcast from our website at [NorthWesternEnergy.com](http://NorthWesternEnergy.com) under *Our Company / Investor Relations / Presentations and Webcasts*. A replay of the webcast will be available at the same location on our website through April 23, 2021.



## **Notice of 2020 Annual Meeting and Proxy Statement**

**March 6, 2020**

**Dear Fellow NorthWestern Corporation Shareholder:**

You are cordially invited to attend the **2020 Annual Meeting of Shareholders** to be held on **Thursday, April 23, 2020, at 10:00 a.m. Mountain Daylight Time** at the Big Horn Hotel, 1801 Majestic Lane, Billings, Montana.

At the meeting, shareholders will be asked to elect the Board of Directors, to ratify the appointment of our independent registered public accounting firm for 2020, to hold an advisory “say-on-pay” vote on the compensation of our named executive officers and to transact any other matters and business as may properly come before the annual meeting or any postponement or adjournment of the annual meeting. The proxy statement included with this letter provides you with information about the annual meeting and the business to be conducted.

**YOUR VOTE IS IMPORTANT. We urge you to read this proxy statement carefully. Whether or not you plan to attend the annual meeting in person, we encourage you to vote promptly through the internet, by telephone, or by mail.**

If you are unable to attend our annual meeting in person, we are pleased to offer an audio webcast of the meeting. The webcast can be accessed live on our website at [NorthWesternEnergy.com](http://NorthWesternEnergy.com) under *Our Company / Investor Relations / Presentations and Webcasts*, or you can listen to a replay of the webcast, which will be archived on our website at the above location for one year after the meeting.

Thank you for your continued support of NorthWestern Corporation.

**Very truly yours,**

A handwritten signature in black ink that reads "Robert C. Rowe".

**Robert C. Rowe**  
President and Chief Executive Officer

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# Notice

## 2020 Annual Meeting of Shareholders

Shareholders owning NorthWestern Corporation common stock at the close of business on February 24, 2020, the record date, or their legal proxy holders, are entitled to vote at the annual meeting. Only our shareholders, their legal proxy holders as of the record date, or our invited guests may attend the annual meeting in person. The annual meeting will be webcast (audio and slides) simultaneously with the meeting.

**Meeting Date:** April 23, 2020

**Meeting Time:** 10:00 a.m. Mountain Daylight Time

**Location:** Big Horn Hotel, 1801 Majestic Lane, Billings, Montana

**Record Date:** February 24, 2020

### Annual Meeting Business:

On or about March 6, 2020, we mailed to our shareholders either (1) a Notice of Internet Availability of Proxy Materials, which indicates how to access our proxy materials on the internet, or (2) a copy of our proxy statement, a proxy card, and our 2019 Annual Report.

Proposal	Board Recommendation	Page
<b>1</b> Election of Directors	<input checked="" type="checkbox"/> FOR each director nominee	<b>6</b>
<b>2</b> Ratification of Deloitte & Touche LLP as Independent Registered Public Accounting Firm for 2020	<input checked="" type="checkbox"/> FOR	<b>8</b>
<b>3</b> Advisory Vote to Approve Named Executive Officer Compensation	<input checked="" type="checkbox"/> FOR	<b>9</b>

**By Order of the Board of Directors,**

**Timothy P. Olson**  
Corporate Secretary

# Proxy Summary

## Items of Business to Be Considered at the Annual Meeting

Proposal	Board Recommendation	Page
1 Election of Directors	<input checked="" type="checkbox"/> FOR each director nominee	6
2 Ratification of Deloitte & Touche LLP as Independent Registered Public Accounting Firm for 2020	<input checked="" type="checkbox"/> FOR	8
3 Advisory Vote to Approve Named Executive Officer Compensation	<input checked="" type="checkbox"/> FOR	9

## 2019 Executive Pay Overview

### Alignment of Pay with Shareholder and Customer Interests

Our executive pay program is designed to align the long-term interests of our executives, shareholders, and customers. Approximately 78 percent of the compensation of our CEO and about 60 percent of the compensation of our other named executive officers is at risk in the form of performance-based incentive awards. Our Board establishes the metrics and targets for these incentive awards, based upon advice from the Board's independent compensation consultant. The 2019 performance metrics did not change from 2018. We also require our executives to retain meaningful ownership of our stock (from 2x to 6x their annual base salary). This structure encourages our executives to focus on short- and long-term performance and provides a reward to our executives, shareholders, and customers when we achieve our financial and operating objectives. Our CEO to median employee pay ratio for 2019 was 27:1.

### Executive Pay Components at a Glance

Component	Description	Percent of Total Compensation		Changes in 2019
		CEO	Other NEO Avg.	
<b>Base Salary</b> <i>Fixed, paid in cash</i>	Target middle of competitive range of peer group, with adjustments for trade area economics, turnover, tenure, and experience	22%	40%	Named executive officers received a 3 percent cost of living adjustment provided to some employees; one named executive officer received an additional increase to remain market competitive
<b>Annual Cash Incentive</b> <i>Variable, paid in cash</i>	Based on net income, safety, reliability, and customer satisfaction metrics and individual performance	22%	20%	Increased target opportunity for two executives to align with market median; updated performance targets
<b>Long-Term Incentive Program Awards</b> <i>Variable, paid in equity</i>	Based on earnings per share, return on average equity and relative total shareholder return performance over a three-year vesting period	43%	32%	Updated performance targets
<b>Executive Retention / Retirement Program Awards</b> <i>Variable, paid in equity</i>	Based on net income performance over a five-year vesting period; paid over five-year period following separation from service	13%	8%	None

## Performance Against Incentive Targets

In 2019, we managed our business through a challenging electric rate case, with significant increases in net income, all-time high customer satisfaction and near all-time best safety performance. We achieved an average return on equity of 10.0 percent, an EPS growth rate of nearly 6.0 percent, and a total shareholder return of 37.0 percent for the three-year period ending December 31, 2019. As a result, we achieved above target performance for our 2019 annual incentive awards and our long-term incentive awards.

### 2019 Annual Cash Incentive Outcome

<b>Financial</b> (55%) – % of Target Achieved	150%
<b>Safety</b> (15%) – % of Target Achieved	92%
<b>Reliability</b> (15%) – % of Target Achieved	79%
<b>Customer Sat.</b> (15%) – % of Target Achieved	118%
<b>Total Funding</b>	<b>126%</b>

### 2017 Long-Term Incentive Program Vesting

<b>ROAE / Avg. EPS Growth</b> – % of Target Achieved	92%
<b>Relative TSR</b> – % of Target Achieved	30%
<b>Total Payout to Participants*</b>	<b>122%</b>

\* Each component weighted 50% for total payout

## Shareholder Feedback on Executive Pay

At our 2019 annual meeting, shareholders approved our 2018 named executive officer pay by over 96 percent of the votes cast. In light of the overwhelming approval from our shareholders, we have not changed the overall structure of our named executive officer pay program for 2019. We continue to use the same executive pay components and operate within the parameters our shareholders previously approved.

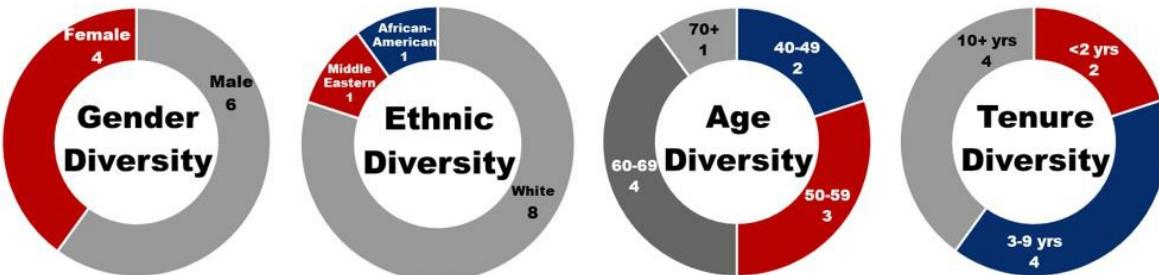
## 2019 Corporate Governance Overview

Last year, shareholders elected eight of our director nominees by an average of 98 percent of the votes cast. Our Board has nominated each of those eight individuals for re-election as director. Our Board also has nominated Mahvash Yazdi and Jeffrey Yingling for election. Ms. Yazdi and Mr. Yingling joined our board during the fourth quarter of 2019 as part of our Board's ongoing succession planning process to serve terms through our 2020 annual meeting. Ms. Yazdi was recommended by a Board member, and Mr. Yingling was recommended by the Board and management. As described in more detail later in this Proxy Statement, our Board also determined that it was advantageous to the company to have Stephen Adik and Julia Johnson continue their service as Board members beyond 15 years.

Thus, our Board has nominated 10 individuals for election as director. Each of the nominees currently serves on our Board, and we list these individuals in *Proposal No. 1—Election of Directors*. Each of our nominees is independent, with the sole exception of our CEO. Our Board is led by an independent non-executive chair, and our four Board committees – Audit, Compensation, Governance, and Operations – are chaired by and composed entirely of independent directors.

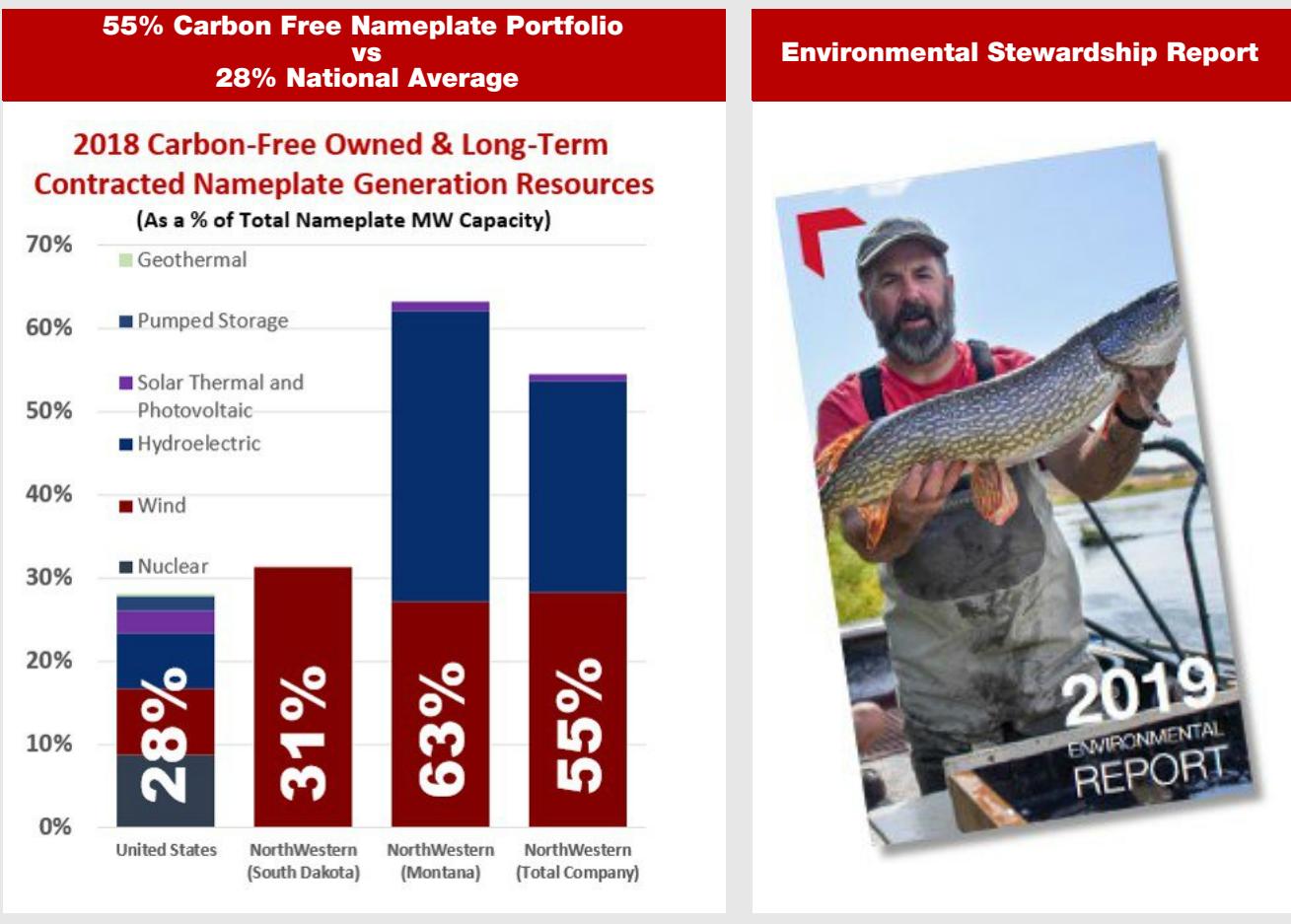
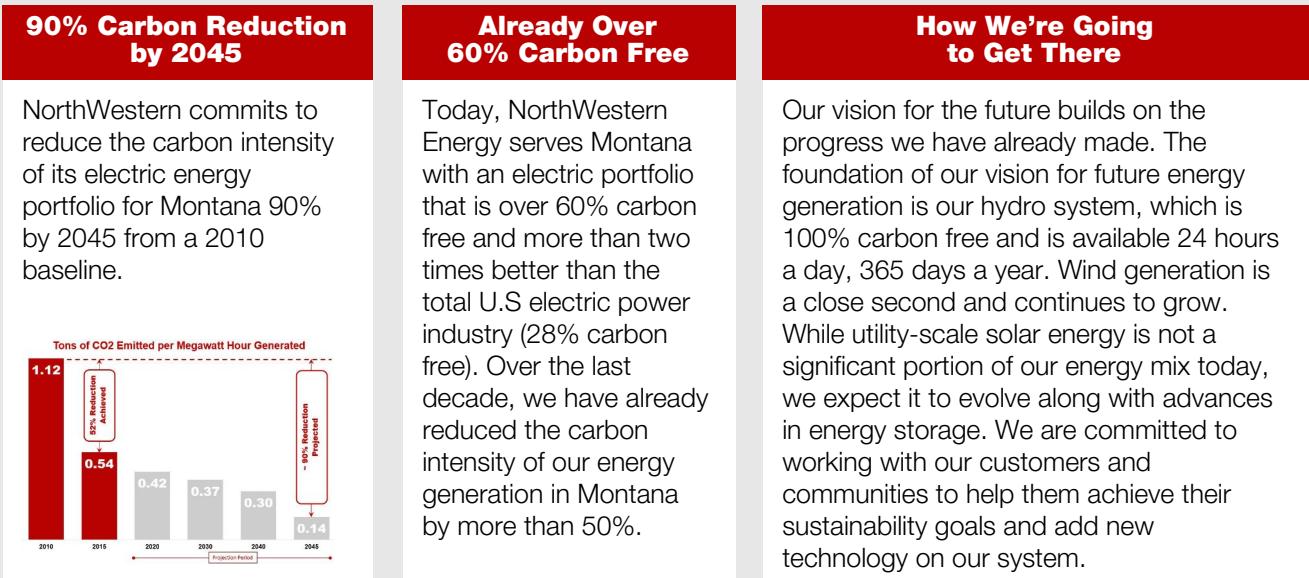
In 2020, we added the Operations Committee to oversee safety, environment, technology, and operations matters. We made no other material changes to our corporate governance practices in 2019. Diversity is important to our Board, as reflected in the graphs below regarding our slate of nominees.

### Diverse Slate of Director Nominees



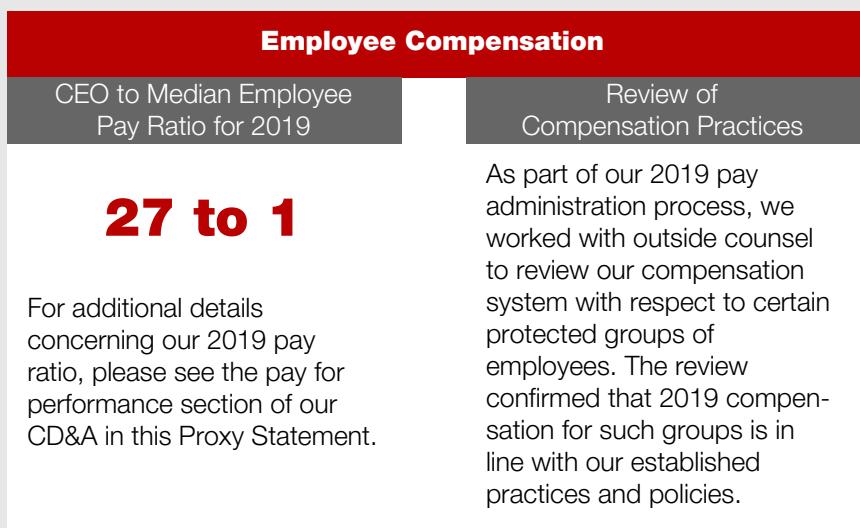
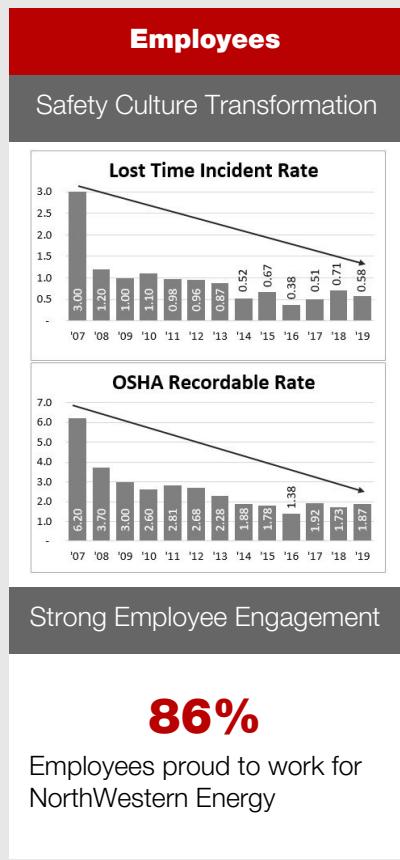
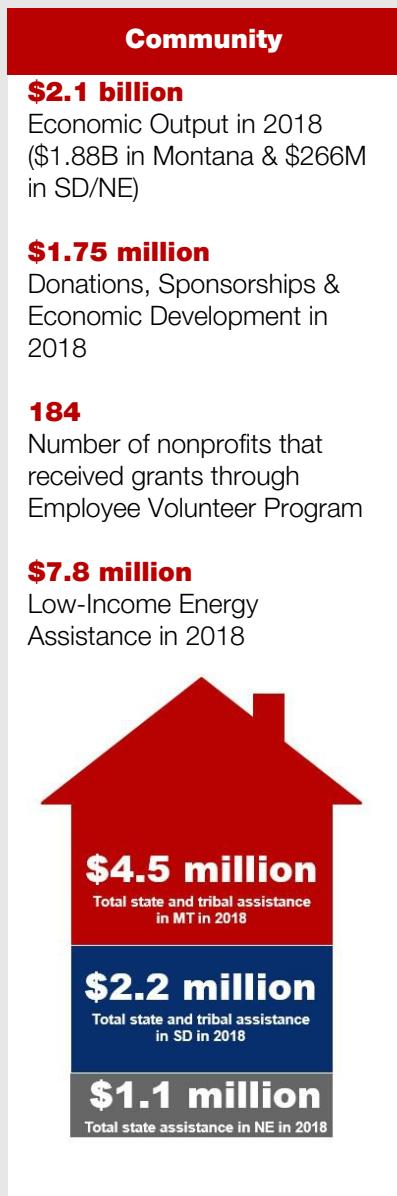
# Environmental Stewardship

## NorthWestern's Carbon Reduction Vision for Montana



# Social Initiatives

At NorthWestern, we serve the communities in which we live, and we know that when our communities thrive, our business also thrives. That is why we lift up our communities through donations, sponsorships, economic development, and volunteer activities. We help our customers who need it most with income assistance and provide all our customers with affordable service at rates below the national average. We are proud that our customers have continued to recognize our efforts through all-time high customer satisfaction scores. And we couldn't have done any of it without highly engaged employees who have helped us transform our safety culture, while earning a competitive compensation package that is fair to all.



# Items of Business to be Considered at the Annual Meeting

## Proposal No. 1

### Election of Directors

The Board  
of Directors  
recommends  
you vote  
**“FOR”**  
each of the  
10 director  
nominees.

Our Board is nominating 10 people for election as directors at the annual meeting. All of the nominees currently serve as a director of our Board. Elected directors will serve for one year, until the next annual meeting of shareholders (or until a successor is able to serve). Our nominees are listed below, and we provide additional background information and individual qualifications for each nominee in the *Corporate Governance—Individual Directors* section of this proxy statement, beginning on page 46.

Name Occupation	Independent	Age	Director Since	Committee Membership
<b>Stephen P. Adik</b> , Board Chair <i>Retired Vice Chair, NiSource, Inc.</i>	Yes	76	2004	N/A
<b>Anthony T. Clark</b> <i>Senior Advisor, Wilkinson Barker Knauer, LLP; former Commissioner, FERC and NDPSC (and Chair)</i>	Yes	48	2016	Comp.; Gov.
<b>Dana J. Dykhouse</b> <i>CEO, First PREMIER Bank</i>	Yes	63	2009	Comp. (Chair); Audit
<b>Jan R. Horsfall</b> <i>CEO, Maxletics Corporation</i>	Yes	59	2015	Operations (Chair); Audit
<b>Britt E. Ide</b> <i>President, Ide Energy &amp; Strategy</i>	Yes	48	2017	Gov.; Operations
<b>Julia L. Johnson</b> <i>President, NetCommunications, LLC; former Commissioner and Chair, Florida PSC</i>	Yes	57	2004	Gov. (Chair); Comp.
<b>Robert C. Rowe</b> <i>President and CEO, NorthWestern Energy</i>	No	64	2008	N/A
<b>Linda G. Sullivan</b> <i>Retired Executive Vice President and CFO, American Water</i>	Yes	56	2017	Audit (Chair); Operations
<b>Mahvash Yazdi</b> <i>President, Feasible Management Consulting</i>	Yes	68	2019	Comp.; Operations
<b>Jeffrey W. Yingling</b> <i>Partner, Energy Capital Ventures</i>	Yes	60	2019	Audit; Gov.

(continued on next page)

Unless you specifically withhold your authority to vote for the election of directors, the persons named in the accompanying proxy intend to vote “FOR” the election of each of the director nominees.

All nominees have advised the Board that they are able and willing to serve as directors. If any nominee becomes unavailable for any reason (which is not anticipated), the shares represented by the proxies may be voted for such other person or persons as may be determined by the holders of the proxies (unless a proxy contains instructions to the contrary). In no event will the proxy be voted for more than 10 nominees.

## **Board Nomination Process**

Our Board values the diversity of its members. When selecting this slate of nominees, our Board concluded these nominees will provide insight from a number of perspectives based on their diversity with respect to gender, age, ethnicity, skills and background, as well as location of residence. We believe these varied perspectives expand the Board’s ability to provide relevant guidance to our business.

Our Board also concluded that these individuals bring extensive professional experience from both within and outside our industry. This diversity of experience provides our Board with a broad collective skill set which is advantageous to the Board’s oversight of our company. While the industry-specific expertise possessed by certain of the nominees is essential, we also will benefit from the viewpoints of directors with expertise outside our industry.

Over the past several years, our Governance Committee has led our Board through a director succession planning process to allow for a smooth and gradual transition from our directors who were nearing 15 years of service to new directors, while preserving the culture of the Board. The process reviewed individual skill sets and tenures of current members and considered additional skills that could be beneficial for the Board in the future, with a particular focus on the company’s strategy and emerging risks.

In October and December of 2019, our Board invited, respectively, Jeffrey Yingling and Mahvash Yazdi to join our Board and serve an initial term through our 2020 annual meeting. Mr. Yingling was recommended for the Board by management and members of the Board, and Ms. Yazdi was recommended by a member of the Board.

Consistent with achieving a smooth and gradual succession plan for our Board, our Board also determined that it would be advantageous for Stephen Adik (Board chair) and Julia Johnson (Governance Committee chair) to continue their Board service beyond 15 years. Several factors contributed to this determination. The Board wanted to preserve continuity of culture while new board members transition to service. The Board also values the transaction and regulatory experience Mr. Adik and Ms. Johnson provide while the company completes its proposed acquisition of an additional interest in Colstrip Unit 4 and the Colstrip transmission system. Accordingly, the Board nominated Mr. Adik and Ms. Johnson to serve another term.

Our Board recommends a vote “FOR” election of each of the nominees.

## **Vote Required**

Directors will be elected by a favorable vote of a plurality of the shares of voting stock present in person or by proxy and entitled to vote, in person or by proxy, at the annual meeting. You may vote “FOR” all of the nominees or you may “WITHHOLD AUTHORITY” for one or more of the nominees. Withheld votes will not count as votes cast for the nominee, but will count for purposes of determining whether a quorum is present. Shareholders do not have the right to cumulate their vote for directors. If your shares are held through a broker, bank, or other nominee and you do not vote your shares, your bank, broker, or other nominee may not vote your shares in this proposal, as it is considered a “non-routine” matter. Abstentions or broker non-votes as to the election of directors will not affect the election of the candidates receiving a plurality of votes; however, under our Majority Plus Resignation Vote Policy described on page 52 of this proxy statement, if a nominee for director receives more “WITHHOLD AUTHORITY” votes than “FOR” votes, such nominee shall immediately tender his or her resignation under the procedures in the policy.

# Proposal No. 2

## Ratification of Deloitte & Touche LLP, as Independent Registered Public Accounting Firm for 2020

Our Audit Committee oversees the integrity of our accounting, financial reporting and auditing processes. To assist with those responsibilities, the committee has appointed Deloitte & Touche LLP as our independent registered public accounting firm to audit our financial statements for 2020. The Board is asking you to ratify the committee's decision at the annual meeting.

The Board values your input on the committee's appointment of Deloitte, but approval by shareholders is not required by law. If shareholders do not ratify the appointment of Deloitte, the committee will reconsider its selection. Regardless of the voting result, the committee may appoint a new firm at any time if the committee believes a change would be in the best interests of the company and its shareholders.

Deloitte representatives will be present at the annual meeting. They will have the opportunity to make a statement if they desire to do so and are expected to be available to respond to appropriate questions.

The Board  
of Directors  
recommends  
you vote **"FOR"**  
the ratification of  
Deloitte as our  
independent  
accounting firm  
for 2020.

### Description of Fees

The table below presents a summary of the fees Deloitte billed us for professional services for the fiscal years ended December 31, 2018 and 2019.

Fee Category	2019 Fees (\$)	2018 Fees (\$)
Audit fees	1,349,114	1,418,264
Audit-related fees	—	—
Tax fees	187,395	91,971
All other fees	—	—
<b>Total fees</b>	<b>1,536,509</b>	<b>1,510,235</b>

As reflected in the table:

**Audit fees** are fees billed for professional services rendered for the audit of our financial statements, internal control over financial reporting, review of the interim financial statements included in quarterly reports, services in connection with debt and equity securities offerings, and services that are normally provided by Deloitte in connection with statutory and regulatory filings or engagements. For 2019, this amount includes estimated billings for the completion of the 2019 audit, which Deloitte rendered after year-end.

**Audit-related fees** are fees billed for assurance and related services that are reasonably related to the performance of the audit or review of our consolidated financial statements and are not reported under "Audit Fees." There were no audit-related fees in fiscal 2018 and 2019.

**Tax fees** are fees billed for tax compliance, tax advice and tax planning.

**All other fees** are fees for products and services other than the services reported above. In fiscal years 2018 and 2019, there were no other fees.

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## Pre-approval Policies and Procedures

SEC rules require public company audit committees to pre-approve audit and non-audit services. Our Audit Committee follows procedures pursuant to which audit, audit-related, and tax services and all permissible non-audit services, are pre-approved by category of service. The fees are budgeted, and actual fees versus the budget are monitored throughout the year. During the year, circumstances may arise when it may become necessary to engage the independent public accountants for additional services not contemplated in the original pre-approval. In those instances, we will obtain the specific pre-approval of the Audit Committee before engaging the independent public accountants. The procedures require the Audit Committee to be informed of each service, and the procedures do not include any delegation of the Audit Committee's responsibilities to management. The Audit Committee may delegate pre-approval authority to one or more of its members. The member to whom such authority is delegated will report any pre-approval decisions to the Audit Committee at its next scheduled meeting.

Pursuant to the provisions of the Audit Committee Charter, before Deloitte is engaged to render audit or non-audit services, the Audit Committee must pre-approve such engagement. For 2019, the Audit Committee (or the Chair of the Audit Committee pursuant to delegated authority) pre-approved 100 percent of the audit and tax fees.

## Leased Employees

In connection with their audit of our 2019 annual financial statements, more than 50 percent of Deloitte's work was performed by full-time, permanent employees of Deloitte.

## Vote Required

The affirmative vote of the holders of a majority in voting power of the shares of our common stock which are present in person or represented by proxy and entitled to vote thereon is required to ratify the appointment of Deloitte as our independent registered public accounting firm for 2020. If voting instructions are not provided, brokers may vote a client's proxy in their own discretion on this proposal, as it is considered a "routine" matter. Abstentions will have the same effect as a vote against the proposal. Unless instructed to the contrary in the proxy, the shares represented by the proxies will be voted "FOR" the proposal to ratify the selection of Deloitte to serve as the independent registered public accounting firm for NorthWestern Corporation for the fiscal year ending December 31, 2020.

# Proposal No. 3

## Advisory Vote to Approve Named Executive Officer Compensation

We would like your input as to how we pay our named executive officers, as required by Section 14A of the Exchange Act, through an advisory vote to approve named executive officer compensation (or a say-on-pay vote). Your vote will provide insight and guidance to us and our Board regarding your sentiment about our executive pay philosophy, policies and practices, as described in this proxy statement. Our Board will consider the guidance received by the say-on-pay vote when determining executive pay for the remainder of 2020 and beyond. We ask you to support our executive pay and vote in favor of the say-on-pay resolution.

(continued on next page)

The Board  
of Directors  
recommends  
you vote  
**“FOR”**  
the resolution  
approving  
named  
executive  
officer  
compensation.

**Last year**, through the say-on-pay vote, **over 96 percent** of the votes cast **approved how we pay our named executive officers**. In fact, since our first say-on-pay vote in 2011, at least 94 percent of the votes cast have approved our executive pay each year.

We view your voting guidance over the years as strong support for the way we pay our executives. Thus, in 2019, we left intact the executive pay program you previously approved and continued to use the same four components: base salary, annual cash incentive awards, long-term incentive awards, and retention/retirement awards. We did not change the design of these components. In fact, the only changes for 2019 from the 2018 program you approved, were (1) three percent base salary increases (the same increase available to some employees) and (2) certain annual incentive adjustments for certain executive officers to align with the market median.

If you would like additional information about what we do with our executive pay program, we have provided a more detailed discussion in the **Compensation Discussion and Analysis** section, or CD&A, starting on page 11 of this proxy statement, and the **2019 Executive Pay** section, starting on page 33.

Our Human Resources Committee, or Compensation Committee, and our Board believe the company's overall executive pay program is structured to reflect a strong pay-for-performance philosophy and aligns the long-term interests of our executives and our shareholders. Accordingly, the Board recommends that shareholders approve our executive pay program by voting “FOR” the following advisory resolution:

*RESOLVED, that the compensation paid to the company's named executive officers (as disclosed pursuant to the compensation disclosure rules of the Securities and Exchange Commission, including the compensation discussion and analysis, the compensation tables and any related material disclosed in the company's 2020 proxy statement) is hereby APPROVED.*

This advisory vote to approve named executive officer pay is not binding on the company. However, we and our Board will take into account the result of the vote when determining future executive pay arrangements.

### **Vote Required**

The affirmative vote of the holders of a majority in voting power of the shares of our common stock which are present in person or represented by proxy and entitled to vote thereon is required to approve the say-on-pay resolution set forth above. If your shares are held through a broker, bank, or other nominee and you do not vote your shares, your bank, broker, or other nominee may not vote your shares in this proposal, as it is considered a “non-routine” matter. Assuming a quorum is present, broker non-votes or the failure to vote – either by not returning a properly executed proxy card or not voting in person at the annual meeting – will have no effect on the outcome of the voting on this proposal. Abstentions will have the same effect as a vote against the proposal. Unless instructed to the contrary in the proxy, the shares represented by the proxies will be voted “FOR” the proposal to approve, on an advisory basis, the pay of the company's named executive officers, as set forth in the company's 2020 proxy statement.

# Executive Pay

## Compensation Discussion and Analysis

The Compensation Discussion and Analysis explains how we pay our executives and how the Compensation Committee of our Board oversees executive pay, including the rationale and processes the Committee used to set executive pay in 2019. The CD&A summarizes the objectives and specific elements of our 2019 pay program, including cash, stock, and post-termination compensation. The CD&A, which may include forward-looking statements, should be read together with the compensation tables and related disclosures that follow it.

This CD&A is organized into the following sections:

Section	Summary	Page
Executive Summary	Highlights of our 2019 executive pay program and results	11
Pay for Performance	How our pay and performance, relative to our peers, provides value to shareholders	14
Say-on-Pay Results	Details about how our Board uses shareholder feedback to set pay	18
How We Set Pay	How our Compensation Committee governs our executive pay programs	18
Targeted Pay and Competitive Analysis	How our Compensation Committee determined the amount of 2019 executive pay	19
Pay Components	Details about the different parts of 2019 executive pay	22
Other Pay Policies	Information on other aspects of our pay program	31

### Executive Summary

#### 2019 Results

In 2019, we faced a number of challenges that required us to efficiently manage our business to achieve operational success and earnings in line with expectations. We worked safely in 2019 and achieved our highest ever customer satisfaction ratings, while providing customers with reliable service. We also produced earnings in line with our announced expectations and net income ahead of our target. Our shareholder return approximated our 2019 peer group average, and we ranked 7th of our 13-member peer group.

##### 2019 Basic Earnings Per Share

Our basic **EPS increased 1.8 percent to \$4.01 in 2019** from \$3.94 in 2018.

##### Total Shareholder Return

Our **TSR was 40.1 percent for the three-year period ending December 31, 2019**, ranking **7th** of our 2019 peer group (41.8 percent average).

##### Dividend Yield

Our dividend of \$2.30 per share provided a **dividend yield of 3.2 percent** based on our stock price at the end of 2019.

##### Safety

In 2019, we worked safely, with lost time and total recordable **incident rates near target**.

##### Reliability

The reliability of our electric system was **better than target**, while our natural gas system was below target.

##### Customer Service

For the third year in a row, our JD Power results showed **customer satisfaction at our highest level ever**.

We achieved these strong operating results during 2019, while also:

- **Completing a Montana electric rate case.** In 2019, our first electric rate case in the state of Montana in almost 10 years concluded with an order from the Montana Public Service Commission, which approved a settlement with an annual increase to electric revenue of \$6.5 million, based on a return on equity of 9.65%;
- **Announcing our proposed Colstrip acquisition.** In December 2019, we announced our proposed acquisition of an additional 25% (185 megawatts) of Colstrip Unit 4 for \$1 from Puget Sound Energy (Puget). We also agreed to (a) enter into a power purchase agreement (PPA) to sell Puget 90 megawatts of power for approximately five years, the net proceeds of which will be placed in a fund and applied against future decommissioning and remediation costs related to Colstrip Unit 4, and (b) acquire a piece of Puget's interest in the 500 kilovolt Colstrip Transmission System at an estimated cost between \$2.50 million – \$3.75 million, with an option to acquire an additional piece of the transmission system after the roughly five-year PPA with Puget ends; and
- **Announcing our carbon reduction commitment.** At the same time as our Colstrip acquisition announcement, we announced our carbon reduction vision for Montana and committed to reduce the carbon intensity of our energy generation in Montana by 90% by 2045, from a 2010 baseline.

The overall pay our named executive officers receive is in the bottom half of our 2019 peer group, which is identified on page 17 of this proxy statement. In summary, for 2018 (the most recent year for which peer group executive compensation is publicly available in the Summary Compensation Table for each respective company, excluding changes in pension value):

- Our named executive officers had an **average compensation per named executive officer** that was **less than all but five of the other 12 companies in our 2019 peer group** (\$1.4 million for us versus \$1.5 million for the peer median).
- Our **CEO's total compensation** was approximately **98 percent of the median total compensation** (excluding change in pension value) of the **CEOs in our 2019 peer group**.

## Named Executive Officers for 2019

**Robert C. Rowe**  
President and Chief Executive Officer

**Brian B. Bird**  
Chief Financial Officer

**Heather H. Grahame**  
General Counsel and Vice President - Regulatory & Federal Gov't Affairs

**Curtis T. Pohl**  
Vice President - Distribution

**Bobbi L. Schroeppel**  
Vice President - Customer Care, Communications and HR

We consider our executive pay program to be instrumental in helping us achieve our business objectives and effective in rewarding our executive officers for their role in achieving strong financial and operational performance. Based on our performance and our compensation outcomes, we are requesting your support of **Proposal No. 3—Advisory Vote to Approve Named Executive Officer Compensation**.

Our overarching philosophy is that we should structure executive pay to be consistent with our peers and to align the long-term interests of our executives, shareholders, and customers so the pay appropriately reflects performance in achieving financial and non-financial operating objectives. To live up to this philosophy, we believe that a significant portion of an executive's pay should be at risk in the form of performance-based incentive awards that are only paid if the individual and company performance targets are met.

Our executive pay program is designed to:

- Attract and retain a high-quality executive team by providing competitive pay and benefits that reflect our financial operational size;
- Reward executives for both individual and company performance (based on financial, reliability, customer care, and safety metrics) through performance-based, at-risk pay; and
- Maximize long-term shareholder value by emphasizing financial performance, reliability, safety, and customer satisfaction.

## Our Pay Practices

Our executive pay program accomplishes our goals by incorporating certain pay practices while avoiding other, more problematic or controversial practices.

### *What We Do*

- Place a significant portion of executive pay at risk by granting incentive awards that are paid, if earned, based on continuing annual and long-term individual and company performance.
- Utilize multiple performance metrics for long-term incentive awards that align executive and shareholder interests.
- Target executive pay around the median of our peers, while also considering trade area economics, turnover, tenure, experience, and other factors.

### *What We Don't Do*

- Use employment or golden parachute agreements.
- Provide change in control payments exceeding three times base salary and target bonus. Our only change in control provision appears in our Equity Compensation Plan and provides for the immediate vesting or cash payment of any unvested equity awards upon a change in control.
- Grant stock options. No stock options are currently outstanding, and none have been issued under our Equity Compensation Plan.
- Allow option repricing or liberal share recycling. These practices are expressly prohibited under our Equity Compensation Plan.
- Promise multi-year guarantees for salary increases.
- Provide perquisites for executives that differ materially from those available to employees generally.
- Maintain a non-performance-based top hat plan or separate retirement plan available only to our executive officers. We do maintain a performance-based executive retirement / retention program, with five-year cliff vesting and a five-year payout period after the recipient's separation from service.
- Pay tax gross-ups to our executives.
- Pay dividends or dividend equivalents on unvested performance shares or units.
- Allow our executives or directors to hedge company securities.

## Pay Package

For 2019, our executive pay package included the same components as in 2018 — base salary, annual cash incentive award, and two long-term stock incentive awards. All incentive awards (cash and stock; annual and long-term) were performance-based. Unlike many of our peers, we do not offer a non-performance-based supplemental executive retirement plan.

As a regulated utility, the amounts we pay for base salary and the annual cash incentive awards are included in the rates we charge our customers; while all stock incentive awards are excluded from those rates. In addition, although we recently concluded a Montana general electric rate case in which our regulators established our new rates, the base salary and annual cash incentive amounts that were included in that rate case were 2017 figures instead of the 2019 and 2018 amounts disclosed in this proxy statement.

The table on the following page provides a high level summary of our 2019 executive pay package. Please see the *Pay Components* section later in this CD&A for a more detailed summary of how we pay our executives.

Component	Description	Why we include this component	How we determine amount	Decisions for 2019	Reason for Change
<b>Base Salary</b>	Short-term fixed cash compensation	Provide a base level of compensation for executive talent	Target middle of competitive range of peer group, with adjustments for trade area economics, turnover, tenure, and experience	Most executives received the same three percent increase we provided to some employees, and one named executive officer received an additional increase to align with market median	Remain market competitive and provide cost of living adjustment
<b>Annual Cash Incentive</b>	Short-term variable cash compensation, based on corporate performance against annually established metrics (financial, safety, reliability, and customer satisfaction) and individual performance	Motivate employees to meet and exceed annual company objectives that are part of our strategic plan	Target middle of competitive range of peer group, with adjustments for trade area economics, turnover, tenure, and experience	Increased target opportunity for two executives to align with market median; updated performance targets	Increase cash compensation opportunity to align with market median
<b>Performance Unit Awards under Long-Term Incentive Program (LTIP)</b>	Long-term variable, equity compensation, paid following three-year vesting period if financial performance metrics (EPS, ROAE, and TSR) are achieved	Provide market-competitive, performance-based compensation opportunities while aligning interests of executives and shareholders	Market survey of similar peer group roles and responsibilities and assessment of the strategic value of each position	Updated performance targets	N/A
<b>Restricted Share Grants under Executive Retention / Retirement Program (ERRP)</b>	Long-term variable, equity compensation, with corporate performance metrics over a five-year vesting period; paid over five-year period following separation from service	In lieu of a non-performance based supplemental retirement benefit, provide market-competitive, performance-based compensation opportunity that aligns interests of executives and shareholders, while encouraging retention and the continuity of our strategic plan	Peer group and competitive survey data and judgment on internal equity of positions and scope of responsibilities, as well as an assessment of the strategic value of each position	None	N/A

## Pay for Performance

Our Compensation Committee has designed our pay program to align pay with performance. Our executives are rewarded for providing value to shareholders and for performing relative to our 2019 peer group, which is identified on page 17 of this proxy statement.

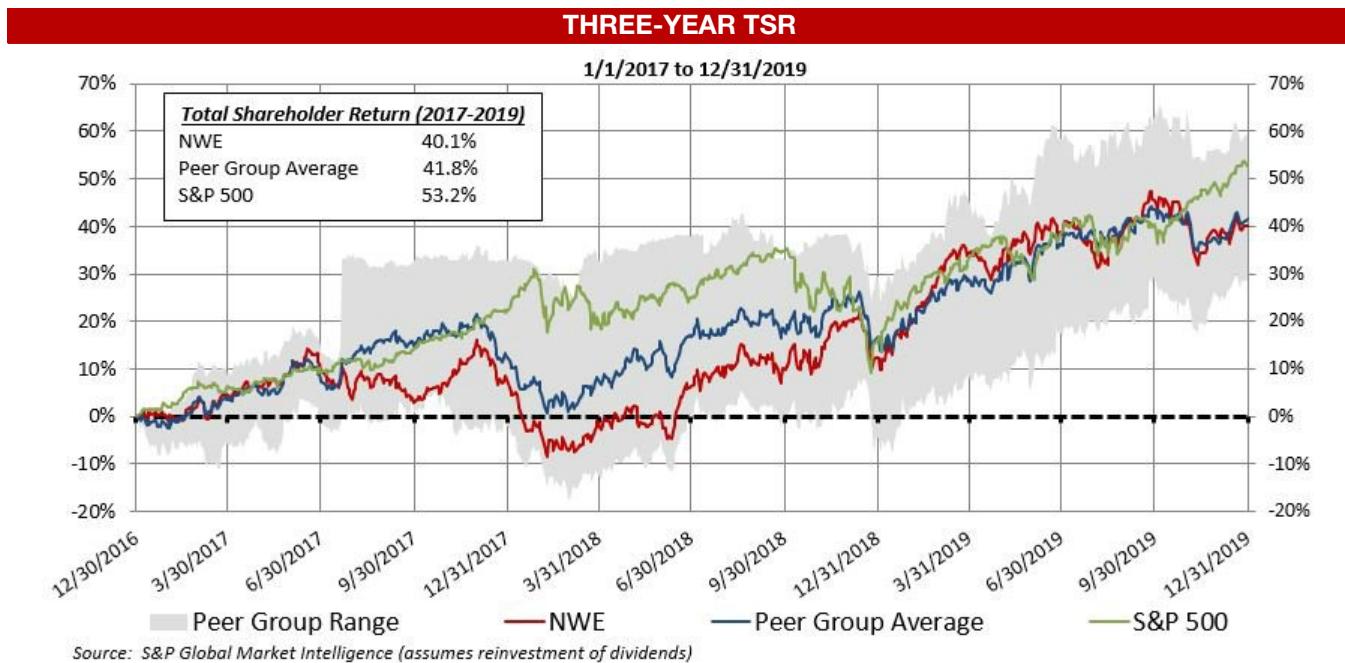
### Value Provided to Shareholders

Over the past three years, we have provided value to our shareholders, with total shareholder return, or TSR, (including reinvestment of dividends) of 37.0 percent (as calculated as required by our LTIP), average EPS growth of 6.0 percent, and return on average equity of 10.0 percent.

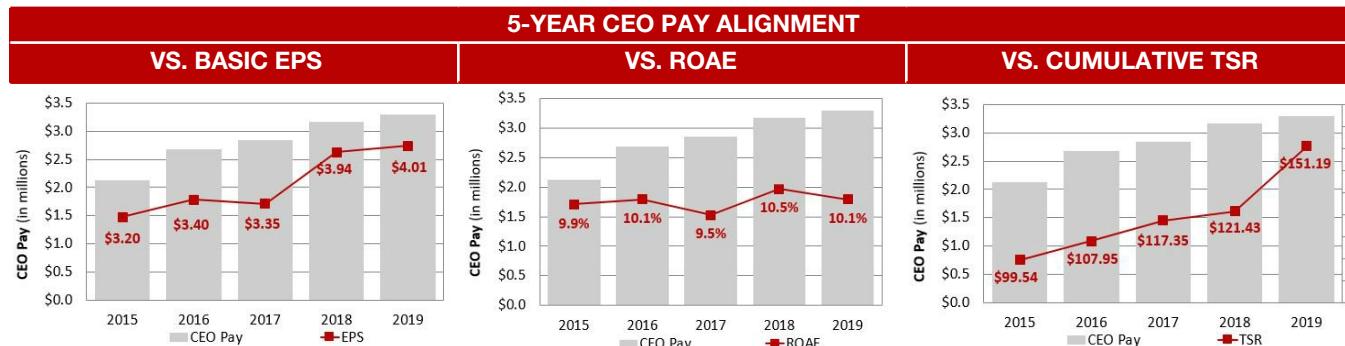
These results we achieved for our shareholders are consistent with the results obtained under our incentive plans. With respect to our annual cash incentive plan for 2019, our net income achieved 150.0 percent of target and our customer satisfaction results were at an all-time high, while our safety performance was near our all-time high. These operational successes resulted in a funding of our annual cash incentive plan at 126.0 percent of target for 2019.

The grants of long-term performance units that were made in 2017 pursuant to the LTIP vested on December 31, 2019. The performance measures associated with those grants were measured over a three-year vesting period and were tied to EPS growth, ROAE, and TSR. The company had solid results over the three-year vesting period with respect to the LTIP metrics, attaining 6.0 percent average EPS growth, 10.0 percent ROAE, and 37.0 percent TSR (8th highest of our 14-member 2017 peer group when calculated as required by the LTIP). Based on these results, the LTIP awards paid out at 122.2 percent of target.

The chart below shows the total return on an investment made over that same three-year vesting period and highlights our stock price performance as compared to the S&P 500 and our 2019 peer group. The chart below shows our TSR of 40.1 percent, assuming reinvestment of dividends. However, the calculation required by the 2017 LTIP results in a TSR of 37.0 percent for the same period. The difference in these TSRs is (1) the method of calculation required by the terms of our LTIP award agreement, which uses a 20-day average stock price at the beginning and end of the performance period and does not assume reinvestment of dividends, and (2) slightly different peer groups based on our 2019 peer group reflected in the chart below, and the 2017 peer group we used for the 2017 LTIP grants.



The charts below provide another depiction of pay for performance and the value we provide to shareholders by illustrating the directional relationship between the compensation of our CEO and company performance over a five-year period based on the three performance metrics utilized in our LTIP performance units.



EPS reflects diluted earnings per average share of our common stock. TSR illustrates the growth of \$100 invested in our common stock on December 31, 2014, assuming reinvestment of dividends. CEO Compensation is total compensation (excluding change in pension value) as published in the proxy statement Summary Compensation Table.

## Performance Relative to Our Peers

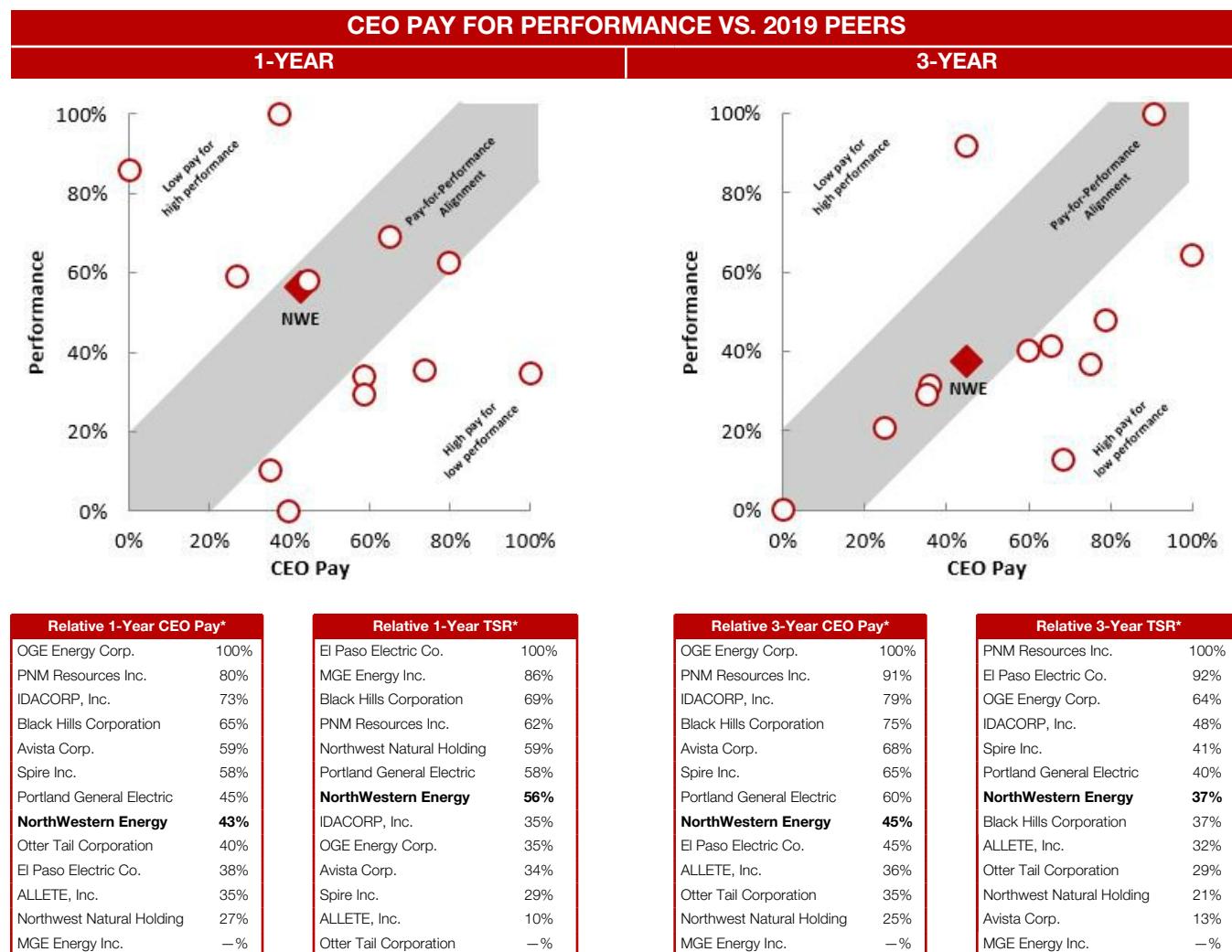
Relative to our 2019 peers, our CEO pay is generally aligned with performance. For the three-year period ending December 31, 2019, our 40.1 percent TSR ranked seventh in our 13-member 2019 peer group (according to S&P Global Market Intelligence and assuming reinvestment of dividends), while our CEO's compensation was the eighth highest of our 2019 peer group (based on the three most recently available years of compensation data as disclosed in the proxy statement summary compensation tables of our peers). In addition, the aggregate compensation

provided to our named executive officers and the pay multiple of our CEO to the second highest paid named executive officer both lag the median of our 2019 peer group.

We also provide value to shareholders by maintaining a relatively small executive team, which reduces overall executive compensation. We currently have eight members on our executive team. As of February 24, 2020, five of our 2019 peers had larger executive teams with nine or more members and seven peers had seven or fewer executives. We believe that having a relatively small executive team creates efficiencies and a stronger team that is more effective as a group.

The pay-for-performance charts and tables below reflect relative values for CEO pay and TSR that are expressed as a percentile of the range between the highest and lowest values. The charts and tables demonstrate our strong CEO pay for performance alignment over the past three years. Our CEO is generally being compensated at a lower level than the CEOs of most of our 2019 peers.

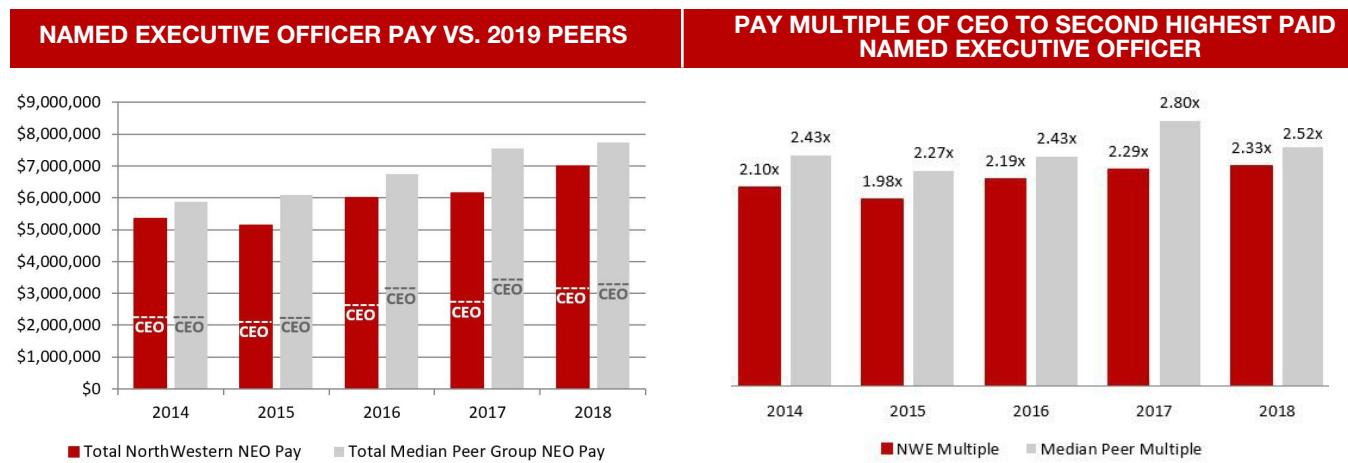
Datapoints within the shaded pay-for-performance alignment band reflect an alignment of pay and performance. Datapoints to the left and above the band suggest lower pay for higher performance; while those to the right and below the band suggest higher pay for lower performance.



\*Relative CEO pay and TSR are expressed as a percentile of the range between the highest and lowest values.

Source: CEO Pay for the one-year period is the 2018 total compensation and for the three-year period is the 2016-18 total compensation, as published in the 2017, 2018, and 2019 proxy statement Summary Compensation Tables for each respective company. We have excluded any change in pension value from the total compensation calculation because its inclusion could lead to inconsistent comparisons from company to company based upon differing pension plan provisions, length of employee tenure, and other factors. Total Shareholder Return is from S&P Global Market Intelligence for the one- and three-year periods ended December 31, 2019, and assumes reinvestment of dividends.

As with our CEO's total compensation package, the total compensation provided to our other named executive officers relative to our peers demonstrates a strong pay-for-performance alignment for our shareholders. As shown in the charts below, our named executive officer group lags the median total compensation provided to our 2019 peer group named executive officers. The summary also depicts that the multiple of our CEO's compensation compared with our next most highly compensated named executive officer lags our 2019 peer group median.



Source: Total compensation (excluding change in pension value) as published in the proxy statement summary compensation table for each respective company. We excluded change in pension value because its inclusion could lead to inconsistent comparisons from company to company based upon differing pension plan provisions, length of employee tenure, and other factors.

## Our 2019 Peer Group

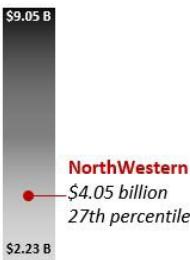
Our Compensation Committee (a) selects the members of our peer group and periodically examines whether peers continue to meet the criteria for inclusion described below, and (b) uses our peer group for both compensation and performance benchmarking. As part of the peer group selection process, the Compensation Committee receives advice from its independent compensation consultant to create a peer group that includes companies that: (1) maintain a regulated utility industry perspective which emphasizes operational excellence and customer satisfaction as a means to create shareholder value; (2) reflect our labor market for key executive talent and are part of high-cost geographic areas; and (3) have similar revenue, market capitalization and return-based measures of performance.

For 2019, based on these criteria and the advice of its independent compensation consultant, our Compensation Committee added Avista Corp. (which we previously had removed from our peer group in 2018 due to a proposed merger transaction that ultimately was not consummated) and removed Vectren Corporation following its acquisition by another company.

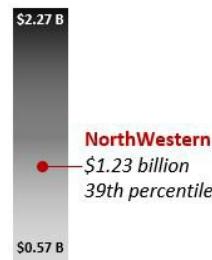
### 2019 Peer Group

ALLETE, Inc. (ALE)  
Avista Corporation (AVA)  
Black Hills Corporation (BKH)  
El Paso Electric Co. (EE)  
IDACORP, Inc. (IDA)  
MGE Energy Inc. (MGEE)  
**NorthWestern Energy (NWE)**  
Northwest Natural Holding Co. (NWN)  
OGE Energy Corp. (OGE)  
Otter Tail Corporation (OTTR)  
PNM Resources Inc. (PNM)  
Portland General Electric Company (POR)  
Spire Inc. (SR)

### Market Capitalization (1)



### Revenue (2)



(1) Market capitalization range of our peer group as of February 19, 2020.

(2) Range of publicly available trailing twelve months total revenues for our peer group as of February 19, 2020.

## Say-on-Pay Results

At our annual meeting in 2019, our shareholders continued to show strong support of our executive pay program, with 96.6 percent of the votes approving the say-on-pay resolution.

Those 2019 voting results occurred after the Compensation Committee took action to approve 2019 pay. Nevertheless, the Compensation Committee and the Board reviewed that feedback from shareholders when establishing executive pay for 2020. The Compensation Committee believes the results from our 2019 annual meeting affirm our shareholders' continuing support of the company's approach to executive pay. Thus, the Compensation Committee made no substantive changes to executive pay for 2020.

## How We Set Pay

### *Compensation Committee*

The Compensation Committee, composed entirely of independent directors, is responsible for the oversight of:

- Pay, benefits, and other employment matters for executives;
- Stock-based pay plans for employees;
- The election and appointment of executive officers and other corporate officers;
- CEO performance; and
- Director pay.

The Compensation Committee considers several factors when it sets executive pay — all of which ultimately influence our executive pay program.

<b>Align Interests.</b> Provide pay that aligns management (and employee) interests with those of shareholders and customers.	<b>Peer Comparison.</b> Establish overall pay approximating the median of our peer group and applicable position comparisons.	<b>Attract Talent.</b> Set pay that will attract talent from both within and outside the utility industry.
<b>Economic Circumstances.</b> Set pay based on economic circumstances, including turnover and retention considerations.	<b>Pay for Performance.</b> Tie all components of incentive pay to the company's short-and long-term financial and operational performance.	<b>No Executive Perks.</b> Executives participate in same benefits plans available to all non-union employees, with no additional perquisites, other than executive physicals.

Our Compensation Committee has the authority to delegate certain responsibilities and has delegated some of the administration of our executive compensation and benefits plans to our Compensation and Benefits Department.

### *Independent Compensation Consultant*

To help determine executive pay, the Compensation Committee retains an independent pay consultant, Willis Towers Watson, for advice regarding the general competitive landscape and trends in executive and director pay. While the Compensation Committee meets with the consultant from time to time, the chair of the Compensation Committee also communicates directly with the consultant in between Committee meetings. The consultant advises the Committee on several matters including (1) competitive analysis (including in relation to our 2019 peer group), (2) incentive plan design, (3) updates on trends in executive and director compensation, (4) peer group composition, and (5) other compensation-related matters as requested by the Committee.

### *Decision-Making Process and Role of Executive Officers*

The Compensation Committee works with Willis Towers Watson to analyze competitive market data to determine appropriate base salary levels, annual incentive target levels, and long-term incentive target levels for all

of our executives, paying particular attention to applicable comparisons with our 2019 peer group. When making comparisons to the peer group, the Compensation Committee seeks to establish compensation levels that approximate the median of our peer group. After determining appropriate levels, the Compensation Committee recommends both CEO and executive officer pay to the Board for approval. The CEO is not a member of the Compensation Committee and does not vote on Board matters concerning executive pay.

With respect to our CEO's pay, the Compensation Committee conducts an annual performance assessment of the CEO and determines appropriate adjustments to all elements of his pay based on his individual performance and the company's performance. The Compensation Committee then considers our CEO's preference: having a larger percentage of his pay be at risk in the form of performance-based compensation and his overall pay to be below the median of his peers.

For the other executive officers, the CEO and CFO make recommendations to the Compensation Committee for all elements of pay based on individual performance, market data from our peer group and published survey data. The Compensation Committee reviews, discusses, modifies, and approves, as appropriate, these recommendations.

The diagram below summarizes the Compensation Committee's annual process for setting executive pay, which begins in July and concludes the following February.



At each of its regularly scheduled meetings throughout the year, the Compensation Committee reviews the company's performance under all outstanding annual and long-term incentive plans.

## Targeted Pay and Competitive Analysis

### *Pay Philosophy*

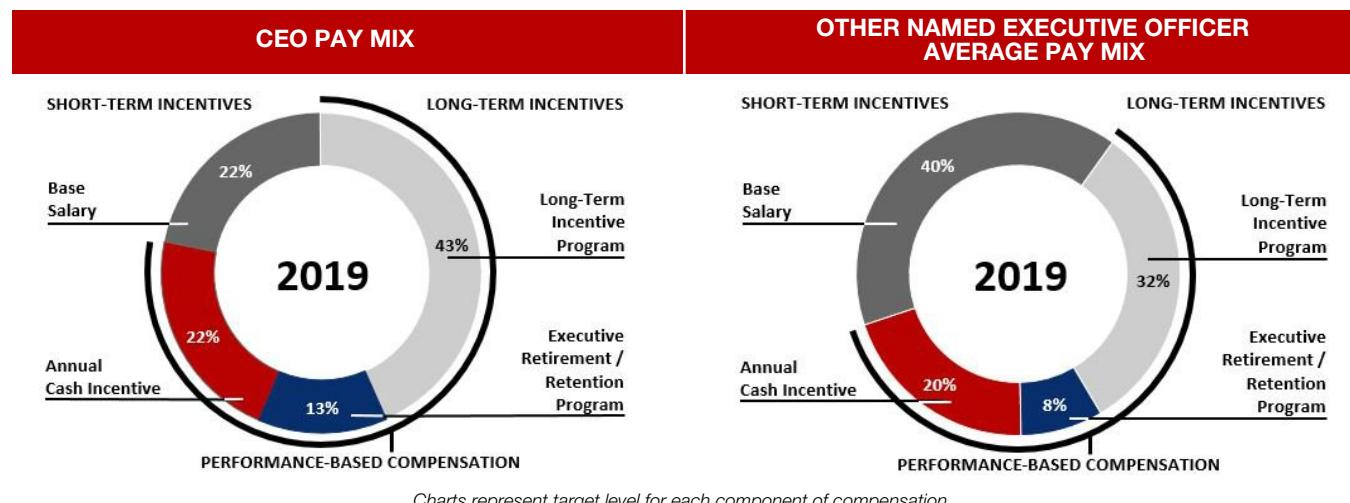
We target base salary, annual cash incentive awards, and long-term equity grants, as well as total pay, to be market competitive for our executive officers. Our Compensation Committee believes that the best proxy to determine market competitiveness of pay is the median of our peer group, including individual pay components, as well as total pay. However, because comparative data is one of several tools that are used in determining executive officer compensation, competitiveness of compensation may fluctuate based on a number of factors, including:

- The level of achievement of our pre-established performance goals;
- Our TSR compared against our peer group;
- Individual performance and scope of job responsibilities;
- Internal equity considerations;
- Market competitiveness and internal executive turnover; and
- The executive's industry and position experience and tenure.

To align the long-term interests of our executives, shareholders, and customers, our Compensation Committee uses performance-based incentive awards to place a significant component of each executive's pay at risk. According to our Compensation Committee's independent compensation consultant, our relative TSR performance metric that is part of our long term incentive program is set at a higher level, and is more difficult to achieve, than our peers. This structure encourages our executives to focus on both short- and long-term performance and provides a reward to our executives, shareholders, and customers when we achieve our financial and operating objectives.

The target pay mix for our named executive officers generally was unchanged in 2019 from 2018. As part of the overall 2019 pay package, our Compensation Committee slightly increased the targeted annual incentive opportunity for two of our named executive officers as described below in the *Annual Cash Incentive Awards* section. However, the percentage of at-risk pay component of the target pay mix remained the same for our named executive officers, as a whole, to 68 percent in both 2019 and 2018.

For our CEO, approximately 78 percent of the overall targeted pay in 2019 (base salary plus targeted annual and long-term incentives) relates to performance-based incentive awards. For our named executive officers other than the CEO, that percentage averages 60 percent. The charts below depict the target total pay mix for our CEO and the average of our other named executive officers.



### *Independent Compensation Consultant Data and Analysis*

As a component of the Compensation Committee's review of executive pay, Willis Towers Watson provides an analysis of the pay levels of our peer group, as well as published survey data that focuses on the energy and utility industry, which is size-adjusted based on our revenues for appropriate market comparison. In 2019, the published survey data included the Willis Towers Watson Compensation DataBank, William M. Mercer's Executive Benchmark Database and Willis Towers Watson Survey Report on Top Management Compensation. The 2019 peer group data is a primary basis for setting pay for our CEO and CFO because these positions are common among our peers. Both the peer group and survey data are analyzed and considered in setting pay levels for the remaining named executive officers because these positions or division of responsibilities may not be common among each of our peers.

For long-term incentive purposes, Willis Towers Watson performs its analysis using the published survey data and focuses on companies in the energy services industry, specifically those with annual revenues less than \$3 billion. The Compensation Committee considers the responsibilities of the job performed by each of our executive officers and his or her performance, and adjusts each executive's targeted pay amounts accordingly. As further detailed below, internal comparison with other officer positions also is considered.

In addition to these efforts, Willis Towers Watson prepares an analysis of market data compiled from the Willis Towers Watson Compensation DataBank for energy services executives. The analysis examines the target direct compensation opportunity for energy services executives, including base salary, target annual incentives, and the expected value of long-term incentives. Using regression analysis, Willis Towers Watson size-adjusts the data to reflect our revenue scope.

We also conducted a separate analysis of the 2018 executive pay of the 12 other companies in our 2019 peer group. This internal analysis, which was based on proxy data, examined base salary, bonus, other annual compensation, equity awards, and non-equity incentive plan compensation (and excluded change in pension value). Using this analysis, our named executive officers had average pay of \$1.4 million in 2018, which was less than all but five of the 12 other companies in our 2019 peer group; while the peer group median had average pay per named executive officer of approximately \$1.5 million. Our CEO's total 2018 pay was approximately 98 percent of the median total pay of 2019 peer group CEOs.

These analyses demonstrate that, on average, our highest paid employees are paid at a level that is below the median of our 2019 peer group and industry. We also are cognizant of prevailing economic conditions, internal pay equity, and executive turnover, which our Compensation Committee takes into account when determining executive compensation.

### **CEO Pay Ratio**

We believe executive pay must be internally consistent and equitable to motivate our employees to create shareholder value. We are committed to internal pay equity, and the Compensation Committee monitors the relationship between the pay our executive officers receive and the pay our non-managerial employees receive. The Compensation Committee reviewed a comparison of CEO pay (base salary and incentive pay) to the pay of all our employees (other than our CEO) in 2019. The compensation for our CEO in 2019 was approximately 27 times the median pay of our employees, the same as it was in 2018, using the same methodology.

**27:1**

**CEO Pay Ratio**

Our CEO to median employee pay ratio is calculated in accordance with Item 402(u) of Regulation S-K. Although the applicable SEC rules would permit us to use the same median employee, we identified a new median employee for 2019 because that is the same process we have been using since our Compensation Committee first asked us to calculate our CEO pay ratio in 2010, and not because of any changes to our employee population or employee compensation arrangements that would significantly impact our pay ratio.

We identified the new median employee this year by using the same methodology we used to identify last year's median employee — by examining the 2019 total cash compensation for all individuals (excluding our CEO) who were employed by us on the last day of our payroll year (which for 2019 was December 13). We included all employees, whether employed on a full-time, part-time, or seasonal basis. We did not make any assumptions, adjustments, or estimates with respect to total cash compensation, and we did not annualize the compensation for any full-time employees that were not employed by us for all of 2019. We believe the use of total cash compensation for all employees is a consistently applied compensation measure because we do not widely distribute annual equity awards to employees (six percent of our employees receive annual equity awards).

After identifying the median employee based on total cash compensation, we calculated annual total compensation for the employee using the same methodology we use for our named executive officers as set forth in the **2019 Summary Compensation Table** later in this proxy statement and computed the ratio.

	<b>CEO to Median Employee Pay Ratio</b>	
	President and CEO	Median Employee
Base Salary . . . . .	\$643,770	\$94,151
Stock Awards . . . . .	\$1,650,164	—
Non-Equity Incentive Plan Compensation . . . . .	\$818,022	\$0
Change in Pension Value and Nonqualified Deferred Compensation Earnings (1) . . . . .	\$144,501	11,313
All Other Compensation . . . . .	\$41,847	\$18,404
<b>TOTAL</b>	<b>\$3,298,304</b>	<b>\$123,868</b>
<b>CEO Pay to Median Employee Pay Ratio</b>		<b>27 : 1</b>

(1) These amounts are attributable to a change in the value of each individual's defined benefit pension account balance and do not represent earned or paid compensation. Pension values are dependent on many variables including years of service, earnings, and actuarial assumptions.

## Wealth Accumulation

The Compensation Committee reviews annually the wealth accumulation of our executives, considering all of the elements of total pay each executive officer receives during the prior five-year period, including base salaries, annual cash incentive payouts, the value of long-term incentive awards and any special payments made to an individual executive. The Compensation Committee also reviews the projected value of each executive officer's accumulated equity grants over the subsequent five-year period based upon various stock appreciation and "stay to normal retirement" scenarios. This is done to analyze not only the amount of pay each executive officer has accumulated to date, but also to better understand how current equity grants may affect the amount of wealth executive officers accumulate in the future.

## Pay Components

### The primary pay components for our executive officers in 2019 were:

- Base Salary;
- Annual performance-based cash incentive awards; and
- Long-term performance-based equity incentive awards in the form of performance units and ERRP restricted share units.

The Compensation Committee believes these pay components align the interests of our executives and our shareholders by basing a significant portion of total pay on performance and achievement of our short- and long-term goals. The specific mix among the individual components reflects market comparisons (primarily with respect to the median of our 2019 peer group) and individual position and performance. Base salary represents 22 percent of our CEO's targeted total pay and, on average, 40 percent of our other named executive officers' targeted total pay. Performance-based awards (annual and long-term incentive) represent the remaining portion of targeted pay.

The Compensation Committee also believes that our executive pay program appropriately mitigates the risk associated with incentive-based pay. The Compensation Committee has designed the entire program and the metrics under our annual and long-term performance-based incentive awards to curb inappropriate risk taking. For example, we do not offer guaranteed bonuses. In addition, our annual and long-term performance-based incentive awards utilize multiple performance metrics which vary from plan to plan, and rewards under those plans are aligned with the interests of our shareholders. If our shareholders benefit from our performance, our executive officers are rewarded. Our ERRP restricted share units also benefit our long-term succession and strategic plan by providing for payment only after the recipient leaves employment with us, and then over a five-year period. Furthermore, we have limited severance packages, we do not maintain a non-performance-based supplemental executive retirement plan, and

our retirement, healthcare, and welfare benefit programs for executives are generally the same as for all employees and are discussed in the **2019 Executive Pay** section of this proxy statement. Finally, we maintain stock ownership guidelines for our executives. In light of these pay practices, the Compensation Committee believes that our executive pay program appropriately address the risks associated with performance-based incentives.

### **Base Salary**

The general guideline for determining salary levels for our executive officers, including the CEO, is to be around the median of our peer group, adjusted for other factors such as trade area economics, turn-over, tenure, and experience. Adjustments from peer group levels are made based on experience in the position, industry experience, and individual performance and responsibilities. While we are cognizant of the competitive range, our primary goal is to compensate our executives at a level that best achieves our pay philosophy, whether or not this results in actual pay for some positions that may be higher or lower than the market median. We find that survey results for particular positions can vary from year to year. Thus, we consider market trends for certain positions over a period of several years rather than a one-year period in setting pay for such positions.

The Compensation Committee considers adjustments to base salaries for executive officers on an annual basis.

For 2019, the Compensation Committee felt that an increase to the base salaries of our executive officers in line with the increases generally provided to our employees was reasonable in light of the company's operating results in 2018. To remain competitive with the market,

the Compensation Committee also considered the effect of such increased salaries for our executive officers in relation to the median of our 2019 peer group. One named executive officer received a further increase to align with the market median. The table to the right sets forth the base salaries for our named executive officers. The base salary adjustments for 2019 were effective April 1, 2019.

Name	Annualized Base Salary		Increase (%)
	2018 (\$)	2019 (\$)	
Robert C. Rowe	630,315	649,224	3.0
Brian B. Bird	435,978	449,057	3.0
Heather H. Grahame	399,543	423,516	6.0
Curtis T. Pohl	296,249	305,136	3.0
Bobbi L. Schroepel	279,101	287,474	3.0

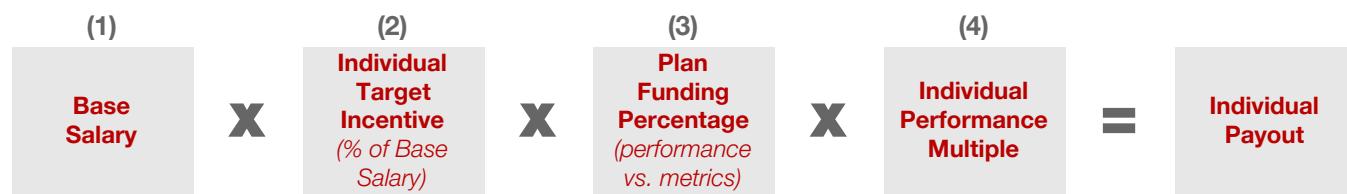
Although base salary is included as an expense we recover from customers in our rates approved by our regulators, our recent Montana general electric rate case which established new rates used base salary figures from 2017, instead of the 2018 and 2019 base salary figures listed above.

### **Annual Cash Incentive Awards**

The overall design of our 2019 annual cash incentive plan was the same as the 2018 plan. The plan uses financial (net income) and operational (safety, reliability, and customer care) performance metrics to motivate employees to meet and exceed annual company objectives that are a part of our strategic plan. All regular, non-union employees, including executive officers, participate in the same annual incentive plan; while our union employees participate in a separate, but similar, management-designed program.

Each participating employee has a targeted annual cash incentive award, expressed as a percentage of base salary. Actual payouts for awards reflect the company's performance against the metrics, as well as the employee's individual performance. No portion of the annual cash incentive award is guaranteed.

The Compensation Committee calculates the actual payout pursuant to the following four-factor formula:



For example, the Compensation Committee calculated the annual incentive payout for our CEO in 2019 as follows:

\$649,224	X	100%	X	126%	X	1	=	\$818,022
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## (1) Base Salary

Base salary is the first component in the calculation of the annual cash incentive award. Base salary is described in the **Base Salary** section immediately preceding this **Annual Cash Incentive Awards** discussion.

## (2) Individual Target Incentive

Each year, the Compensation Committee approves an annual incentive target, expressed as a percentage of base salary, for each executive. The target opportunity for our executive officers is derived in part from peer group and competitive survey analysis data and in part by the Compensation Committee's judgment on the internal equity of the positions, scope of job responsibilities, and each executive's industry experience and tenure. Potential adjustments to the annual incentive target for the executive officers are considered by the Compensation Committee on an annual basis.

The table to the right sets forth the 2019 annual incentive target opportunity for our named executive officers. In 2019, the Compensation Committee adjusted the target incentive opportunity for our chief financial officer and our general counsel, increasing their opportunity, respectively, to 60 percent from 55 percent, and to 55 percent from 50 percent in 2018, to align the incentive opportunity with the market.

Name	2019		
	Base Salary (\$)	Target Incentive Opportunity (% of base salary)	Target Incentive Opportunity (\$)
Robert C. Rowe	649,224	100%	649,224
Brian B. Bird	449,057	60%	269,434
Heather H. Grahame	423,516	55%	232,934
Curtis T. Pohl	305,136	40%	122,054
Bobbi L. Schroepel	287,474	40%	114,990

Although annual incentive awards are included as an expense we recover from customers in our rates approved by our regulators, our recent Montana general electric rate case which established new rates used annual incentive figures from 2017, instead of the 2019 annual incentive target opportunities listed above.

## (3) Plan Funding Percentage

Before each annual incentive plan year begins, management proposes specific performance targets for the plan's financial and operational measures. The Compensation Committee considers the proposed targets, and the Compensation Committee and the Board approve final targets. Following the end of the plan year, the Compensation Committee reviews data submitted by management regarding company performance against each of the specific performance targets and determines the degree to which each performance measure was met during the year, subject to Board approval. The aggregate percentage of financial and operational measures met during the year represents the plan funding percentage for the annual incentive plan.

For our executives, the funding (as a percentage of target) under the annual incentive plan has ranged from 80 percent to 136 percent for the five previous years, as set forth in the table to the right.

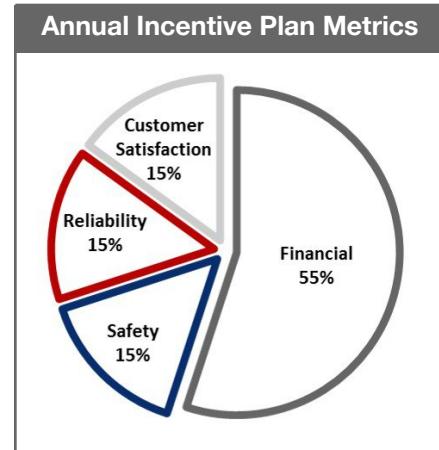
Historical Funding of Annual Cash Incentive (as a percentage of target)				
2014	2015 (1)	2016	2017	2018
125%	80%	113%	99%	136%

(1) Due to a work-related fatality in 2015, the funding level of the annual cash incentive for executives was 80% (for non-executive employees, the plan was funded at 88%).

The Compensation Committee may use discretion in increasing or decreasing the plan funding percentage from actual performance due to specific facts and circumstances, such as current economic conditions as well as unusual one-time events that significantly impact financial or non-financial results. The Compensation Committee exercises this discretion only for unusual, non-operational items. There were no adjustments in 2019.

For many years, including 2019, the annual incentive plan has used four categories of performance measures to determine the plan funding percentage – financial, safety, reliability, and customer satisfaction. The relative weightings of these measures are set forth in the graphic on the following page.

In order for any awards under the 2019 annual incentive plan to be earned and paid out, the company must attain at least 90 percent of the budgeted net income target, which coincides with the threshold net income target for the plan. This metric for determining performance against our financial goal is derived from our audited financial statements. However, the Compensation Committee, in its discretion, may consider certain items or events as unusual when determining performance against the metric and make what it deems to be appropriate adjustments. There were no adjustments in 2019. In addition, the 2019 annual incentive plan provided that the lost-time incident rate portion of the safety metric would be forfeited in the event of a work-related fatality, unless the Compensation Committee determined that no actions on the part of the employee or the Company contributed to the incident.



We continued to achieve high levels of customer satisfaction in 2019, achieving our highest ever J.D. Power overall customer satisfaction score, an increase over our previous highest score in 2018. The table below shows the associated performance metrics (including threshold, target, and maximum levels), weighting and plan payout percentage for each of the 2019 performance measures, which resulted in the plan funding at 126 percent of target for our named executive officers.

Performance Measures	2019 Annual Incentive Plan Information						
	Weight (% of Total Plan Payout)	Performance Level					
		Threshold	Target	Maximum	Actual Achieved	Target % Achieved	Final Funding % of Total
<b>Financial (55%) (1)</b>	55%	\$155.9	\$ 172.9	\$ 190.2	\$202.1	150.0%	<b>82.5</b>
<b>Safety (15%) (2)</b>							
Lost Time Incident Rate	5%	0.65	0.50	0.27	0.58	73.3%	<b>3.7</b>
Total Recordable Incident Rate	5%	1.90	1.60	1.30	1.87	52.2%	<b>2.6</b>
Safety Training Completion	5%	95.0%	97.0%	99.0%	99.7%	150.0%	<b>7.5</b>
<b>Reliability (15%) (3)</b>							
SAIDI (excluding major event days)	5.0%	119.00	105.00	89.00	103.22	105.6%	<b>5.3</b>
SAIDI (including major event days)	5.0%	178.00	126.00	101.00	110.43	131.1%	<b>6.6</b>
Gas – Leaks per 100 Miles of Main	2.5%	7.40	5.60	3.50	8.80	–%	–
Gas – Damages per 1000 Locates	2.5%	2.40	2.00	1.65	3.10	–%	–
<b>Customer Satisfaction (15%) (4)</b>							
J.D. Power Residential Electric and Gas Survey Performance Ranking	5%	680.00	712.00	716.00	718.90	150.0%	<b>7.5</b>
Operational Performance – Customer Survey by Flynn Wright	5%	34.83	38.71	42.58	38.94	103.0%	<b>5.1</b>
Reputational Perceptions – Customer Survey by Flynn Wright	5%	34.14	37.93	41.72	38.09	102.1%	<b>5.1</b>
<b>TOTAL FUNDING PERCENTAGE</b>							<b>126.0%</b>

- (1) **Financial.** The net income target is based upon the Board approved budget for the plan year, and the actual achieved is determined by what is reported in our annual report on Form 10-K for the plan year.
- (2) **Safety.** Safety performance regarding *Lost Time Incident Rate* and *Total Recordable Incident Rate* is calculated according to Occupational Safety and Health Administration (OSHA) standards. OSHA specifically defines what workplace injuries and illnesses should be recorded and, of those recorded, which must be considered lost time incidents. The **threshold** level for the safety measures represents our five-year average performance for these metrics, which is significantly above our Edison Electric Institute (EEI) peer group average; the **target** level is significantly above our peer group average and represents a 15 percent improvement over our five-year average performance for lost time incident rate and total recordable incident rate; and the **maximum** represents first quartile performance for our EEI peer group and a significant improvement over historical company performance. *Safety Training Completion* includes completion of assigned safety training for all employees through an internal education portal, and is calculated by dividing the difference of total courses assigned less total courses overdue by the total courses assigned.

- (3) **Reliability.** SAIDI (*excluding major event days*). System Average Interruption Duration Index (SAIDI) is a system reliability index used by us and participating Institute of Electrical and Electronic Engineers, Inc. (IEEE), utilities to measure the duration of interruptions on a utility's electric system. SAIDI indicates the total duration of interruption for the average customer during a predefined period of time. The **threshold** level for SAIDI, excluding major event days, represents a 10 percent improvement over the difference between the five-year average performance for IEEE medium-sized utilities and maximum; the **target** level represents a 10 percent improvement over the difference between the company's five-year average results and the maximum level; and the **maximum** level is the five-year average of first quartile performance of IEEE medium-sized utilities.

*SAIDI (including major event days).* The **threshold** for SAIDI, including major event days, represents a 10 percent improvement of the five-year average performance for IEEE medium-sized utilities; the **target** level represents a 10 percent improvement over the gap between the company's five-year average results and the maximum level; and the **maximum** level is equal to the company's best SAIDI, including major event days, in the last five years.

*Damages per 1000 Locates.* This natural gas reliability metric assesses the effectiveness of the company's programs to prevent damage to its natural gas system. The **threshold** level represents the company's five-year average and the average of second quartile performance as reported in a leak reporting survey conducted by the American Gas Association (AGA); the **target** level represents a 20 percent improvement over the company's five-year average; and the **maximum** level represents first quartile performance.

*Leaks per 100 Miles of Main.* This natural gas reliability metric assesses the overall performance of the company's natural gas system. The **threshold** level represents a level equal to first quartile performance as reported by the AGA; the **target** level represents the company's five-year average, which is first quartile performance; and the **maximum** level represents a 35 percent improvement over the company's five-year average, well into first quartile performance.

- (4) **Customer Satisfaction.** J.D. Power. One customer satisfaction metric is measured by the broadly utilized J.D. Power residential electric and gas customer satisfaction surveys and studies, which include the following components: communications, corporate citizenship, billing and payment, price, power quality and reliability (electric) or field service (gas) and customer service. The **threshold** level represents the company's five-year average; the **target** level is an improvement of one point over our best ever score, which we achieved in 2018; and the **maximum** level is a five point improvement over our 2018 best ever score.

*Flynn Wright Surveys.* The remaining two customer satisfaction metrics are measured based on the results of a 2019 customer tracking survey conducted on our behalf by Flynn Wright, a full service advertising, marketing, public relations, web design, interactive and research advertising agency. For both of these metrics, the **threshold** level is set 10 percent below target; the **target** level represents our average score for three waves of surveys from Fall 2018 to Fall 2019; and the **maximum** level is set at 10 percent above target.

#### (4) Individual Performance Multiple

After the Compensation Committee determines the plan funding percentage, the committee determines an individual performance multiple for each executive, which is factored into the incentive payout calculation. To make this determination, the Compensation Committee analyzes the total mix of available information, as well as actual performance measured against pre-established goals.

The company's successes in 2019 were due to the substantial efforts of our executive officers and many other employees across all departments of the company. As a result of the factors noted above, the Compensation Committee determined that it was appropriate to award each named executive officer (and the other executive officers) the annual cash incentive award as provided by the 2019 annual cash incentive plan, *without the addition of any performance multiplier*. Actual 2019 annual cash incentive awards for the named executive officers are reflected in the following table.

Name	2019					
	Base Salary (\$)	Target Cash Incentive, as % of Base Salary	Funding Percentage (%)	Individual Performance Multiple	Actual Cash Incentive, as % of Base Salary	Cash Incentive Award (\$)
Robert C. Rowe	649,224	100%	126%	1.0	126.0%	818,022
Brian B. Bird	449,057	60%	126%	1.0	75.6%	339,487
Heather H. Grahame	423,516	55%	126%	1.0	69.3%	293,497
Curtis T. Pohl	305,136	40%	126%	1.0	50.4%	153,789
Bobbi L. Schroepel	287,474	40%	126%	1.0	50.4%	144,887

#### Clawback of Annual Cash Incentive Awards

Although we have not adopted a formal clawback policy, the annual cash incentive awards are specifically made subject to any formal clawback policy that we may adopt in the future.

## Long-Term Performance-Based Equity Incentive Awards

We have used our Equity Compensation Plan to provide for the award of long-term, performance-based equity incentive awards to our executive officers. These performance-based awards help us achieve our compensation philosophy of being market competitive while simultaneously aligning the interests of our executives and shareholders.

We do not recover equity incentive awards from customers in our rates approved by our regulators.

The Equity Compensation Plan authorizes several types of stock-based awards, including restricted stock and a variety of performance-based awards. In 2019, the Compensation Committee granted two types of long-term, equity incentive awards to our executives under the Equity Compensation Plan: (1) LTIP performance units with cliff vesting after a three-year performance period; and (2) a smaller award of EERP restricted share units with cliff vesting after a five-year performance period and a payout over five years following the executive's separation from service with the company. All of these 2019 awards are performance-based and payable, if and when earned, in shares of our common stock.

**LTIP Performance Units.** The Compensation Committee determines the terms and restrictions applicable to grants of LTIP performance units. After the company's financial results are available for the prior year, the Compensation Committee approves the annual grant of LTIP performance units to our executive officers (and nearly 95 other participants in 2019). The awards of LTIP performance units are intended to provide a link between executive officer compensation and long-term shareholder interests as reflected in changes in our stock price, and to motivate and reward achievement of pre-established corporate financial goals and relative TSR. The Compensation Committee believes that making an annual grant of LTIP performance units motivates our executive officers (and the other participants) to focus on long-term, sustainable improvement in shareholder value because the award payout is tied to financial performance and continued service over a three-year period with cliff vesting at the end of such period, and the ultimate value delivered is dependent upon the value of our stock.

During the performance periods summarized in the table below, the performance measures for the LTIP awards included (1) a combined financial metric comprised of ROAE and either average EPS or net income growth, contributing 50 percent of the payout, and (2) TSR relative to our peer group, also contributing 50 percent of the payout. The table below shows, for the past five completed performance periods, to the overall payout (expressed as a percentage of target).

Historical Funding of LTIP (as a percentage of target)				
2013-2015	2014-2016	2015-2017	2016-2018	2017-2019
167.3%	108.3%	44.9%	94.3%	122.2%

**EERP Restricted Share Units.** In 2011, the Compensation Committee instituted the practice of granting EERP restricted share units to bring the long-term incentive component of our executives' compensation in line with the median of our peers, while simultaneously encouraging retention with the five-year cliff vesting component and providing retirement benefits. The EERP share units also encourage succession planning and continuity of our strategic plan through the five-year payout of vested awards following the executive officer's separation from service with the company. The key distinction between these awards and the non-performance-based supplemental executive retirement plans that certain of our peers and many other companies provide is that our EERP restricted share units are earned based upon company performance.

The number of EERP restricted share units that the Compensation Committee has granted annually has been considerably fewer than the grants of performance units. Like the performance units described above, these restricted share units are intended to provide a link between executive officer compensation and retirement planning and long-term shareholder interests and to motivate and reward achievement of pre-established corporate financial goals. The Compensation Committee believes that an annual grant of restricted share units motivates our executive officers to focus on long-term, sustainable improvement in our business because (1) vesting of the award is tied to financial performance and continued service over a five-year period and (2) payout of the vested award occurs over a five-year period following the executive officer's separation from service with the company.

## 2019 Long-Term Incentive Program Performance Unit Grants

In February 2019, the Compensation Committee approved grants of LTIP performance units subject to a three-year performance period with cliff vesting at the end of such period. The target long-term equity opportunities for each executive officer are derived from 2019 peer group and competitive survey data and from the Compensation Committee's judgment on the internal equity of the positions and scope of job responsibilities. To determine the target value of each executive officer's LTIP performance unit awards, the Compensation Committee considered the range for comparable roles within our peer group, with consideration given to the strategic value of each position. Based on these considerations, in 2019, the Compensation Committee increased the targeted opportunity (expressed as a percentage of base salary) associated with the LTIP awards for one of our named executive officers to better align with the market median.

Each executive officer's targeted opportunity is converted into specific LTIP performance unit grants by dividing the total targeted value (the targeted percentage of base salary) by the weighted average fair value of a share of our stock on the grant date, less the present value of expected dividends. The resulting calculation represents the number of LTIP performance units that were granted and will vest on December 31, 2021, if all performance goals are met at the target performance level.

The target equity opportunities (value at target and number of shares) for the 2019 grants of LTIP performance units are shown in the table to the right. The table also compares the target opportunities (expressed as a percentage of base salary) applicable to the 2018 and 2019 awards.

Name	2018 Base Salary (%)	Target LTIP Performance Unit Opportunity for 2019		
		2019 Base Salary (%)	2019 Value at Target (\$)	2019 LTIP Stock Awards (1)
Robert C. Rowe	200%	200%	1,260,630	20,868
Brian B. Bird	100%	100%	435,978	7,217
Heather H. Grahame	90%	90%	359,589	5,952
Curtis T. Pohl	60%	60%	177,749	2,942
Bobbi L. Schroepel	50%	50%	139,551	2,310

(1) Based on a weighted average grant date fair value of \$60.41, which was calculated using the closing stock price of \$64.98 on February 11, 2019, less the present value of expected dividends

After the performance period, the Compensation Committee calculates the actual company performance relative to the performance goals and determines the number of LTIP performance units that vest based on such performance. Depending on performance, the exact number of units that vest will vary from zero to 200 percent of the target award. In addition, the value of the award on payout will depend on the market price of our common stock on the date of payout. We do not recover LTIP awards from customers in our rates approved by our regulators.

The performance goals for these awards are independent of each other and are equally weighted. Vesting of awards also is contingent on maintaining investment grade secured and unsecured credit ratings. The following table summarizes the performance measures for the 2019 LTIP performance unit awards.

Performance Measures – 2019-2021	Threshold	Target	Maximum
<b>Financial Goals – 50%</b>			
ROAE	8.35%	8.80%	9.25%
Simple Average EPS Growth	1.7%	3.2%	4.7%
<b>TSR – 50%</b>			
Relative Average vs. Peers	13th	6th	1st

In general, based on a market analysis conducted by Willis Towers Watson, our performance levels for relative TSR are established at levels higher than our peers and the market. For example, according to this market analysis, we use a ranking of first for maximum, while the market uses third; we use a ranking of sixth for target, while the market uses eighth; and our threshold of 13th pays at 10 percent, and ninth pays at 50 percent, while the market threshold of twelfth pays at 50 percent.

The ROAE and simple average EPS growth levels are tied to management performance as these goals relate to revenue enhancement and cost containment. TSR is determined by our common stock price change and dividends paid over the performance period. We then compare our TSR with the total shareholder returns achieved by our 2019 peers over the same three-year period and determine our ranking.

## 2019 Executive Retention / Retirement Program Restricted Share Unit Grants

In December 2019, the Compensation Committee approved performance-based EERRP restricted share unit grants. These restricted share unit awards are subject to a five-year performance and five-year cliff vesting period and, once vested, will be paid out in shares of the company's common stock over a five-year period after a recipient has separated from service with the company.

Our overall compensation program does not provide any non-performance-based supplemental executive retirement benefit. The Compensation Committee designed and implemented the EERRP in lieu of a traditional supplemental executive retirement plan which is not performance-based but is offered by many of our peers and other companies to increase overall competitiveness. The EERRP restricted share units help to achieve our compensation philosophy of being market competitive while aligning the interests of our executives and shareholders. It also promotes retention through the five-year cliff vesting component and benefits succession planning and continuity of our strategic plan through its five-year payout following separation from service.

The long-term equity opportunity for the EERRP is derived from peer group and competitive survey data and from the Compensation Committee's judgment on the internal equity of the positions and scope of job responsibilities. To determine the value of each executive officer's EERRP restricted share unit award, the Compensation Committee considered the range for comparable roles within our peer group, with consideration given to each position's strategic value, and the overall long-term equity opportunity offered to that group. For 2019, the Compensation Committee reviewed the equity incentive opportunities provided to our 2019 peer group to analyze whether the targeted EERRP restricted share unit awards to our executive officers approximated the peer group median. Based on its review, the Compensation Committee determined that no changes were required for the 2019 EERRP restricted share unit awards for all of our executive officers other than our CEO, who received an increase of his award to 60 percent of base salary from 50 percent of base salary.

The target equity opportunities for the 2019 EERRP restricted share unit grants to our named executive officers, based on a percentage of base salary, are shown in the table below. We do not recover EERRP awards from customers in our rates approved by our regulators.

2019 Target EERRP Opportunity				
Name	2019 Base Salary (\$)	Award % of Base Salary (%)	Value at Grant Date (\$)	EERRP Stock Awards (#) (1)
Robert C. Rowe	649,224	60%	389,534	6,414
Brian B. Bird	449,057	25%	112,264	1,849
Heather H. Grahame	423,516	20%	84,703	1,395
Curtis T. Pohl	305,136	20%	61,027	1,005
Bobbi L. Schroepel	287,474	15%	43,121	710

- (1) Based on a grant date fair value of \$60.73, which was calculated using the closing stock price of \$72.20 on December 18, 2019, less the present value of expected dividends, calculated using a 1.74 percent five-year Treasury rate and assuming quarterly dividends of \$0.60 for the five-year vesting period, based on announced planned dividend of \$2.40 per share for 2019.

Each executive officer's 2019 award value was converted into specific equity grants by dividing the total potential value of the award by the fair market value of a share of our stock on the grant date. This represents the number of restricted share units that will vest on December 31, 2024, if the company's net income for three of the five calendar years 2020 – 2024 exceeds the company's net income for 2019. The value of the award on the grant date, as reflected in the below table, is based on the closing market price of our stock on the grant date, less the present value of expected dividends. If earned, the value of the award on payout will depend on the market price of our common stock on the date of payout.

## Vesting of 2017 Long-Term Incentive Program Performance Unit Grants in 2019

In February 2017, the Compensation Committee approved grants of LTIP performance units, subject to a three-year performance period. The 2019 LTIP performance unit grants vested on December 31, 2019. The performance goals were independent of each other and equally weighted. The table on the following page summarizes the performance measures which governed these 2019 grants.

Performance Measures – 2017-2019	Threshold	Target	Maximum	Actual
<b>Financial Goals – 50%</b>				
ROAE	9.0%	9.6%	10.2%	10.0%
Simple Average EPS Growth	0.4%	2.4%	4.4%	6.0%
<b>Market Goal – 50%</b>				
Relative TSR Average vs. Peers	13th	6th	1st	8th

Depending upon actual company performance relative to these performance goals, the exact number of shares that could have vested ranged from zero to 200 percent of the target award. As summarized above in the **2019 Long-Term Incentive Program Performance Unit Grants** section, our relative TSR metrics are established at levels higher than our peers according to a market analysis conducted by the Compensation Committee's independent compensation consultant. At the conclusion of the performance period, the Compensation Committee calculated the company's performance relative to these goals during the three-year performance period to determine the vesting percentage for the 2017 LTIP performance unit grants.

For the financial goals related to the 2017 LTIP performance unit grants, ROAE was 10.0 percent and simple average EPS growth was 6.0 percent. This financial performance resulted in a 92.2 percent vesting percentage for that half of the program. For our market goal, TSR was 37.0 percent, resulting in a ranking of 8th out of 14 with respect to our 2017 peers, and contributing 30.0 percent with respect to that half of the program. Our peer group remains generally consistent from year to year. However, with mergers and acquisition activities over the years, we have made minor changes to our peer groups, and our 2017 peer group differs from our 2019 peer group.

For purposes of our 2017 LTIP, we calculated TSR by comparing the average closing price for a share of common stock of us and our 2017 peers during the period beginning 10 days prior to the end of the performance period and ending 10 days after the performance period plus the cumulative dividends earned during the performance period, to the average closing price of a share of common stock of us and our 2017 peers during the period beginning 10 days prior to the start of the performance period and ending 10 days after the start of the performance period. Our Compensation Committee believes that calculating relative TSR using the 20-day average share price around the beginning and end of the performance period results in a more accurate reflection of return for the period that is less impacted by stock market activity on the first and last days of the performance period.

Based on the Compensation Committee's calculation of these performance measures, the 2017 LTIP performance unit grants vested at 122.2 percent. The table to the right summarizes the performance results with respect to each of the performance measures applicable to the 2017 LTIP performance unit grants and the corresponding contributions to the vesting percentage.

Performance Measures – 2017-2019	Result	Weight	Vesting
Financial Goals – ROAE and Simple Average EPS Growth	184.3%	50%	92.2%
Market Goal – TSR	60.0%	50%	30.0%
<b>TOTAL</b>			<b>122.2%</b>

The table below summarizes the number of shares awarded for the 2017 LTIP performance unit grants and the number of shares paid out in 2019 with respect to such grants for our named executive officers, based on the vesting percentage of 122.2 percent approved by the Compensation Committee. We do not recover LTIP awards from customers in our rates approved by our regulators.

Name	Vesting of 2017 Performance Unit Grants		
	Units at Grant Date (#)	Vesting Percentage (%)	Units upon Vesting (#)
Robert C. Rowe	24,821	122.2%	30,331
Brian B. Bird	8,584	122.2%	10,490
Heather H. Grahame	6,013	122.2%	7,348
Curtis T. Pohl	3,500	122.2%	4,277
Bobbi L. Schroepel	2,689	122.2%	3,286

### Vesting of 2014 Executive Retention / Retirement Program Grants in 2019

In December 2014, the Compensation Committee approved grants of ERRP restricted share units, subject to a five-year performance period from 2015 to 2019. The 2014 ERRP restricted share unit grants contained a financial performance metric that required the company to achieve net income during any three of the five years during the

performance period that exceeded the company's net income for 2014. As summarized in the following table, the company achieved net income in all five of the performance period years that was higher than its net income for 2014, satisfying the performance metric.

Net Income (millions)					
2014	2015	2016	2017	2018	2019
\$120.7	\$151.2	\$162.7	\$172.7	\$197.0	\$202.1

As a result of achieving the financial performance metric, the 2014 EERRP restricted share unit grants vested on December 31, 2019. In accordance with the terms of the grants, the vested restricted share units have been credited to an account for each executive officer similar to a deferred compensation account. Executives are not entitled to payout of any of the vested units in such account until the executive leaves the company, and following such departure, each unit will be paid out as a share of common stock of the company in five equal annual installments.

The table to the right indicates the number of 2014 EERRP restricted share units which vested on December 31, 2019, for each of our named executive officers.

Name	2014 EERRP Restricted Share Units Vested (#)
Robert C. Rowe	6,410
Brian B. Bird	2,103
Heather H. Grahame	1,531
Curtis T. Pohl	1,205
Bobbi L. Schroepel	834

We do not recover EERRP awards from customers in our rates approved by our regulators.

## Other Pay Policies

### *Retirement and Other Benefits*

Retirement benefits are offered to employees hired prior to January 1, 2009, through tax-qualified company-funded pension plans and to all eligible employees through a 401(k) defined contribution plan. Both pension plans and 401(k) plans are common benefits provided in the utility and energy industry. Our executive officers, including the CEO, participate in some or all of these plans, and the terms governing the retirement benefits under these plans are the same as those available to substantially all employees. We do not offer any supplemental retirement benefits to our executive officers other than the performance-based EERRP restricted share units described above. Our healthcare, insurance, and other welfare and employee-benefit programs are generally the same for substantially all employees, including the CEO and executive officers. We share the cost of health and welfare benefits with our employees, which is dependent on the benefit coverage option that each employee elects. Our executive officers do not receive any material perquisites or special benefits that differ materially from those available to employees generally.

### *Severance and Post-Termination Benefits*

We provide severance and post-termination benefits to our executive officers under our severance plan. Severance and post-termination benefits are explained in detail under the **2019 Executive Pay—Pay After Employment Ends** section, starting on page 37 of this proxy statement.

### *Non-qualified Deferred Compensation*

The company provides a non-qualified deferred compensation plan, which is intended to be an unfunded plan. The 2009 Officer Deferred Compensation Plan (officer deferred plan) allows eligible officers to defer up to 100 percent of certain compensation, including base salary (subject to compliance with Section 409A of the Internal Revenue Code compensation limit), short-term incentive awards and awards earned under our Equity Compensation Plan. There are no company contributions to the officer deferred plan. Participants in the officer deferred plan may elect to have deferrals credited to their account in company stock (in the form of deferred share units issued under the Equity Compensation Plan) or cash investment options that substantially mirror the qualified employee 401(k) plan investment options. The value of each deferred compensation account is adjusted periodically to reflect the gains, losses, and dividends associated with the designated investments. Officer deferred plan participants do not pay income taxes on amounts deferred or earnings thereon until those amounts are distributed from the officer deferred plan. A participant's benefits under the officer deferred plan are fully vested and are payable after terminating employment. Benefits are paid in a lump sum unless a participant elects annual installments.

### **No Employment Agreements**

We currently do not have employment agreements with any of our executives. We generally believe that ongoing employment agreements are not necessary to retain talented executives; however, agreements may be appropriate on a case-by-case basis, such as when an executive begins employment with us. Due to the changing marketplace in which we compete for talent, the Compensation Committee regularly reviews this practice to help ensure that we remain competitive in our industry.

### **Tax Treatment of Certain Compensation**

Section 162(m) of the Internal Revenue Code limits the company deductibility of executive compensation paid to certain named executive officers (and, beginning in 2018, certain former executive officers) to \$1 million per year. Prior to the Tax Cuts and Jobs Act (Act) signed into law on December 22, 2017, Section 162(m) contained an exception to the \$1 million deduction limit for certain qualifying performance-based compensation. The Act eliminated this performance-based exception other than for “written binding contracts” in effect as of November 2, 2017, so long as such contracts are not materially modified after that date.

We had structured our Equity Compensation Plan to enable grants of equity-based incentive awards to be deductible under Section 162(m), and the material terms of the Equity Compensation Plan were approved by shareholders at our 2016 annual meeting. Thus, we believe we should be able to deduct our long-term performance-based equity incentive awards that were outstanding as of November 2, 2017 (such as LTIP performance unit awards and ERRP restricted share unit awards). However, similar awards made after such date will not be eligible for the exception and may not be deductible.

The Compensation Committee generally seeks ways to limit the impact of Section 162(m). However, the Compensation Committee believes that the tax deduction limitation should not compromise our ability to establish and implement incentive programs that support the compensation objectives discussed above. Accordingly, achieving these objectives and maintaining required flexibility in this regard may result in payments of compensation or grants of awards that are not deductible for federal income tax purposes.

# Compensation Committee Report

The Compensation Committee reviewed and discussed the Compensation Discussion and Analysis with management. Based on this review and discussion, the Compensation Committee recommended to the Board that the Compensation Discussion and Analysis be included in the proxy statement and incorporated by reference into the Annual Report on Form 10-K for the year ended December 31, 2019.

### **Compensation Committee**

Dana J. Dykhouse, *Chair*

Anthony T. Clark

Julia L. Johnson

Mahvash Yazdi

# 2019 Executive Pay

In this section, the tables, footnotes, and narratives provide information regarding the compensation, benefits, and equity holdings in the company for the named executive officers during the years ended December 31, 2019, 2018, and 2017. Please see the *Compensation Discussion and Analysis* on the previous pages for a description of our executive pay program necessary to gain an understanding of the information disclosed below.

## 2019 Summary Compensation Table

The table below sets forth the compensation earned by our named executive officer during 2019, 2018, and 2017.

Name and Principal Position	Year	Salary (\$)(1)	Bonus (\$)	Stock Awards (\$)(1)(2)	Non-Equity Incentive Plan Compensation (\$)(1)(3)	Change in Pension Value and Nonqualified Deferred Compensation Earnings (\$)(1)(4)	All Other Compensation (\$)(5)	Total (\$)(1)
<b>Robert C. Rowe</b>								
President and Chief Executive Officer	2019	643,770	—	1,650,164	818,022	144,501	41,847	3,298,304
	2018	625,019	—	1,602,080	857,228	34,793	46,811	3,165,931
	2017	607,232	—	1,497,280	605,836	94,609	43,322	2,848,279
<b>Brian B. Bird</b>								
Chief Financial Officer	2019	445,284	—	548,242	339,487	31,861	57,387	1,422,261
	2018	432,315	—	532,315	326,112	5,939	52,676	1,349,357
	2017	420,012	—	517,798	209,524	22,378	54,923	1,224,635
<b>Heather H. Grahame</b>								
General Counsel and Vice President - Regulatory & Federal Gov't Affairs	2019	416,601	—	444,292	293,497	—	51,505	1,205,895
	2018	391,204	—	413,461	271,689	—	55,210	1,131,564
	2017	367,773	—	362,718	165,117	—	49,527	945,135
<b>Curtis T. Pohl</b>								
Vice President - Distribution	2019	302,572	—	238,776	153,789	59,131	53,608	807,876
	2018	293,760	—	231,817	161,159	—	52,910	739,646
	2017	285,399	—	225,507	113,898	38,024	49,257	712,085
<b>Bobbi L. Schroeppel</b>								
Vice President - Customer Care, Communications and HR	2019	285,059	—	182,672	144,887	39,441	56,915	708,974
	2018	275,267	—	174,755	151,831	—	52,214	654,067
	2017	263,577	—	168,940	92,103	24,602	53,984	603,206

- (1) As a regulated utility, the amounts we pay for salary and non-equity incentive plan compensation are included in the rates we charge our customers; while stock awards, change in pension value and nonqualified deferred compensation earnings are excluded from those rates. Although we recently concluded a Montana general electric rate case in which our regulators established our new rates, the salary and non-equity incentive plan compensation amounts for 2017 were included in that rate case instead of the higher 2018 and 2019 amounts.
- (2) These values reflect the grant date fair value of these awards as calculated utilizing the provisions of Accounting Standards Codification 718, Stock Compensation, and do not represent earned or paid compensation as the shares are subject to performance and vesting conditions. The values in the table above assume payout at target (100 percent) based on grant date fair value. The exact number of shares issued will vary from zero to 200 percent of the target award, depending on actual company performance relative to the performance goals. See Note 15 to the consolidated financial statements in our 2019 Annual Report on Form 10-K for further information regarding assumptions underlying the valuation of equity awards. The value of awards granted in 2019 for each named executive officer assuming a maximum payout based on grant date fair value would be \$2,910,794 for Mr. Rowe; \$984,220 for Mr. Bird; \$803,881 for Ms. Grahame; \$416,525 for Mr. Pohl; and \$322,223 for Ms. Schroeppel.
- (3) The “Non-Equity Incentive Plan Compensation” column reflects cash incentive awards earned pursuant to our annual incentive plan as previously described. These awards are earned during the year reflected and paid in the following fiscal year.
- (4) These amounts are attributable to a change in the value of each individual’s defined benefit pension account balances and do not represent earned or paid compensation. Pension values are dependent on many variables including years of service, earnings and actuarial assumptions. Our pension plans were closed prior to Ms. Grahame joining the company; therefore, she is not a participant in a pension plan.

- (5) The table to the right identifies the items included in the “All Other Compensation” column for 2019. Employee benefits include employer contributions, as applicable, for health benefits (medical, dental, vision, employee assistance plan and health savings account), group term life and 401(k) plan, which are generally available to all employees on a nondiscriminatory basis. Life insurance also includes imputed income consistent with IRS guidelines for coverage amounts in excess of \$50,000 for each of the named executive officers. Mr. Rowe’s other income includes vacation sold back to the company at a rate of 75 percent. Mr. Bird’s and Ms. Schroeppel’s other income for 2019 includes imputed income related to executive physicals.

	Health Benefits	Life Insurance	401(k) Contributions	Other Income	Total All Other Compensation
Robert C. Rowe	\$22,373	\$ 5,547	\$ 11,200	\$ 2,727	\$ 41,847
Brian B. Bird	24,161	2,516	28,000	2,710	57,387
Heather H. Grahame	17,253	3,452	30,800	—	51,505
Curtis T. Pohl	17,411	5,397	30,800	—	53,608
Bobbi L. Schroeppel	24,161	2,044	28,000	2,710	56,915

## 2019 Grants of Plan-Based Awards

The following table shows the range of each named executive officer's annual and long-term incentive award opportunities granted for the fiscal year ended December 31, 2019. The narrative following the table describes the terms of each incentive award opportunity.

Name	Grant Date	Estimated Future Payouts Under Non-equity Incentive Plan Awards (1)			Estimated Future Payouts Under Equity Incentive Plan Awards (1) (2)			All Other Stock Awards: Number of Shares of Stock or Units (#)	Grant Date Fair Value of Stock Awards (3) (\$)
		Threshold (\$)	Target (\$)	Maximum (\$)	Threshold (#)	Target (#)	Maximum (#)		
<b>Robert C. Rowe</b>									
Annual Cash Incentive	—	324,612	649,224	973,836	—	—	—	—	—
Performance Units	2/11/2019	—	—	—	—	20,868	41,736	—	1,260,630
Restricted Share Units	12/18/2019	—	—	—	—	6,414	6,414	—	389,534
<b>Brian B. Bird</b>									
Annual Cash Incentive	—	134,717	269,434	404,151	—	—	—	—	—
Performance Units	2/11/2019	—	—	—	—	7,217	14,434	—	435,978
Restricted Share Units	12/18/2019	—	—	—	—	1,849	1,849	—	112,264
<b>Heather H. Grahame</b>									
Annual Cash Incentive	—	116,467	232,934	349,401	—	—	—	—	—
Performance Units	2/11/2019	—	—	—	—	5,952	11,904	—	359,589
Restricted Share Units	12/18/2019	—	—	—	—	1,395	1,395	—	84,703
<b>Curtis T. Pohl</b>									
Annual Cash Incentive	—	61,027	122,054	183,081	—	—	—	—	—
Performance Units	2/11/2019	—	—	—	—	2,942	5,884	—	177,749
Restricted Share Units	12/18/2019	—	—	—	—	1,005	1,005	—	61,027
<b>Bobbi L. Schroeppel</b>									
Annual Cash Incentive	—	57,495	114,990	172,484	—	—	—	—	—
Performance Units	2/11/2019	—	—	—	—	2,310	4,620	—	139,551
Restricted Share Units	12/18/2019	—	—	—	—	710	710	—	43,121

- (1) As a regulated utility, the amounts we pay for non-equity incentive plan awards are included in the rates we charge our customers; while all equity incentive plan awards are excluded from those rates. In addition, although we recently concluded a Montana general electric rate case in which our regulators established our new rates, the non-equity incentive plan awards that were included in that rate case were based on 2017 figures instead of the 2019 and 2018 amounts disclosed in this proxy statement.
- (2) Reflects possible payout range of 2019 performance units and restricted share units awards. The performance units granted on February 11, 2019, have a weighted average grant date fair value of \$60.41. The restricted share units granted on December 18, 2019, have a weighted average grant date fair value of \$60.73.
- (3) These values reflect the grant date fair value of these awards as calculated utilizing the provisions of Accounting Standards Codification 718, Stock Compensation, and do not represent earned or paid compensation as the shares are subject to performance and vesting conditions. The values in the table above reflect grant date fair value assuming payment at target. See Note 15 to the consolidated financial statements in our 2019 Annual Report on Form 10-K for further information regarding assumptions underlying the valuation of equity awards.

### Non-equity Incentive Plan Awards

Non-equity incentive plan compensation includes amounts earned under the NorthWestern Energy 2019 Annual Incentive Plan for 2019 performance, which were paid in 2020. The Compensation Committee reviewed 2019 performance against plan targets and the plan achieved a payout of 126 percent, as discussed in the **Compensation Discussion and Analysis—Pay Components—Annual Cash Incentive Awards** section, starting on page 23 of this proxy statement.

## Equity Incentive Plan Awards

As previously discussed in the *Compensation Discussion and Analysis—Pay Components—Long-Term Performance-Based Equity Incentive Awards* section in this proxy statement, the Board approved granting performance awards in 2019 under the Equity Compensation Plan. The values of stock awards included in the table on the previous page reflect the grant date fair value of these awards as calculated utilizing the provisions of Accounting Standards Codification 718, Stock Compensation, and do not represent earned or paid compensation as the shares are subject to performance and vesting conditions. For the 2019 performance unit awards, the exact number of shares issued upon vesting will vary from zero to 200 percent of the target award, depending on actual company performance relative to the performance goals. In addition, if earned, the value of a performance unit award and a restricted share unit award on the vesting date, based on the fair market value of our stock on that future date, likely will differ from the value on the grant date, which is based on the fair market value of a share of our stock and, with respect to a performance unit award, is based on the target amount for such award. See Note 15 to the consolidated financial statements in our 2019 Annual Report on Form 10-K for further information regarding assumptions underlying the valuation of equity awards.

## Percentage of Salary Compared to Total Compensation

For 2019, base salary for the named executive officers accounted for approximately 22 to 49 percent of total direct compensation (*i.e.*, salary plus targeted annual and long-term incentive compensation), while incentive compensation accounted for approximately 51 to 78 percent of total direct compensation, assuming achievement of a target level of performance for each named executive officer.

## 2019 Stock Vested

The table below shows the number of shares acquired and the dollar amounts realized pursuant to the vesting of equity-based awards during the last fiscal year.

Name	Stock Awards					
	Number of LTIP Shares Acquired on Vesting (#) (1)	Value Realized on LTIP Vesting (\$)(2)	Number of EERP Shares Acquired on Vesting (#) (3)	Value Realized on EERP Vesting (\$)(2)	Total Shares Acquired on Vesting (#)	Total Value Realized (\$)(2)
Robert C. Rowe	30,331	2,173,842	6,410	459,405	36,741	2,633,246
Brian B. Bird	10,490	751,793	2,103	150,722	12,593	902,515
Heather H. Grahame	7,348	526,623	1,531	109,727	8,879	636,350
Curtis T. Pohl	4,277	306,533	1,205	86,362	5,482	392,895
Bobbi L. Schroepel	3,286	235,505	834	59,773	4,120	295,277

- (1) LTIP Shares vested consist of performance units for the 2017-2019 performance period that vested on December 31, 2019, at a performance level of 122.2 percent. We determined the value realized for the vesting of these shares using the fair market value of our common stock on the December 31, 2019, vesting date, which was \$71.67.
- (2) As a regulated utility, we do not include the amounts we pay for stock awards in the rates we charge our customers.
- (3) EERP Shares vested consist of restricted share units for the 2014-2019 performance period that vested on December 31, 2019. We determined the value realized for the vesting of these restricted share units using the fair market value of our common stock on the December 31, 2019, vesting date, which was \$71.67. All of the restricted share units are deferred until the recipient departs NorthWestern. Upon departure, the restricted share units are paid out as shares of common stock in five annual installments.

## Outstanding Equity Awards at 2019 Fiscal Year-End

The table below contains information regarding outstanding equity-based awards, including the potential dollar amounts realizable with respect to the awards for each named executive officer. Dividends are not paid or accrued on any unvested awards. As a regulated utility, we do not include the amounts we pay for stock awards in the rates we charge our customers.

	Type of Award	Grant Date	Stock Awards		
			Number of Shares or Units of Stock That Have Not Vested (#)	Market Value of Shares or Units of Stock That Have Not Vested (\$)	Equity Incentive Plan Awards: Number of Unearned Shares, Units or Other Rights That Have Not Vested (#) (1)
<b>Robert C. Rowe</b>	ERRP	12/18/2019			6,414
	LTIP	2/11/2019			20,868
	ERRP	12/13/2018			6,976
	LTIP	2/12/2018			61,534
	ERRP	12/12/2017			5,862
	ERRP	12/7/2016			6,505
	ERRP	12/9/2015	6,458	462,845	
<b>Brian B. Bird</b>	ERRP	12/18/2019			1,849
	LTIP	2/11/2019			7,217
	ERRP	12/13/2018			2,011
	LTIP	2/12/2018			21,282
	ERRP	12/12/2017			2,027
	ERRP	12/7/2016			2,250
	ERRP	12/9/2015	2,233	160,039	
<b>Heather H. Grahame</b>	ERRP	12/18/2019			1,395
	LTIP	2/11/2019			5,952
	ERRP	12/13/2018			1,474
	LTIP	2/12/2018			16,770
	ERRP	12/12/2017			1,420
	ERRP	12/7/2016			1,576
	ERRP	12/9/2015	1,564	112,092	
<b>Curtis T. Pohl</b>	ERRP	12/18/2019			1,005
	LTIP	2/11/2019			2,942
	ERRP	12/13/2018			1,093
	LTIP	2/12/2018			8,676
	ERRP	12/12/2017			1,102
	ERRP	12/7/2016			1,223
	ERRP	12/9/2015	1,214	87,007	
<b>Bobbi L. Schroeppel</b>	ERRP	12/18/2019			710
	LTIP	2/11/2019			2,310
	ERRP	12/13/2018			772
	LTIP	2/12/2018			6,682
	ERRP	12/12/2017			764
	ERRP	12/7/2016			846
	ERRP	12/9/2015	839	60,131	

- (1) The performance units granted in February 2018 and 2019 will vest, if at all, on December 31, 2020 and 2021, respectively, subject to the satisfaction of the applicable performance and market criteria and generally subject to the recipient's continued employment through such date. Based on performance through December 31, 2019, we are above target for payout of the 2018 grants and slightly below target for payout of the 2019 grants. As required by the SEC's disclosure rules, the number of units and payout value shown for the 2018 grants assume a maximum level of performance (200 percent) and for the 2019 grants assume a target level of performance (100 percent).
- (2) Values were calculated based on a \$71.67 closing price of our common stock on December 31, 2019.
- (3) The performance-based restricted share units granted under the EERP in December 2015, 2016, 2017, 2018, and 2019 will vest, if at all, on December 31, 2020, 2021, 2022, 2023, and 2024, respectively, subject to the satisfaction of the applicable performance criteria and generally subject to the recipient's continued employment through such date. The 2015 EERP award has satisfied the applicable performance criteria

## Pay After Employment Ends

We have two separate defined benefit pension plans that cover employees hired prior to January 1, 2009. The NorthWestern Energy Pension Plan is applicable to employees who began their employment in Montana, and the NorthWestern Corporation Pension Plan is applicable to employees who began their employment in South Dakota or Nebraska. The table below summarizes for each of our named executive officers the years of credited service, present value of accumulated benefit, and any payments during the last fiscal year.

### 2019 Pension Benefits

Name	Plan Name	Number of Years Credited Service (#)	Present Value of Accumulated Benefit (\$)	Payments During Last Fiscal Year (\$)
Robert C. Rowe	NorthWestern Energy Pension Plan	11.00	707,067	—
Brian B. Bird	NorthWestern Corporation Pension Plan	16.08	245,899	—
Heather H. Grahame (1)	—	—	—	—
Curtis T. Pohl	NorthWestern Corporation Pension Plan	33.39	480,935	—
Bobbi L. Schroepel	NorthWestern Corporation Pension Plan	21.63	238,950	—

(1) Ms. Grahame joined the company after the pension plans were closed to new entrants and therefore is not eligible to participate.

We calculated the present value of accumulated benefits assuming benefits commence at age 65 and using the discount rate, mortality assumption, and assumed payment form consistent with those disclosed in Note 15 to the consolidated financial statements in our Annual Report on Form 10-K for the year ended December 31, 2019. While we calculated the present values in the table above assuming that benefits commence at age 65, the table to the right summarizes the cash balance available if the individual had terminated service as of December 31, 2019.

Name	Cash Balance (\$)
Robert C. Rowe	512,123
Brian B. Bird	236,850
Heather H. Grahame	—
Curtis T. Pohl	458,961
Bobbi L. Schroepel	223,482

Under the NorthWestern Energy Pension Plan, a participant's account grows based upon (1) contributions by the company made once per year, and (2) interest credits at the rate of six percent per year. Contributions by the company range from (a) three percent to 12 percent for eligible compensation, plus (b) 1.5 percent to six percent for eligible compensation above one-half of the taxable social security wage base. Upon termination of employment, an employee who is at least 50 years of age with five years of service may begin receiving a monthly annuity or defer receiving benefits until he or she is required to take a minimum distribution. Mr. Rowe currently is eligible for this early retirement option.

Under the cash balance formula of the NorthWestern Corporation Pension Plan, a participant's account grows based upon (1) annual pay credits, and (2) annual interest credits based on the average federal 30-year Treasury Bill rate for November of the preceding year. Pay credits range from three percent to 7.5 percent for compensation below the taxable wage base, and such amounts are doubled for compensation above the taxable wage base. Upon termination of employment, an employee (or if deceased, his or her beneficiary) may elect to (a) defer receiving benefits until he or she is required to take a minimum distribution or (b) receive an early retirement benefit of either (i) a lump sum payment equal to the cash balance in the account or (ii) a monthly annuity if age 55 or greater. Messrs. Bird and Pohl and Ms. Schroepel currently are eligible for the lump sum early retirement option. Mr. Bird also is eligible for the monthly annuity early retirement option.

For both pension plans, credited years of service are based on actual hire date, and pensionable earnings include base pay only. Mercer Human Resources Consulting, the actuary for our pension plans, calculated the present value of accumulated benefits using participant data provided by us.

### Non-qualified Deferred Compensation

We implemented a deferred compensation plan in 2009. Mr. Rowe is the only named executive officer who has deferred compensation into the plan, although he did not elect to defer any compensation in 2019. The deferred compensation plan is discussed in the **Compensation Discussion and Analysis—Other Pay Policies—Non-qualified Deferred Compensation** section of this proxy statement,

Our executive officers receive annual grants under our EERRP program. Pursuant to the terms of the EERRP award agreement, when a grant vests, our executive officers receive restricted share units, which we credit to an account for each executive officer similar to a deferred compensation account. These restricted share units are not deferrals under our deferred compensation plan; however, the restricted share units are similar to deferred compensation because an executive officer cannot access the units until he or she is no longer our employee. For more details about our EERRP program, please refer to the ***Compensation Discussion and Analysis—Pay Components—Long-Term Performance-Based Equity Incentive Awards*** section in this proxy statement.

The table below summarizes the participation in the deferred compensation plan and our EERRP program by our named executive officers in 2019.

	Executive Contributions in Last Fiscal Year (\$)	Registrant Contributions in Last Fiscal Year (\$)(1)	Aggregate Earnings in Last Fiscal Year (\$)(1)	Aggregate Withdrawals/ Distributions in Last Fiscal Year (\$)	Aggregate Balance on December 31, 2019 (\$)(2)
Robert C. Rowe (3)	—	244,910	2,114,705	—	10,870,741
Brian B. Bird	—	77,391	45,667	—	266,060
Heather H. Grahame	—	55,623	33,096	—	192,617
Curtis T. Pohl	—	43,797	26,066	—	151,698
Bobbi L. Schroeppel	—	29,436	17,439	—	101,550

- (1) All registrant contributions in 2019 relate to the EERRP program and are reported as compensation to such executive officer in the Summary Compensation Table on page 33. None of the earnings were reported as compensation to such executive officer in the Summary Compensation Table on page 33.
- (2) Reflects the following amounts for each of the following executive officers related to the EERRP program that were reported as compensation to such executive officer in the prior Summary Compensation Tables: Mr. Rowe, \$400,215; Mr. Bird, \$124,833; Ms. Grahame, \$90,689; Mr. Pohl, \$71,430; and Ms. Schroeppel, \$47,891.
- (3) Mr. Rowe's elective contributions under the deferred compensation plan are \$4,584,407, in the aggregate, all of which were reported as compensation in the Summary Compensation Table for prior years.

### *Termination or Change in Control Arrangements*

#### **Key Employee Severance Plan**

Our named executive officers participate in our Key Employee Severance Plan. The Compensation Committee believes that it is appropriate for us to have a severance plan to provide a consistent means of addressing severance situations.

The Key Employee Severance Plan does not provide for change in control payments, but it does provide for the payment of severance benefits in the event an officer is terminated involuntarily without cause. Cause generally is defined in the Key Employee Severance Plan as (1) fraud, misappropriation of corporate property or funds, or embezzlement; (2) malfeasance in office, misfeasance in office which is willful or grossly negligent, or nonfeasance in office which is willful or grossly negligent; (3) failure to comply with our Code of Conduct; (4) illegal conduct, gross misconduct, or dishonesty, in each case which is willful and results (or is reasonably likely to result) in substantial damage to the company; or (5) willful and continued failure by the employee to perform substantially his/her duties. Involuntary termination does not include a termination resulting from a participant's death or disability.

The severance benefits payable under the Key Employee Severance Plan consist of:

- **Severance Payment:** A lump-sum cash payment equal to two times annual base pay plus two times targeted annual cash incentive;
- **Interrupted Annual Bonus:** A lump-sum cash payment equal to the amount of the annual cash incentive, pro-rated to the end of the month prior to separation of service and based on actual performance;
- **Welfare Benefits:** Reimbursement of Consolidated Omnibus Budget Reconciliation Act (COBRA) premiums paid by the participant during the 24-month period following the participant's termination date; and
- **Outplacement Services:** Up to \$12,000 of outplacement services during the 12-month period following the participant's termination date.

The table below shows the amount of potential cash severance that would have been payable, based on an assumed termination date of December 31, 2019, under the Key Employee Severance Plan, including the amount that each named executive officer would be entitled to be reimbursed for outplacement expenses and reimbursement of costs for continuing coverage and other benefits under our group health, dental, and life insurance plans. Severance benefits are not provided in connection with terminations for cause.

Name	Base Salary (\$)	Targeted Annual Incentive (\$)	2x Base Salary + 2x Targeted Annual Incentive (\$)	Interrupted Annual Bonus (\$) (1)	COBRA Premiums (\$) (2)	Outplacement Services (\$)	Amount of Potential Severance Benefit (\$)
Robert C. Rowe	649,224	649,224	2,596,896	595,122	44,940	12,000	3,248,958
Brian B. Bird	449,057	269,434	1,436,982	246,981	45,172	12,000	1,741,135
Heather H. Grahame	423,516	232,934	1,312,900	213,523	34,510	12,000	1,572,933
Curtis T. Pohl	305,136	122,054	854,381	111,883	31,402	12,000	1,009,666
Bobbi L. Schroeppel	287,474	114,990	804,927	105,408	46,108	12,000	968,443

(1) Calculated at 100% of target and prorated for 11 of 12 months pursuant to the terms of the Key Employee Severance Plan.

(2) Amounts calculated using COBRA premiums in effect as of December 31, 2019.

### Equity Compensation Plan Change in Control Provision

All outstanding equity awards were granted under our Equity Compensation Plan. In a change in control situation, the plan provides that either the vesting of awards shall accelerate so that awards shall vest as to the shares that otherwise would have been unvested, or the Compensation Committee shall arrange or otherwise provide for the payment of cash or other consideration to participants in exchange for the satisfaction and cancellation of outstanding awards.

The table to the right shows the amount of potential stock value that would have been received, based on an assumed change in control date of December 31, 2019, outstanding equity awards at target payout, and a closing stock price on December 31, 2019, of \$71.67. For a termination of service that does not involve a change in control, death, disability, or retirement, all outstanding equity awards granted under the Equity Compensation Plan are forfeited.

Name	Value of Accelerated Stock Vesting (\$)
Robert C. Rowe	6,009,530
Brian B. Bird	2,023,101
Heather H. Grahame	1,559,969
Curtis T. Pohl	925,761
Bobbi L. Schroeppel	686,742

### ERRP Restricted Share Units

Awards under our ERRP, as discussed in the *Compensation Discussion and Analysis—Pay Components—Long-Term Performance-Based Equity Awards* section in this proxy statement, if earned, will be paid out in shares of common stock of the company over a five-year period following the participant's separation of service.

### Death, Disability, and Retirement Benefits

Our executives are covered by the standard death and disability benefits that are available to substantially all employees. In addition, upon the death, disability, or retirement of a recipient of a performance unit award, such recipient (or his or her executor or administrator) is entitled to receive a pro-rata portion of the award based on the number of full months such recipient was employed by the company, and the remaining portion of the award is forfeited. In the case of death or disability, the pro rata portion is based on the target award. In the case of retirement, the pro rata portion will be paid at the end of the performance period based upon the level of satisfaction of the applicable performance goals. An award under the ERRP vests in full upon the death or disability of the recipient.

Assuming that our named executive officers terminated their employment as a result of death, disability or retirement on December 31, 2019, each named executive officer would have received the same payout of the earned annual cash incentive award for 2019 that is set forth in the "Non-Equity Incentive Plan Compensation" column of the *Summary Compensation Table* on page 33. Similarly, each named executive officer would have received the same payout of long-term incentive compensation for the LTIP performance units whose three-year performance period ended December 31, 2019 as reflected in the "Stock Awards - Value Realized" on LTIP Vesting column in the

**2018 Stock Vested Table** on page 35. The reason for the same payouts is that the individual would have been employed throughout the entire performance period for the awards.

For the remaining outstanding grants of LTIP performance units and for the outstanding grants of ERRP restricted share units, the table below shows the original grants, the percentage of the original grants that would vest, and the vesting value of those grants, assuming (1) the applicable named executive officer terminated his or her employment as a result of death, disability or retirement on December 31, 2019, (2) the applicable goals for such performance units were subsequently satisfied at target levels and (3) the price of the Company's Common Stock was \$71.67 (the closing price on December 31, 2019) at the time payouts of such performance units and restricted share units occurred.

	Future Vesting Date	Assumed 12/31/19 Death / Disability			Assumed 12/31/19 Retirement				
		Original Grant (#)	Percent to Vest (%)	Vesting Value (\$)(1)	Original Grant (#)	Percent to Vest (%)	Vesting Value (\$)(1)		
<b>Robert C. Rowe</b>									
President and Chief Executive Officer	ERRP 12/31/2023	6,414	100.0%	459,691	6,414	—%	—		
	LTIP 12/31/2020	20,868	33.3%	498,534	20,868	33.3%	498,534		
	ERRP 12/31/2022	6,976	100.0%	499,970	6,976	20.0%	99,994		
	LTIP 12/31/2019	30,767	66.7%	1,470,782	30,767	66.7%	1,470,782		
	ERRP 12/31/2021	5,862	100.0%	420,130	5,862	40.0%	168,052		
	ERRP 12/31/2020	6,505	100.0%	466,213	6,505	60.0%	279,728		
	ERRP 12/31/2019	6,458	100.0%	462,845	6,458	80.0%	370,276		
				<b>TOTAL</b> \$ 4,278,165					<b>TOTAL</b> \$ 2,887,366
<b>Brian B. Bird</b>									
Vice President and Chief Financial Officer	ERRP 12/31/2023	1,849	100.0%	132,518	1,849	—%	—		
	LTIP 12/31/2020	7,217	33.3%	172,414	7,217	33.3%	172,414		
	ERRP 12/31/2022	2,011	100.0%	144,128	2,011	20.0%	28,826		
	LTIP 12/31/2019	10,641	66.7%	508,681	10,641	66.7%	508,681		
	ERRP 12/31/2021	2,027	100.0%	145,275	2,027	40.0%	58,110		
	ERRP 12/31/2020	2,250	100.0%	161,258	2,250	60.0%	96,755		
	ERRP 12/31/2019	2,233	100.0%	160,039	2,233	80.0%	128,031		
				<b>TOTAL</b> \$ 1,424,313					<b>TOTAL</b> \$ 992,816
<b>Heather H. Grahame</b>									
General Counsel and Vice President - Regulatory & Federal Gov't Affairs	ERRP 12/31/2023	1,395	100.0%	99,980	1,395	—%	—		
	LTIP 12/31/2020	5,952	33.3%	142,204	5,952	33.3%	142,204		
	ERRP 12/31/2022	1,474	100.0%	105,642	1,474	20.0%	21,128		
	LTIP 12/31/2019	8,385	66.7%	400,836	8,385	66.7%	400,836		
	ERRP 12/31/2021	1,420	100.0%	101,771	1,420	40.0%	40,709		
	ERRP 12/31/2020	1,576	100.0%	112,952	1,576	60.0%	67,771		
	ERRP 12/31/2019	1,564	100.0%	112,092	1,564	80.0%	89,674		
				<b>TOTAL</b> \$ 1,075,477					<b>TOTAL</b> \$ 762,322
<b>Curtis T. Pohl</b>									
Vice President - Retail Operations	ERRP 12/31/2023	1,005	100.0%	72,028	1,005	—%	—		
	LTIP 12/31/2020	2,942	33.3%	70,293	2,942	33.3%	70,293		
	ERRP 12/31/2022	1,093	100.0%	78,335	1,093	20.0%	15,667		
	LTIP 12/31/2019	4,338	66.7%	207,373	4,338	66.7%	207,373		
	ERRP 12/31/2021	1,102	100.0%	78,980	1,102	40.0%	31,592		
	ERRP 12/31/2020	1,223	100.0%	87,652	1,223	60.0%	52,591		
	ERRP 12/31/2019	1,214	100.0%	87,007	1,214	80.0%	69,606		
				<b>TOTAL</b> \$ 681,670					<b>TOTAL</b> \$ 447,123
<b>Bobbi L. Schroeppel</b>									
Vice President - Customer Care, Communications, and Human Resources	ERRP 12/31/2023	710	100.0%	50,886	710	—%	—		
	LTIP 12/31/2020	2,310	33.3%	55,187	2,310	33.3%	55,187		
	ERRP 12/31/2022	772	100.0%	55,329	772	20.0%	11,066		
	LTIP 12/31/2019	3,341	66.7%	159,713	3,341	66.7%	159,713		
	ERRP 12/31/2021	764	100.0%	54,756	764	40.0%	21,902		
	ERRP 12/31/2020	846	100.0%	60,633	846	60.0%	36,380		
	ERRP 12/31/2019	839	100.0%	60,131	839	80.0%	48,105		
				<b>TOTAL</b> \$ 496,635					<b>TOTAL</b> \$ 332,353

(1) Values were calculated based on a \$71.67 closing price of our common stock on December 31, 2019.

# 2019 Director Pay

Compensation to our non-employee directors consists of an annual cash retainer, an annual unrestricted stock award, an annual cash retainer for the chairperson of each committee of the Board and meeting attendance and field visit fees. Non-employee directors are not eligible to participate in our retirement plans. The company also reimburses non-employee directors for the cost of participation in approved continuing education programs and the expense of traveling for Board and committee meetings. Employee directors are not compensated for service on the Board.

In 2019, the Compensation Committee asked Willis Towers Watson to review the competitive market data concerning Board compensation from peer company comparisons so that the Compensation Committee could determine 2020 compensation levels for non-employee directors. Based upon this review, the Compensation Committee made no changes to the rate of compensation provided to our non-employee directors in connection with meetings and membership.

Also, in 2019, the Compensation Committee determined that the education opportunity afforded by Board member field visits would be valuable to the director, the Board, and the company. Thus, the Compensation Committee decided that each Board member could be compensated for up to one field visit per quarter.

The table below presents the 2020 compensation schedule for non-employee directors.

	Cash (\$)	Shares (#)
<b>Annual Retainer</b>		
New Member Initial Stock Grant	—	1,000
Board Chair	125,000	3,750
Board Member	25,000	2,750
Committee Chair	10,000	—
<b>Meeting Fees</b> (Board Chair does not receive meeting fees)		
Board Meeting	2,000	—
Committee Meeting	2,000	—
Field Visit (up to one visit per quarter)	2,000	—

Non-employee directors may elect to defer up to 100 percent of any qualified cash or equity-based compensation that would be otherwise payable to them, subject to compliance with NorthWestern's 2005 Deferred Compensation Plan for Non-Employee Directors (director deferred plan) and Section 409A of the Internal Revenue Code. For those directors who defer their compensation under the director deferred plan, the meeting fee or retainer, as applicable, is the value utilized to determine the amount of deferred compensation. The deferred compensation may be invested in deferred stock units of the company's common stock or in designated investment options that substantially mirror the qualified employee 401(k) plan options. Based on the election of the non-employee director, other than on account of death, he or she shall receive a distribution either in a lump sum or in approximately equal installments over a designated number of years (not to exceed 10 years). Distributions of deferred share units will be equal to one share of the company's common stock for each unit. The value of each deferred compensation account is adjusted periodically to reflect the gains, losses, and dividends associated with the designated investments.

The table below sets forth the compensation received by our non-employee directors in 2019.

	<b>Fees Earned or Paid in Cash (1) (\$)</b>	<b>Stock Awards (2) (\$)</b>	<b>Total (\$)</b>
Stephen P. Adik, <i>Board Chair</i>	125,000	239,663	364,663
Anthony T. Clark	65,000	167,832	232,832
Dana J. Dykhouse, <i>Compensation Chair</i>	75,000	159,583	234,583
Jan R. Horsfall	67,000	159,583	226,583
Britt E. Ide	61,000	175,753	236,753
Julia L. Johnson, <i>Governance Chair</i>	75,000	159,583	234,583
Linda G. Sullivan, <i>Audit Chair (1)</i>	81,250	175,753	257,003
Mahvash Yazdi (3)	4,083	87,355	91,438
Jeffrey W. Yingling (3)	18,167	106,755	124,922

- (1) Of the fees earned or paid in cash for 2019, amounts deferred under the deferred compensation plan described above included \$81,250 for Ms. Sullivan.
- (2) The values for stock awards reflect the grant date fair value of the awards, calculated utilizing the provisions of Accounting Standards Codification 718, Stock Compensation. See Note 15 to the consolidated financial statements in our 2019 Annual Report on Form 10-K for further information regarding assumptions underlying the valuation of equity awards. The grant date fair value of annual stock awards made during 2019 was (a) \$63.91 per share for deferred awards elected by Mr. Adik, Mr. Clark, Ms. Ide, and Ms. Sullivan, (b) \$58.03 for undeferred awards received by Mr. Clark, Mr. Dykhouse, Mr. Horsfall and Ms. Johnson, (c) \$71.02 for deferred and undeferred awards by Ms. Yazdi, and (d) \$73.22 for Mr. Yingling. Mr. Clark chose to defer 51% of his annual stock grant and received the other 49% in stock, and Ms. Yazdi chose to defer 50% of her prorated annual stock grant and received the other 50% in stock. The 2019 stock awards were deferred by Mr. Adik, Mr. Clark, Ms. Ide, Ms. Sullivan, Ms. Yazdi and Mr. Yingling under the deferred compensation plan described above. The total deferred share units outstanding as of December 31, 2019 (rounded down to the nearest whole number), are as follows: Mr. Adik – 80,445; Mr. Clark – 8,564, Ms. Ide – 8,651, Ms. Sullivan – 8,651, Ms. Yazdi – 615 and Mr. Yingling – 1,470.
- (3) Mr. Yingling joined the Board on October 29, 2019 and Ms. Yazdi joined the Board on December 1, 2019.

# Audit Committee Report

In the performance of the Audit Committee's oversight function, and in connection with the December 31, 2019, financial statements, the Audit Committee reviewed and discussed the audited financial statements with management. The Audit Committee has discussed the matters required to be discussed by the applicable requirements of the Public Company Accounting Oversight Board (PCAOB) and the SEC. The Audit Committee received the written disclosures and the letter from Deloitte & Touche LLP (Deloitte), our independent registered public accounting firm, required by applicable requirements of the PCAOB regarding the independent accountant's communications with the Audit Committee concerning independence; and the Audit Committee has discussed with Deloitte the firm's independence. The compatibility of non-audit services was considered with the auditor's independence.

Based on its review of the consolidated financial statements and discussions with and representations from management and Deloitte referred to above, the Audit Committee recommended to the Board that the audited financial statements be included in our Annual Report on Form 10-K for the year ended December 31, 2019, filed with the SEC.

## **Audit Committee**

Linda G. Sullivan, *Chair*  
Dana J. Dykhouse  
Jan R. Horsfall  
Jeffrey W. Yingling

# Corporate Governance

Our Board oversees the business of the company. It establishes overall policies and standards for us and reviews the performance of our management. The Board operates pursuant to a set of written Corporate Governance Guidelines that set forth the company's corporate governance philosophy and the governance policies and practices that the company has established to assist in governing the company and its affiliates. In addition to our Corporate Governance Guidelines, the principal documents which establish our primary corporate governance practices are listed below and can be found on our website at [NorthWesternEnergy.com](#) under *Our Company / Investor Relations / Corporate Governance*.

- Certificate of Incorporation
- Bylaws
- Audit Committee Charter
- Human Resources Committee Charter
- Governance and Innovation Committee Charter
- Corporate Governance Guidelines
- Code of Conduct and Ethics
- Code of Ethics for the Chief Executive Officer and Senior Financial Officers
- Complaint Procedures for the Audit Committee of the Board
- Corporate Political Contributions Policy
- Insider Trading Policy
- Related Persons Transactions Policy

We are committed to strong corporate governance. As governance standards have evolved, we have enhanced our governance practices as appropriate to best serve the interests of our shareholders. Our commitment to corporate governance best practices has been nationally recognized. Moody's Investment Services rated our governance practices as 5th best among 50 publicly traded North American utility and power companies. Our proxy disclosures have been recognized by Corporate Secretary magazine and the NYSE Governance Services. Our 2014 and 2019 proxy statements received Corporate Secretary's Best Proxy Statement (mid-cap) award, and our 2014 proxy statement also received NYSE's Exemplary CD&A award. We also have been a finalist for Corporate Secretary's Best Proxy Statement in 2012, 2013, 2016, 2017, and 2018.

## What We Do

- Annual election of all directors.
- Majority vote plus resignation standard in uncontested elections. If a director receives more "WITHHOLD AUTHORITY" votes than "FOR" votes, the director must submit a resignation for the Board to consider.
- Allow shareholders owning 25 percent of our shares to call a special meeting.
- Independent board. Our Board is comprised entirely of independent directors, except our CEO.
- Independent Board Chair.
- Independent Board committees. Each of our Board committees (audit, compensation, governance, and operations) is made up solely of independent directors.
- Committee authority to retain independent advisors. Each of our Board committees has the authority to retain independent advisors, which will be paid for by the company.
- Code of Conduct and Ethics. We are committed to operating with honesty and integrity and maintaining the highest level of ethical conduct. Our Code of Conduct and Ethics applies to all employees, as well as the Board. We also have a separate Code of Ethics for the Chief Executive Officer and Senior Financial Officers concerning financial reporting and other related matters.
- Robust stock ownership guidelines for executive officers (2x to 6x) and directors (10x).

### What We Don't Do

- Poison pill. We do not have a shareholders rights plan or poison pill.
- Hedging of company securities. We do not allow our directors, executives, or employees to hedge company securities.
- Corporate political contributions. We do not make contributions to candidates for political office, political parties, or committees, or political committees organized to advance political candidates.
- Supermajority voting. We do not have supermajority voting provisions in our certificate of incorporation or bylaws, except to approve (or amend provisions concerning) certain business combinations or mergers.

## Board of Directors

Our bylaws authorize a Board consisting of five to 11 directors, as determined by our Board from time to time. Currently, our Board has 10 members.

Board members are elected at each annual meeting to serve for approximately one year, until the next annual meeting of shareholders (or until a successor is able to serve). If any director is not elected or is unable to complete his or her term, the Board may choose a substitute to fill the vacant position or reduce the number of directors on the Board. We believe a limited number of directors helps maintain personal and group accountability.

Our Board acts as a coherent team within an environment that allows individual insights to contribute to group consensus. Our Board focuses on long-term company success and maintains an effective dialogue with management through constructive relationships which provide timely and appropriate deliberation.

Each of our directors has exceeded the stock ownership requirements established by our Corporate Governance Guidelines and continues to hold stock in excess of the ownership requirements. For a summary of our stock ownership guidelines, please see the *Stock Information / Who owns our stock / Stock Ownership Guidelines* section of this proxy statement. Each director with more than one year of service also has been recognized as a Governance Fellow by the National Association of Corporate Directors (NACD).

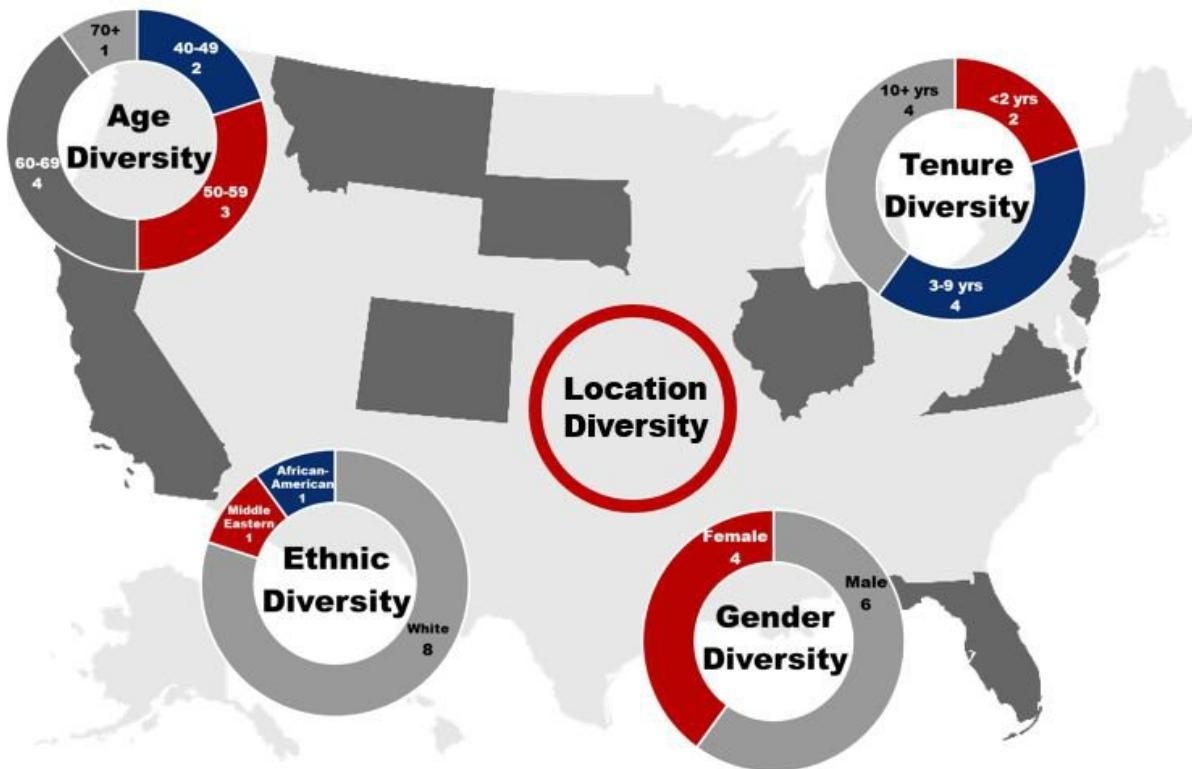
Our Board is actively engaged both inside and outside of the boardroom. Our Board members have knowledge and insight that enables them to provide guidance concerning our business, with particular focus on succession planning, corporate strategy, executive compensation, risk management and operating performance. Our Board members spend time in our service territory interacting with our employees, customers and community leaders. They seek and participate in learning opportunities to stay abreast of the latest industry and corporate governance developments affecting their role as directors.

Most of our Board meetings, including the annual meeting, are held throughout our service territory at approximately twelve rotating locations. This practice of rotating meeting locations offers several educational opportunities for our Board members, including attending receptions of community leaders and meetings with employees. These opportunities are intended to inform our Board about the communities we serve and the concerns and successes of our employees. Holding Board meetings in our service territory allows our Board to gain a broader understanding of various areas of our company and permits non-management employees to make presentations to the Board that highlight their work.

Our Board considers attendance at Board and Shareholder meetings and participation by directors in determining continued service on the Board. Attendance and participation is reviewed as part of an annual self-evaluation process. The Board held 10 meetings in 2019. With one exception, each of our directors attended 100 percent of the meetings of the Board and of each committee on which he or she served; one director attended 90 percent of the Board meetings. The company encourages its directors to attend the annual meeting of shareholders and expects its directors to attend whenever reasonably possible. At our last annual meeting of shareholders in April 2019, all of our directors who were on the Board at that time were in attendance.

# Board Diversity

Our Board values the diversity of its members. When considering director nominees, our Board strives to identify nominees that will provide insight to our Board from a number of perspectives, with equal importance placed on gender, age, ethnicity, skills and background, as well as location of residence. Our Board believes diversity is important because varied perspectives expand the Board's ability to provide relevant guidance to our business. 2020 Women on Boards has recognized our gender diversity, with four females among our 10 nominees. As depicted below, our slate of director nominees demonstrates diversity.

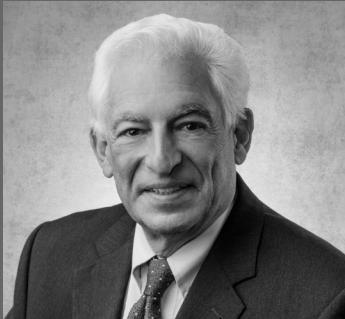


Our individual Board members also have varied expertise and bring extensive professional experience from both within and outside our industry. This diversity of experience provides our Board with a vast collective skill set which is advantageous to the Board's oversight of our company. While the industry-specific expertise possessed by certain of our Board members is essential, we also benefit from the viewpoints of our directors with expertise outside our industry. A high level overview of the skills and backgrounds of our director nominees is below.

Skills Matrix	Adik	Clark	Dykhouse	Horsfall	Ide	Johnson	Rowe	Sullivan	Yazdi	Yingling
Utility	●	●			●	●	●	●	●	●
Finance	●		●	●			●	●	●	●
Executive	●	●	●	●	●	●	●	●	●	●
Regulatory		●			●	●	●	●		
Engineering	●				●					
Tech / Info / Cyber				●	●			●	●	●
Service Territory			●		●		●			
Legal / Pub Policy		●		●	●	●	●			
Marketing				●	●					
Board	●	●	●	●	●	●	●	●	●	●
NACD Fellow	●	●	●	●	●	●	●	●		●

The biographies of our 10 individual Board nominees, each of whom is currently serving as a member of the Board, are provided on the following pages.

# Individual Directors


**Experience Highlights:**

Utility, Finance, Executive, Engineering, Board, and NACD Governance Fellow

**Independent Director**
**NorthWestern Committees:**

None. Board Chair

**Other Public Boards:**

None

**Stephen P. Adik** Director since 2004 Age: 76 **Board Chair**

Retired Vice Chairman, NiSource, Inc.

**Biography:** Mr. Adik is the retired Vice Chairman (2001-2003) of NiSource Inc., a Fortune 500 electric and natural gas production, transmission and distribution company, as well as other executive roles with NiSource prior to that, including Senior Executive Vice President and Chief Financial Officer (1998-2001), and Executive Vice President and Chief Financial Officer (1996-1998). Mr. Adik also served as a financial executive for American Natural Resources Company and three railroad companies. Mr. Adik currently serves on the board of the Chicago SouthShore and South Bend Railroad, and previously served on the boards of American Water Works Company, Inc. (NYSE: AWK, 2009-14), the Dearborn Midwest Conveyor Company and several nonprofit organizations.

**Skills and Qualifications:** Our Board concluded that Mr. Adik is qualified to serve as a Board member because of his 25+ year career in the energy and utility industries, having served on the board and as the chief financial officer for a Fortune 500 utility holding company. Mr. Adik holds an MBA in Finance, is considered financially literate under NYSE rules and qualifies as an audit committee financial expert under SEC rules. Mr. Adik also serves and has in the past served on the boards of other companies in energy- and utility-related industries, which provides him a wide perspective on various issues applicable to the company. During his more than 14+ year tenure on our Board, Mr. Adik has gained a solid working knowledge of our company that provides efficiency and continuity to our Board. Mr. Adik has been an NACD Governance Fellow since 2011, demonstrating his commitment to boardroom excellence.


**Experience Highlights:**

Utility, Executive, Regulatory, Legal/Public Policy, Board, and NACD Governance Fellow

**Independent Director**
**NorthWestern Committees:**

Compensation, Governance

**Other Public Boards:**

None

**Anthony T. Clark** Director since 2016 Age: 48

Senior Advisor, Wilkinson Barker; former Commissioner, FERC and NDPSC

**Biography:** Mr. Clark is a Senior Advisor with Wilkinson Barker Knauer, LLP since 2016. Prior to that he had a distinguished career as a public servant. Most recently, he was a Commissioner with the Federal Energy Regulatory Commission (2012-16), and before that a commissioner with the North Dakota Public Service Commission (NDPSC) from 2001-12 (including five years as its chair). While serving with the NDPSC, Mr. Clark also was an active member of the National Association of Regulatory Utility Commissioners (NARUC) (2010-11), serving as its president as well as a member of its board and executive committee, and the chair of NARUC's telecommunications committee. Mr. Clark served in North Dakota's state government as Labor Commissioner (1999-2000), administrative officer for the North Dakota tax department (1997-99), and as a state legislator (1994-97).

**Skills and Qualifications:** Our Board concluded that Mr. Clark is qualified to serve as a Board member because of his 15+ years of experience as a federal and state utility regulator. He has in-depth knowledge of the regulatory, public policy and market dynamics that are impacting the operations of current and future opportunities for electric and natural gas utilities. His extensive experience at the nexus of complex federal and state jurisdictional issues, including the development of electricity markets, market oversight and enforcement and permitting of large energy infrastructure projects is important for our company. He has additional experience regarding employment matters gained from his time as the North Dakota Labor Commissioner. Mr. Clark also has been an NACD Governance Fellow since 2017, demonstrating his commitment to boardroom excellence.

**Dana J. Dykhouse** Director since 2009 Age: 63  
**Chief Executive Officer, First PREMIER Bank**

**Biography:** Mr. Dykhouse is the Chief Executive Officer of First PREMIER Bank, a regional bank headquartered in Sioux Falls, South Dakota, with bank locations across eastern South Dakota (since 1995). He has served in a variety of executive leadership roles in community and professional organizations and non-public company boards in South Dakota.

**Skills and Qualifications:** Our Board concluded that Mr. Dykhouse is qualified to serve as a Board member because of his reputation as a respected civic, community and professional leader in South Dakota. Mr. Dykhouse has served as chief executive officer of a \$1.5 billion regional bank for 20+ years and provides a local perspective on the issues relevant to our service area that spans the eastern one-third of South Dakota. Mr. Dykhouse has 30+ years of experience in the financial services industry and is considered financially literate under NYSE rules. Mr. Dykhouse also has been an NACD Governance Fellow since 2011, demonstrating his commitment to boardroom excellence.



**Experience Highlights:**  
 Finance, Executive,  
 Service Territory, Board,  
 and NACD Governance Fellow

**Independent Director**

**NorthWestern Committees:**  
 Audit, Compensation (Chair)

**Other Public Boards:**  
 None

**Jan R. Horsfall** Director since 2015 Age: 59  
**President and Chief Executive Officer, Maxletics Corporation**

**Biography:** Mr. Horsfall is the President and Chief Executive Officer of Maxletics Corporation, a sports technology company, since 2015. He previously has served as chief executive officer of Universal Lubricants, LLC, chief marketing officer of Turbine Inc.; founder and chief executive officer of Gemini Voice Solutions, Inc.; vice president of marketing for LYCOS, Inc., and vice president of consumer brand strategy for Valvoline. Mr. Horsfall serves as a current and former board member of several privately held and non-profit entities.

**Skills and Qualifications:** Our Board concluded that Mr. Horsfall is qualified to serve as a Board member because of his executive experience as a chief executive officer, chief marketing officer and other executive leadership positions. He is financially literate according to NYSE standards and has experience with technology, mergers, acquisitions, and the growth and development of companies. Mr. Horsfall also has been an NACD Governance Fellow since 2015 and obtained his CERT Certificate in Cybersecurity Oversight (issued by the CERT Division of the Software Engineering Institute at Carnegie Mellon University) through the NACD in 2017, each demonstrating his commitment to boardroom excellence.



**Experience Highlights:**  
 Finance, Executive, Marketing,  
 Tech / Info / Cyber, Pub Policy,  
 Board, and NACD Governance  
 Fellow

**Independent Director**

**NorthWestern Committees:**  
 Audit, Operations (Chair)

**Other Public Boards:**  
 None

**Experience Highlights:**

Utility, Executive, Regulatory, Engineering, Tech / Info / Cyber, Service Territory, Legal/Public Policy, Board, and NACD Leadership Fellow

**Independent Director****NorthWestern Committees:**

Governance, Operations

**Other Public Boards:**

None

**Britt E. Ide   Director since 2017   Age: 48****President, Ide Energy & Strategy**

**Biography:** Ms. Ide is the President of Ide Energy & Strategy (since 2011). She is a member of the International Advisory Board for Reactive Technologies Limited, a UK and Finland based energy tech company. She also currently serves on the Advisory Board of the Energy Policy Institute of the Center for Advanced Energy Studies, a collaboration of Idaho National Laboratory and four universities. Previously, she served as the interim Chief Executive Officer of the Big Sky Chamber of Commerce (2016) and Senior Counsel at Idaho Power Company (2009-11), Associate General Counsel at Healthwise, Inc. (2005-08), Senior Attorney at Albertson's Inc. (2005), and Counsel at Boise Cascade Corporation (2000-04). Ms. Ide currently serves on the boards of the Coalition for Green Capital and Hotrock Energy Research Organization and an ambassador of the DOE/MIT/Stanford Clean Energy Education & Empowerment Initiative. Previously, she was the independent chair of the board of directors of PCS Edventures!, Inc. (OTC: PCSV) (2014-15), also serving as the chair of the nominating and governance committee, and a member of the compensation committee. Britt was also an Invited Peer Reviewer for DOE Quadrennial Technology Review on Technology Transfer (2015).

**Skills and Qualifications:** Our Board concluded that Ms. Ide is qualified to serve as a Board member because of her 25+ years of business, engineering and legal experience, her utility and energy industry experience, her technology background, and, as a resident of our service territory, her local perspective on relevant regulatory, political and community issues. Ms. Ide is considered financially literate under NYSE rules and has been an NACD Leadership Fellow since 2017, demonstrating her commitment to boardroom excellence.

**Experience Highlights:**

Utility, Executive, Regulatory, Legal / Public Policy, Board, and NACD Governance Fellow

**Independent Director****NorthWestern Committees:**

Compensation, Governance (Chair)

**Other Public Boards:**

American Water Works (NYSE: AWK), FirstEnergy (NYSE: FE) and MasTec, Inc. (NYSE: MTZ)

**Julia L. Johnson   Director since 2004   Age: 57****President, NetCommunications, LLC; former Commissioner (and Chair) Florida PSC**

**Biography:** Ms. Johnson is President of NetCommunications, LLC, a strategy consulting firm specializing in the energy, telecommunications and information technology public policy arenas (since 2000). Previously, she served as Chair (1997-99) and Commissioner (1993-97) of the Florida Public Service Commission. Ms. Johnson currently serves on the boards of directors of FirstEnergy (NYSE: FE), an electric utility holding company; MasTec, Inc. (NYSE: MTZ), a leading end-to-end voice, video, data and energy infrastructure solution provider (since 2002) (chair of the nominating and governance committee and member of the compensation committee); and American Water Works Company, Inc. (NYSE: AWK), the largest publicly traded U.S. water and wastewater utility company (since 2008) (member of the compensation committee and the nominating and governance committee).

**Skills and Qualifications:** Our Board concluded that Ms. Johnson is qualified to serve as a Board member because of her extensive experience working with federal, state and local legislative, regulatory and administrative agencies, including as chair and a commissioner on the Florida Public Service Commission and as president of NetCommunications. Ms. Johnson's public company board experience and legal background provides her with a broad perspective on the issues our company faces. In addition, Ms. Johnson has gained a good working knowledge of our company during her more than 14-year tenure on our Board that provides efficiency and continuity to our Board. Ms. Johnson also has been an NACD Governance Fellow since 2011, demonstrating her commitment to boardroom excellence.

**Robert C. Rowe** Director since 2008 Age: 64**President and Chief Executive Officer, NorthWestern Corporation**

**Biography:** Mr. Rowe is the President and CEO of NorthWestern Corporation (since August 2008). Prior to that he was co-founder and senior partner at Balhoff, Rowe & Williams, LLC, a specialized national professional services firm providing financial and regulatory advice to clients in the telecommunications and energy industries (January 2005-August 2008). He also previously served as commissioner (1993-2002) and chair (2003-04) of the Montana Public Service Commission. Mr. Rowe currently serves on the Health Care Services Corporation Montana Advisory Board (Blue Cross Blue Shield of Montana), the largest and most experienced health insurance company in the state of Montana, providing more than 250,000 Montana members with comprehensive and affordable health plans. He also serves on the boards of the Edison Electric Institute (since 2008-present), American Gas Association (2015-present), Western Energy Institute (2009-present), Yellowstone Forever (2017-present), University of Montana Foundation (2017-present) and Jack Creek Preserve (2017-present).

**Skills and Qualifications:** Our Board concluded that Mr. Rowe is qualified to serve as a Board member because of his position as president and chief executive officer of our company and his significant experience in the regulatory and public policy arenas. Mr. Rowe previously founded and was senior partner for three and one-half years in a specialized national professional services firm providing financial and regulatory advice to clients in the telecommunications and energy industries. In addition, Mr. Rowe previously served 12 years as a commissioner (and chairman) of the Montana Public Service Commission. Mr. Rowe also served a term as president of the National Association of Regulatory Utility Commissioners. Mr. Rowe is financially literate under NYSE rules. Mr. Rowe also has been an NACD Governance Fellow since 2011, demonstrating his commitment to boardroom excellence.

**Experience Highlights:**

Utility, Finance, Executive, Regulatory, Service Territory, Legal / Public Policy, Board, and NACD Governance Fellow

**Non-Independent Director****NorthWestern Committees:**

None

**Other Public Boards:**

None

**Linda G. Sullivan** Director since 2017 Age: 56**Retired Executive Vice President and Chief Financial Officer of American Water**

**Biography:** Ms. Sullivan is the retired executive vice president and chief financial officer (CFO) of American Water Works Company, Inc., the largest publicly traded U.S. water and wastewater utility company (2014-19). In that role, Ms. Sullivan also had oversight responsibilities for American Water's information technology team. Prior to joining American Water in April 2014, Ms. Sullivan completed 22 years of progressive leadership roles at the Edison International Companies, serving as senior vice president and CFO of Southern California Edison (2009-14), vice president and controller of both Edison International and Southern California Edison for five years, and prior to that performing finance and accounting functions at the corporate level and within an operating business unit at the utility. Before her career at Edison International, Ms. Sullivan was a senior auditor with Arthur Andersen, LLP. Ms. Sullivan is a member of the Board of Directors of AltaGas Ltd., a North American energy infrastructure business (TSE: ALA), serving on its Audit Committee and Human Resources and Compensation Committee. Ms. Sullivan has been a Certified Public Accountant since 1991 (inactive) and a Certified Management Accountant since 1995. Ms. Sullivan is a current board member of the University of Maryland University College Ventures, a non-profit organization dedicated to supporting accessible, affordable quality education to adult students.

**Skills and Qualifications:** Our Board concluded that Ms. Sullivan is qualified to serve as a Board member on our Board because of her 25+ years of utility, finance, regulatory, and technology experience, her financial proficiency - audit committee financial expert (SEC), financially literate (NYSE), and her financial expertise as a Certified Public Accountant since 1991 (inactive) and Certified Management Accountant since 1995. Ms. Sullivan also has been an NACD Governance Fellow since 2017, demonstrating her commitment to boardroom excellence.

**Experience Highlights:**

Utility, Finance, Executive, Regulatory, Tech / Info / Cyber, Board, and NACD Governance Fellow

**Independent Director****NorthWestern Committees:**

Audit (chair), Operations

**Other Public Boards:**

AltaGas Ltd.

**Experience Highlights:**

Utility, Finance, Executive, Tech / Info / Cyber, Board

**Independent Director****NorthWestern Committees:**

Compensation, Operations

**Other Public Boards:**

None

**Mahvash Yazdi** Director since 2019 Age: 68

President, Feasible Management Consulting

**Biography:** Ms. Yazdi is the President of Feasible Management Consulting, a company that provides strategic consulting in energy, innovation, technology, and telecommunication (2012-19). She is the former senior vice president of business integration, and chief information officer (1997-2012) of Edison International and Southern California Edison. She successfully oversaw business transformation initiatives, and technology implementations of smart meter and smart grid programs. She was also the co-chair of the EEI, CIO advisory council, leading the industry activities in cyber security and privacy. Prior to that role, she held various roles at Hughes Electronics (1980-1997), and was appointed the vice president and CIO. She was a member of the executive committee and engaged in business transformation and M&A activities. As a nationally known leader, she continues to bring her expertise and insights to the publicly held, private and non-profit company boards where she serves.

**Skills and Qualifications:** Our Board concluded that Ms. Yazdi is qualified to serve as a Board Member because of her significant experience as a leader in multiple industries. She is nationally recognized for her expertise in corporate information technologies and has served on the boards of multiple technology companies. She has extensive experience and knowledge of the utility/power industry, where she was charged with setting strategies and leading people to achieve greater growth, efficiency and performance. As former board member in the telecommunications and healthcare industries, she has been an active member of various board committees, including, Audit, Compensation, Governance, and Environmental/Safety/Operations/Technology.

**Experience Highlights:**

Utility, Finance, Executive, Tech / Info / Cyber, and NACD Leadership Fellow

**Independent Director****NorthWestern Committees:**

Audit, Governance

**Other Public Boards:**

None

**Jeffrey W. Yingling** Director since 2019 Age: 60

Partner, Energy Capital Ventures

**Biography:** Mr. Yingling is a founding Partner of Energy Capital Ventures, a strategic venture fund formed to invest in early stage energy companies (since 2020). Immediately prior to forming this fund, he was a Senior Advisor in Investment Banking at Guggenheim Securities, LLC, specializing in power, energy and renewables (2017-19). From 2006-2017, he held various roles at J.P. Morgan Securities LLC, most recently as Managing Director and Head of Midwest Investment Banking where he also served as a member of the Midwest Operating Committee, led the Corporate Investment Banking practice in the region, and was the Relationship Manager for many of the firm's top power, utility and large corporate clients. He also spent more than 15 years at Morgan Stanley and founded and was Co-Head of Dean Witter Reynolds' Public Utility Group prior to the firm's merger with Morgan Stanley. Mr. Yingling is a member of the board of directors of Lending Point, LLC, a data and technology platform that originates unsecured personal loans both direct to consumer online and at the point of sale. He previously served on the board of directors of Navigant Consulting, Inc. (formerly NYSE: NCI) (2018-19), before it was acquired by another company.

**Skills and Qualifications:** Our Board concluded that Mr. Yingling is qualified to serve as a Board member on our Board because of his 35+ years of financial, managerial and strategy experience gained from his experience in senior executive and management positions at leading international financial institutions and in the professional service sector, particularly with respect to the power and energy industry. Mr. Yingling is also a NACD Leadership Fellow, demonstrating his commitment to boardroom excellence.

## Director Succession Planning

Over the past several years, our Governance Committee has led our Board through a director succession planning process. The Governance Committee initiated the process to allow for a smooth and gradual transition from our directors who were nearing 15 years of service to new directors with the right skills for our company's future, while preserving the culture of the Board.

The process began with a review of the individual skill sets of current members and consideration of additional skills that could be beneficial for the Board in the future, with a particular focus on the company's strategy and emerging risks. The Governance Committee also reviewed the tenure of each existing Board member and discussed potential timing for inviting new members to join the Board. The Governance Committee then developed a general transition timeline and assembled a list of potential candidates who were identified through a combination of personal relationships, industry knowledge, and research. This foundational work regarding director succession planning proved beneficial with the retirement of three directors since April 2016.

In October and December of 2019, our Board invited, respectively, Jeffrey Yingling and Mahvash Yazdi to join our Board and serve an initial term through our 2020 annual meeting. Mr. Yingling was recommended for the Board by management and members of the Board, and Ms. Yazdi was recommended by a member of the Board.

Consistent with achieving a smooth and gradual succession plan for our Board, our Board also determined that it would be advantageous to the company for Stephen Adik (Board chair) and Julia Johnson (Governance Committee chair) to continue their Board service beyond 15 years. Several factors contributed to this determination. With two new Board members joining in late 2019, and four other members joining since 2015, the Board believed Mr. Adik and Ms. Johnson would provide continuity of culture to provide an orderly transition for the new Board members. The Board also believed Mr. Adik and Ms. Johnson would provide valuable transaction and regulatory experience while the company is in the midst of its proposed acquisition of an additional interest in Colstrip Unit 4 and the Colstrip transmission system. Accordingly, the Board nominated Mr. Adik and Ms. Johnson for another term.

## Director Candidate Evaluation

Our Governance Committee evaluates each director candidate to determine whether the Board should recommend such candidate as a director nominee. In considering new individuals for nomination as directors, the Governance Committee typically solicits recommendations from its current directors and is authorized to engage third-party advisers, including search firms, to assist in the identification and evaluation of candidates, if necessary.

Our goal is to maintain a diverse Board that operates cohesively and challenges management in a constructive way. The Governance Committee has not established specific minimum qualifications for director nominees or set forth specific qualities or skills that the committee believes are necessary for one or more directors to possess. Instead, in considering director candidates, the Governance Committee considers the diversity of our Board (with equal importance placed on gender, age, ethnicity, skills and background, as well as location of residence) and takes into account whether the Board as a whole has the skills, experience, and background that add to and complement the range of skills, experience, and background of each director, based on the following: integrity, accomplishments, business acumen, experience and education, commitment, representation of shareholders, industry knowledge, independence, and financial literacy. With the exception of the company's CEO, all of our directors are independent, as required by our Corporate Governance Guidelines.

When nominating persons to serve on our Board, the Governance Committee considers individuals who can add value to the strategic policymaking and oversight responsibilities of the Board. A director's ability and available time to contribute to the Board and his or her participation on other boards also are considered because we believe these factors enhance the quality of the Board's decision-making, its oversight of management, and our business overall. The Governance Committee believes that the nominees for election at this year's annual meeting collectively possess the experience, skills, and attributes necessary to lead the company to a long and successful future.

Our Governance Committee also has the responsibility for considering nominees for directors properly recommended by shareholders. A shareholder who wishes to submit a candidate for consideration at the annual meeting of shareholders must notify our Corporate Secretary in writing not less than 90 days and no more than 120 days prior to the first anniversary date of the preceding year's annual meeting. The shareholder's written notice must include information about each proposed nominee, including name, age, business address, principal occupation and other

information required in proxy solicitations. The nomination notice also must include the nominating shareholder's name and address, the number of shares of our common stock beneficially owned by the shareholder and any arrangements or understandings between the nominee and the shareholder. The shareholder also must furnish a statement from the nominee indicating that the nominee wishes and is able to serve as a director.

The manner in which the Governance Committee evaluates candidates recommended by shareholders is generally the same as candidates from other sources. However, the Governance Committee also will seek and consider information concerning the relationship between the recommending shareholder and the candidate to determine if the candidate can represent the interests of all of the shareholders. The Governance Committee will not evaluate a candidate recommended by a shareholder unless the shareholder notice states that the potential candidate has indicated a willingness to serve as a director, to comply with the expectations and requirements for Board service publicly disclosed by NorthWestern and to provide all of the information required to conduct an evaluation.

## **Director Resignation Vote Policy**

The Board has in place a Majority Plus Resignation Vote Policy for the election of directors. The policy provides that, in an uncontested election, any nominee for director who receives a greater number of "WITHHOLD AUTHORITY" votes from his or her election than votes "FOR" such election (or a Majority Withheld Vote) shall promptly offer his or her resignation following certification of the shareholder vote.

Under this policy, the Governance Committee shall promptly make a recommendation to the Board regarding the resignation offer and possible responses based on the circumstances that led to the Majority Withheld Vote, if known. The Board must act on the Governance Committee's recommendation within 90 days following certification of the shareholder vote. Thereafter, the Board will promptly disclose its decision-making process and decision regarding whether to accept the director's resignation offer (or the reason(s) for rejecting the resignation offer, if applicable) in a Current Report on Form 8-K.

Any director who tenders his or her resignation pursuant to this policy shall not participate in the Governance Committee's recommendation or Board action regarding whether to accept the resignation offer. However, if each member of the Governance Committee receives a Majority Withheld Vote at the same election, then the independent directors who did not receive a Majority Withheld Vote shall appoint a committee among themselves to consider the resignation offers and recommend to the Board whether to accept them. If the only directors who did not receive a Majority Withheld Vote in the same election constitute three or fewer directors, all directors may participate in the action regarding whether to accept the resignation offers, with each director recusing himself or herself from consideration of his or her resignation offer.

# **Board Independence**

## **Independent Board Chair**

Our Board has placed the responsibilities of Chair with an independent member of the Board. We believe this provides optimum accountability between the Board and our management team. We believe it is beneficial to have an independent Chair whose sole responsibility is leading our Board members as they provide leadership to our executive team.

Our Chair is responsible for providing leadership to the Board and facilitating communication among the directors; setting the Board meeting agendas in consultation with the CEO; presiding at Board meetings, executive sessions and shareholder meetings; and serving as an ex-officio member of each Board committee. This delineation of duties allows the CEO to focus his attention on managing the day-to-day business of the company. We believe this structure provides strong leadership for our Board, while positioning our CEO as the leader of the company in the eyes of our customers, employees, and other stakeholders.

Each regularly scheduled Board and committee meeting provides the opportunity for executive sessions of the non-employee directors without management in attendance. These executive sessions are chaired by our Board Chair or the independent Chair of the respective committee.

## Determination of Independence and Family Relationships

All of our directors are independent, with the sole exception of our CEO. A director is considered independent if he or she qualifies as “independent” under (1) NYSE standards and any applicable laws and (2) he or she (a) has never been an employee of the company or any of its subsidiaries, (b) is not a close relative of any management employee of the company, (c) provides no services to the company, and is not employed by any firm providing major services to the company, other than as a director, and (d) receives no compensation from the company other than director fees and benefits. The Board’s determination of independence is based upon a review of the questionnaires submitted on an annual basis by each director, the company’s relevant business records, publicly available information and the applicable SEC and NYSE requirements.

Based on its review, the Board determined that all of the non-employee directors (Messrs. Adik, Clark, Dykhouse, Horsfall, and Yingling and Mses. Ide, Johnson, Sullivan, and Yazdi) are independent as defined in the listing standards noted above. Our final director, Mr. Rowe, is an executive officer of the company and, therefore, is not independent.

In addition to the independence assessment of our current directors, our Board reviewed the family relationships of our current directors and executive officers to determine the existence of any family relationships not more remote than first cousins. Based on this review, our Board determined that no such family relationships exist, except current directors Dana J. Dykhouse and Jan R. Horsfall are first cousins.

## Board Committees

We have four Board committees composed solely of independent directors, each with a different independent director serving as chairperson of the committee. Our Board committees are:

- Audit Committee;
- Human Resources Committee (Compensation Committee);
- Nominating and Governance Committee; and
- Safety, Environment, Technology and Operations Committee (Operations).

**COMMITTEES  
100%  
INDEPENDENT**

Our Board holds its committee meetings sequentially (*i.e.*, committee meetings do not overlap with one another). As a result of holding sequential meetings, each of our Board members is able to attend each committee meeting. We believe this practice is highly beneficial to our Board as a whole and the company in general because each of our Board members is aware of the detailed work conducted by each Board committee. This practice also affords each of our Board members the opportunity to provide input to the committee members before a committee reaches any conclusions.

### Audit Committee

**5** Meetings  
in 2019

#### Members

Linda G. Sullivan (*Chair*)  
Dana J. Dykhouse  
Jan R. Horsfall  
Jeffrey W. Yingling

#### Primary Responsibilities

Our Audit Committee assists the Board with oversight of:

- The company’s accounting and financial reporting processes;
- The audit and integrity of the company’s financial statements;
- The company’s compliance with legal and regulatory requirements;
- The independent auditor’s qualifications and independence;
- The performance of the company’s internal audit function and independent auditors;
- The preparation of the Audit Committee Report for the company’s proxy statement;
- Significant financings and dividend policy and dividend payment recommendations;
- The company’s key business, financial and regulatory risks; and
- Such other duties as directed by the Board.

*(continued on next page)*

*"The Audit Committee encourages broad attendance and participation by management at its meetings. In addition, at each meeting, the Committee conducts private and separate executive sessions with the company's chief audit and compliance officer, company management, external auditors and the Board and Committee itself. This permits direct and candid communication."*

**Linda G. Sullivan,**  
Audit Committee Chair

### ***Financial Expertise, Financial Literacy, and Independence***

The Board determined that each member of the Audit Committee is financially literate within the meaning of NYSE listing standards and is independent, as defined in the listing standards of the NYSE and the SEC regulations.

The Board also determined that Ms. Sullivan qualifies as an audit committee financial expert under the applicable SEC regulations.

### ***Audit Committee Report***

The ***Audit Committee Report*** is included on page **42** of this proxy statement.

### ***Audit Committee Charter***

The Audit Committee operates pursuant to a charter that is reviewed annually and was last amended in October 2019. The Charter is available on our website at ***NorthWesternEnergy.com*** under ***Our Company / Investor Relations / Corporate Governance***.

## **Governance Committee**

**5** Meetings  
in 2019

### **Members**

Julia L. Johnson (*Chair*)  
Anthony T. Clark  
Britt E. Ide  
Jeffrey W. Yingling

*"Corporate governance is emphasized at NorthWestern. We believe strong governance leads to investor confidence in the company and are proud of the national recognition our governance practices have received."*

**Julia L. Johnson,**  
Governance  
Committee Chair

### ***Primary Responsibilities***

Our Nominating and Governance Committee (Governance Committee) assists the Board in:

- Identifying qualified individuals to become Board members, including recommending nominees for the Board and succession planning regarding current Board members;
- Determining the composition of the Board and its committees;
- Monitoring a process to assess Board effectiveness; and
- Developing and implementing corporate governance principles.

The Governance Committee also reviews and oversees our position on corporate social responsibilities, such as public policy issues that significantly affect us, and our shareholders, customers, and other key stakeholders.

### ***Independence***

Each member of our Governance Committee meets the independence requirements under the NYSE corporate governance listing standards.

### ***Nominating and Governance Committee Charter***

The Nominating and Governance Committee operates pursuant to a charter that is reviewed annually and was last amended in November 2017. The Charter is available on our website at ***NorthWesternEnergy.com*** under ***Our Company / Investor Relations / Corporate Governance***.

## Compensation Committee

**5** Meetings in 2019

### Members

Dana J. Dykhouse (*Chair*)  
Anthony T. Clark  
Julia L. Johnson  
Mahvash Yazdi

*"We evaluate executive compensation annually and believe we have developed a program for compensation that we can consistently apply year after year. The performance metrics attempt to align our interests with those of our shareholders, customers, employees and regulators."*

**Dana J. Dykhouse,**  
Compensation Committee Chair

### Primary Responsibilities

Our Human Resources Committee (Compensation Committee) acts on behalf of and with the concurrence of the Board with respect to:

- Compensation, benefits and other employment matters for executives;
- Stock-based compensation plans for employees;
- The election and appointment of executive officers and other officers;
- The assessment of the performance of the CEO;
- Succession planning for the CEO, executives and other officers; and
- The compensation of non-employee members of the Board.

As discussed in the *Compensation Discussion and Analysis* section of this proxy statement, the Compensation Committee also considers input on executive compensation from our CEO and CFO.

Our Compensation Committee has delegated some of the administration of our executive compensation and benefits plans to our Compensation and Benefits Department.

### Independence

Each member of our Compensation Committee is an “outside director” as formerly defined under Section 162(m) of the Internal Revenue Code, a “non-employee” director within the meaning of Rule 16b-3 under the Exchange Act, and independent under the standards of the NYSE.

### Compensation Committee Report

The *Compensation Committee Report* is included at page 32 of this proxy statement.

### Compensation Committee Charter

We call this committee the Human Resources Committee because its responsibilities extend beyond the realm of compensation to other human resources and employee issues. The Human Resources Committee operates pursuant to a charter that is reviewed annually and was last amended in November 2017. The Charter is available on our website at [NorthWesternEnergy.com](http://NorthWesternEnergy.com) under *Our Company / Investor Relations / Corporate Governance*.

### Independent Compensation Consultant

The Compensation Committee has directly retained Willis Towers Watson as its independent, external compensation consultant for the last several years. Willis Towers Watson is an independent consulting firm that provides services in the areas of executive compensation and benefits and has specific expertise in evaluating compensation in the utility industry. Willis Towers Watson reports directly to the Compensation Committee and, at the Compensation Committee's request, provides an annual evaluation and analysis of trends in both executive compensation and director compensation. Willis Towers Watson also evaluates other compensation issues at the direct request of the Compensation Committee.

The Compensation Committee evaluated the following six factors to assess independence and conflicts of interest before it engaged Willis Towers Watson to do work in 2018 and 2019:

1. The provision of other services to the company by Willis Towers Watson.
2. The amount of fees received from the company by Willis Towers Watson, as a percentage of the firm's total revenues.

(continued on next page)

- 3.** The policies or procedures of Willis Towers Watson that are designed to prevent conflicts of interest.
- 4.** Any business or personal relationship of a member of the Compensation Committee with the regular members of the Willis Towers Watson executive compensation team serving the company.
- 5.** Any stock of the company owned by the regular members of the Willis Towers Watson executive compensation team serving the company.
- 6.** Any business or personal relationships between the executive officers of the company and the regular members of the Willis Towers Watson executive compensation team serving the company.

The Compensation Committee also obtained a representation letter from Willis Towers Watson addressing these six factors and certain other matters related to its independence. Based on the Compensation Committee's evaluation of these factors and the representations from Willis Towers Watson, the Compensation Committee concluded that Willis Towers Watson is an independent adviser and has no conflicts of interest with us.

## Operations Committee

New in  
2020

### Members

Jan R. Horsfall (*Chair*)

Britt Ide

Linda G. Sullivan

Mahvash Yazdi

*"In early 2020, our Board established the Operations Committee to allow us to focus on some of the most important issues the company faces (safety, environmental, technology and operational)."*

**Jan R. Horsfall,**  
Operations  
Committee Chair

### Primary Responsibilities

Our Board has delegated to our Safety, Environmental, Technology, and Operations Committee (Operations Committee) the following areas of oversight:

- Safety;
- Environmental compliance practices;
- Security (including physical and cyber security, and business continuity);
- Operations; and
- Innovation, including emerging or competing technologies and alternative energy resources.

### Independence

Each member of our Operations Committee is independent.

### Operations Committee Charter

The Operations Committee operates pursuant to a charter that is reviewed annually. The Charter is available on our website at [NorthWesternEnergy.com](http://NorthWesternEnergy.com) under [Our Company / Investor Relations / Corporate Governance](#).

# Other Governance Practices

## Code of Conduct

Our Board adopted a Code of Conduct and Ethics (Code of Conduct) which it reviews annually. Our Code of Conduct embodies the standards that form our culture and sets forth expectations of conduct for all of our officers, directors, and employees, including all full- and part-time employees and certain persons that provide services on our behalf. Our Code of Conduct focuses on our corporate vision, mission and values. You may review our Code of Conduct on our website at [NorthWesternEnergy.com](http://NorthWesternEnergy.com) under *Our Company / Investor Relations / Corporate Governance*. We intend to post on our website any amendments to, or waivers from, our Code of Conduct. In addition, our Board adopted a separate Code of Ethics for the Chief Executive Officer and Senior Financial Officers that applies to our principal executive officer, principal financial officer, and principal accounting officer or controller (or persons performing similar functions), which includes complaint procedures that specifically apply to this separate code. Our Board also annually reviews this separate code of ethics, which is available on our website at the location noted above. We intend to post on our website any amendments to, or waivers from, this special code of ethics.

## Risk Oversight of the Company

Our Audit Committee is primarily responsible for overseeing the company's risk management processes on behalf of the full Board by monitoring company processes for management's identification and control of key strategic, operational, financial, regulatory, compliance, and security risks. The Audit Committee receives reports from management at least quarterly regarding the company's assessment of risks. The Compensation Committee oversees risks in compensation plans, the Governance Committee oversees risks in corporate governance and social responsibilities, and the Operations Committee addresses risks regarding environmental, health, security (cyber and physical), and safety matters. In addition, the Audit Committee reports regularly to the full Board, which also considers the company's risk profile. The Audit Committee and the full Board focus on the most significant risks facing the company and review the corporate risk appetite in evaluating strategic alternatives and business development opportunities. The Board oversees the company's risk management, and our CEO and executive Enterprise Risk Management Committee act to ensure that our enterprise risk management and business continuity programs (ERM) achieve their objectives. While management is responsible for the day-to-day risk management processes, we have structured our ERM reporting relationship through our Chief Audit and Compliance Officer who has a direct reporting relationship to the Audit Committee. We believe this division of responsibilities is the most effective approach for addressing the risks facing our company and that our Board leadership structure supports this approach.

## Cyber and Physical Security Oversight

Our company provides critical infrastructure to meet the needs of states and communities we serve. We recognize the importance of maintaining the trust and confidence of our customers, employees, regulators, and shareholders, and our Board devotes significant time and attention to oversight of cyber and physical security risk. From 2016 to early 2020, our Audit Committee had oversight responsibilities concerning cyber and physical security, as well as steps taken by management to understand and mitigate such risks. In early 2020, our Board established the Operations Committee and moved cyber and physical security oversight to this new committee. In 2019, our Audit Committee received quarterly updates on cyber security risk, which updates we anticipate will continue in the Operations Committee. Our Board and Operations Committee each receive regular reporting on cyber and physical security topics. Cyber security also has been a topic addressed in connection with four of our previous annual NACD-provided director education sessions.

## Transactions with Related Persons

Our Audit Committee has adopted a written Related Persons Transaction Policy. The policy requires that any related person transaction be reviewed and approved by the Audit Committee based on its consideration of all available relevant facts and circumstances. The Audit Committee approves a related person transaction only if it determines in good faith that such transaction is in, or is consistent with, the best interests of the company and its shareholders.

Specifically, the Audit Committee considers whether (1) the transaction is on terms comparable to those that could be obtained in arms-length dealing with an unrelated third party, (2) there are business reasons to enter into the transactions, (3) the transaction could impair the independence of a director, and (4) the transaction would present an improper conflict of interest. No material related person transactions were identified during 2019.

Under the policy, a “related person” is an officer, director, director nominee, or five percent or more shareholder of the company, as well as any immediate family member of such individuals or any entity which is owned or controlled by any of such individuals; and a “related person transaction” is a transaction involving (1) the company, (2) a related person and (3) an aggregate annual amount in excess of \$120,000.

The policy also provides ratification procedures for approval of transactions that have been commenced or consummated prior to any knowledge by the Audit Committee or the Company of the involvement of a related person and for the annual review of ongoing related person transactions to ensure that such transactions continue to remain in the best interests of the company and its shareholders. The policy is available on our website at [NorthWesternEnergy.com](http://NorthWesternEnergy.com) under *Our Company / Investor Relations / Corporate Governance*.

## **Hedging and Pledging Our Securities**

Our Insider Trading Policy prohibits all of our directors, officers, and employees from engaging in certain transactions involving our securities, including hedging or other monetization transactions and publicly traded options. Specifically, the policy prohibits transactions involving publicly traded options, such as puts, calls, and other derivative securities, as well as hedging and monetization transactions, such as zero-cost collars and forward sales contracts. Our policy aims to align the interests of a director, officer, or employee with our and our shareholders’ interests and prohibits publicly traded option and hedging and monetization transactions because such transactions could create the appearance that a director, officer, or employee is trading on material non-public information, is focused on short-term performance, or otherwise misaligned. The Insider Trading Policy also prohibits our directors, officers, and employees from pledging any of our securities as collateral for a loan, unless pre-cleared by our general counsel. None of our directors or executive officers have pledged any of our securities as collateral for a loan. The policy is available on our website at [NorthWesternEnergy.com](http://NorthWesternEnergy.com) under *Our Company / Investor Relations / Corporate Governance*.

## **Political Contributions Policy**

As a public utility, we are subject to various laws and regulations at the federal, state, and local levels; and changes to these laws can affect our business, employees, communities and shareholders. Accordingly, we are committed to being an active and responsible corporate citizen.

We use our resources, through legally permissible participation in the political process, to advance matters of public policy that are consistent with our values, our legal obligations, and our Code of Conduct. We also encourage our employees to be active in civic and community activities, including by participating in the political and democratic process.

We have a formal political contributions policy. We do not make (and our policy prohibits) corporate contributions to candidates for political office, political parties, or committees, or political committees organized for the advancement of political candidates, whether federal, state, or local.

State and local ballot initiatives and referenda on important policy issues do have the potential to impact our business and our stakeholders. Accordingly, the policy permits corporate contributions in connection with such matters, as well as lobbying efforts and contributions to trade and local associations. In addition, the policy allows individual employees to make personal contributions to political action committees. The policy is available on our website at [NorthWesternEnergy.com](http://NorthWesternEnergy.com) under *Our Company / Investor Relations / Corporate Governance*.

## **Communications with Our Board**

You may contact our Board, Board Chair or independent directors, individually or as a group, by sending your communication to our Corporate Secretary at NorthWestern Corporation, 3010 West 69th Street, Sioux Falls, South Dakota 57108. The Corporate Secretary will forward any communication received to the intended recipient.

# Stock Information

## Who owns our stock

Our common stock is currently our only class of voting securities. The number of shares noted in the table below are those beneficially owned, as determined under the rules of the SEC, and such information is not necessarily indicative of beneficial ownership for any other purpose. Under such rules, beneficial ownership includes any shares as to which a person has sole or shared voting power or investment power and any shares which the person has the right to acquire within 60 days through the exercise of option, warrant, or right.

### Stock Ownership by Directors and Executives

The following table provides information as of February 24, 2020, with respect to the beneficial ownership of shares of our common stock owned by our current non-employee directors, our named executive officers, and by all of our directors and executive officers as a group.

Name of Beneficial Owner	Amount and Nature of Beneficial Ownership				
	Unrestricted Shares of Common Stock Beneficially Owned Directly (#)	Unrestricted Shares of Common Stock Beneficially Owned Indirectly (#)	Deferred Stock Units (#)	Total Shares of Common Stock Beneficially Owned (#)	Percent of Common Stock (%)
Stephen P. Adik (1)	—	20,000	84,195	104,195	*
Anthony T. Clark	2,722	—	9,939	12,661	*
Dana J. Dykhouse	31,250	—	—	31,250	*
Jan R. Horsfall	3,555	—	—	3,555	*
Britt E. Ide	4	—	8,651	8,655	*
Julia L. Johnson	5,500	—	91,886	97,386	*
Linda G. Sullivan	74		11,401	11,475	*
Mahvash Yazdi	1,990		1,990	3,980	
Jeffrey W. Yingling	—		4,220	4,220	
Robert C. Rowe	2,264	—	157,293	159,557	*
Brian B. Bird	76,162	—	5,766	81,928	*
Heather H. Grahame	19,912	—	4,184	24,096	*
Curtis T. Pohl	15,140	—	3,294	18,434	*
Bobbi L. Schroeppel	19,542	—	2,231	21,773	*
Directors and Executive Officers as a Group (16 persons)	179,316	20,000	413,215	612,531	1.22

\*Less than one percent

(1) Shares held indirectly by Mr. Adik represent shares held in a trust of which Mr. Adik and his spouse are co-trustees.

### Stock Ownership Guidelines

We believe it is important that our interests are aligned with the interests of our shareholders. Accordingly, our Board has established robust stock ownership guidelines for our non-employee directors and executive officers. Our stock ownership guidelines are set forth in our [Corporate Governance Guidelines](#) on our website at [NorthWesternEnergy.com](http://NorthWesternEnergy.com) under [Our Company / Investor Relations / Corporate Governance](#).

Under our stock ownership guidelines, each non-employee director must retain at least 10 times the value of his or her annual cash Board and committee chair retainer(s) in common stock or deferred stock units within five years of commencing service on our Board.

For executives, the stock ownership guidelines range from two to six times base salary as summarized in the table below. Each executive is restricted, absent a hardship and prior Board approval, from selling stock until his or her guideline amount is achieved and must continue to maintain the required ownership level once it is obtained.

Our Board instituted stock ownership guidelines to require its members and our executives to hold a meaningful financial stake in the company to align our interests with those of our shareholders. As summarized in the table below, all of our directors and named executive officers who have been in their respective positions more than one year have satisfied the applicable stock ownership guideline.

### Satisfaction of Stock Ownership Guidelines

	Pay Subject to Multiple (\$)	Multiple Required	Stock Ownership Requirement (\$)	Number of Shares and DSUs Owned (#)	Value of Shares and DSUs Owned (\$) (1)	Percent of Guideline Achieved as of Feb. 24, 2020
<b>Directors</b>						
Stephen P. Adik, <i>Board Chair</i>	125,000	10x	1,250,000	104,195	8,174,098	<b>654%</b>
Anthony T. Clark	25,000	10x	250,000	12,661	993,255	<b>397%</b>
Dana J. Dykhouse, <i>Comp. Chair</i>	35,000	10x	350,000	31,250	2,451,563	<b>700%</b>
Jan R. Horsfall	25,000	10x	250,000	3,555	278,890	<b>112%</b>
Britt E. Ide	25,000	10x	250,000	8,655	678,985	<b>272%</b>
Julia L. Johnson, <i>Gov. Chair</i>	35,000	10x	350,000	97,386	7,639,932	<b>2,183%</b>
Linda G. Sullivan, <i>Audit Chair</i>	35,000	10x	350,000	11,475	900,214	<b>257%</b>
Mahvash Yazdi	25,000	10x	250,000	3,980	312,231	<b>125%</b>
Jeffrey W. Yingling	25,000	10x	250,000	4,220	331,059	<b>132%</b>
<b>Executives</b>						
Robert C. Rowe	649,224	6x	3,895,344	159,557	12,517,247	<b>321%</b>
Brian B. Bird	449,057	4x	1,796,228	81,928	6,427,252	<b>358%</b>
Heather H. Grahame	423,516	3x	1,270,548	24,096	1,890,331	<b>149%</b>
Curtis T. Pohl	305,136	3x	915,408	18,434	1,446,147	<b>158%</b>
Bobbi L. Schroepel	287,474	2x	574,948	21,773	1,708,092	<b>297%</b>

(1) Value of shares and DSUs owned and percent of percent of guideline achieved are calculated as of February 24, 2020, using a closing stock price of \$78.45.

### Largest Shareholders

The table below sets forth information regarding whom we know to be the beneficial owners of more than five percent of our issued and outstanding common stock as of February 24, 2020. The information reflected in the table is based solely on a review of statements filed with the SEC pursuant to Sections 13(d), 13(f), and 13(g) of the Exchange Act.

Name of Beneficial Owner	Shares of Common Stock Beneficially Owned (#)	Percent of Common Stock (%)
<b>BlackRock, Inc. (1)</b> 55 East 52 <sup>nd</sup> Street, New York, NY 10022	7,401,638	14.7
<b>The Vanguard Group (2)</b> 100 Vanguard Blvd., Malvern, PA 19355	5,363,995	10.6

- (1) Reflects shares beneficially owned by BlackRock, Inc. as of December 31, 2019, according to a statement on Schedule 13G/A filed with the SEC on February 4, 2020, which indicates that the beneficial owner, a holding company, or control person in accordance with Rule 13d-1(b), has sole voting power with respect to 7,283,908 shares and sole dispositive power with respect to 7,401,638 shares. The beneficial owner holds shared voting or dispositive power with respect to none of the shares. The Schedule 13G/A certifies that the securities were acquired in the ordinary course and not with the purpose or with the effect of changing or influencing the control of NorthWestern Corporation.
- (2) Reflects shares beneficially owned by The Vanguard Group, as of December 31, 2019, according to a statement on Schedule 13G/A filed with the SEC on February 12, 2020, which indicates that the beneficial owner, an investment adviser in accordance with Rule 13d-1, has sole voting power with respect to 63,886 shares and sole dispositive power with respect to 5,300,292 shares. The beneficial owner has shared voting power with respect to 21,530 shares and shared dispositive power with respect to 63,705 shares. The Schedule 13G/A certifies that the securities were acquired in the ordinary course and not with the purpose or with the effect of changing or influencing the control of NorthWestern Corporation.

# Stock for Compensation Plans

The table below presents summary information about our Equity Compensation Plan, as of the close of business on December 31, 2019:

- a. The aggregate number of shares of our common stock subject to outstanding stock options, warrants, and rights, including unvested performance units and unvested restricted share units;
- b. The weighted average exercise price (or grant date fair value) of those outstanding stock options, warrants, and rights; and
- c. The number of shares that remain available for future option grants, excluding the number of shares to be issued upon the exercise of outstanding options, warrants, and rights.

For additional information regarding our long-term incentive plans and the accounting effects of our stock-based compensation, please see Note 15 to our consolidated financial statements included in our Annual Report on Form 10-K for the year ended December 31, 2019.

<b>Plan category</b>	<b>Number of securities to be issued upon exercise of outstanding options, warrants, and rights (a)</b>	<b>Weighted average exercise price of outstanding options, warrants, and rights (b)</b>	<b>Number of securities remaining available for future issuance under equity compensation plans (excluding securities reflected in column (a)) (c)</b>
Equity compensation plans approved by security holders (1)	251,103 (2)	\$52.52 (3)	357,866 (4)
Equity compensation plans not approved by security holders	—	—	—
<b>Total</b>	<b>251,103</b>		<b>357,866</b>

- (1) Consists of the Equity Compensation Plan, which is the company's only equity compensation plan.
- (2) Consists of (a) 178,245 unvested performance units, with a weighted average grant date fair value of \$52.99, granted to employees who participate in our LTIP, and (b) 72,858 unvested restricted share units, with a weighted average grant date fair value of \$51.34, granted to executive officers under our EERP. For descriptions of our LTIP and EERP, please see the *Compensation Discussion and Analysis* section of this proxy statement.
- (3) Amount represents the weighted average grant date fair value of the outstanding awards reflected in column (a).
- (4) Awards under the Equity Compensation Plan can take the form of stock options, share appreciation rights, restricted and unrestricted share awards, deferred share units, and performance awards.

# Annual Meeting Information

## Voting Procedures

### *Appointment of Proxy Holders*

Our Board asks you to appoint our independent Board Chair, Stephen P. Adik, and our CEO, Robert C. Rowe, as your proxy holders to vote your shares at the annual meeting. You make this appointment by voting the proxy card provided to you or by using one of the voting methods described below.

If appointed by you, the proxy holders will vote your shares as you direct on the matters described in this proxy statement. If you sign and date your proxy card, but do not provide direction, they will vote your shares as recommended by our Board.

We are not aware of any matters to be brought before the annual meeting other than the matters described in the notice of annual meeting accompanying this proxy statement. The persons named in the form of proxy solicited by our Board will vote all proxies that have been properly executed, and if any matters not set forth in the notice of annual meeting are properly brought before the meeting, such persons will use their best judgment to vote on such matters.

### *Record Date and Voting*

All shareholders of record as of the close of business on the record date, February 24, 2020, are entitled to receive notice of and to vote, in person or by proxy, at the annual meeting or any postponement or adjournment of the annual meeting. If you owned shares of our common stock at the close of business on the record date, you are entitled to one vote per share upon each matter presented at the annual meeting. The company does not have any other outstanding class of voting stock. Shareholders whose shares are held in an account at a brokerage firm, bank, or other nominee (*i.e.*, in "street name") will need to obtain a proxy from the broker, bank, or other nominee that holds their shares authorizing them to vote at the annual meeting.



**Voting on the Internet.** You may vote by proxy on the internet up until 11:59 p.m. Eastern Daylight Time the day before the annual meeting. The website for internet voting is [www.proxyvote.com](http://www.proxyvote.com). Easy-to-follow prompts allow you to vote your shares and confirm that your instructions have been properly recorded. If you vote on the internet, you can request electronic delivery of future proxy materials.



**Voting by Telephone.** You may vote by proxy by telephone up until 11:59 p.m. Eastern Daylight Time the day before the annual meeting by using the toll-free number listed on your proxy card or voting instruction form. Easy-to-follow prompts allow you to vote your shares and confirm that your instructions have been properly recorded.



**Voting by Mail.** Mark, sign and date your proxy card or voting instruction form and return it in the postage-paid envelope provided. Your proxy card or voting instruction form must be received far enough in advance of the annual meeting to allow sufficient time for processing.



**Voting in Person at the Annual Meeting.** If you attend the annual meeting and wish to vote in person, you will be given a ballot at the annual meeting. Please note, however, that if your shares are held in street name by a broker, bank, or other nominee and you wish to vote at the annual meeting, you must bring to the annual meeting a proxy from the record holder of the shares authorizing you to vote at the annual meeting. Submitting your vote by proxy will not affect your right to attend the annual meeting and to vote in person.



**Revoking Your Proxy or Your Voting Instructions to Your Proxy Holders.** If you are a record holder of our common stock, you can change your vote at any time before your proxy is voted at the annual meeting by again voting by one of the methods described above or by attending the annual meeting and voting in person. You also may revoke your proxy by delivering a notice of revocation to our corporate secretary at NorthWestern Corporation, 3010 West 69th Street, Sioux Falls, South Dakota 57108, prior to the vote at the annual meeting. If your shares are held in street name, you must contact your broker, bank, or other nominee to revoke your proxy.

## Quorum

At the close of business on the record date, there were 50,494,915 shares of NorthWestern Corporation common stock outstanding and entitled to vote at the annual meeting. Each outstanding share is entitled to one vote.

A quorum, which is a majority of the outstanding shares as of the record date, is necessary to hold a valid annual meeting. A quorum will be present at the annual meeting if the holders of a majority of the shares of our common stock outstanding and entitled to vote on the record date are present in person or represented by proxy. Abstentions and broker non-votes are included for determining whether a quorum is present. If a quorum is not present at the annual meeting, we expect that the annual meeting will be adjourned to solicit additional proxies.

## Broker Non-Votes

Under the rules of the New York Stock Exchange (NYSE), certain shareholder nominees (such as brokers) have the discretion to vote shares on routine matters, such as the ratification of the appointment of our independent registered public accounting firm, when they do not receive voting instructions from the beneficial owner. They do not have authority to vote on non-routine matters (such as the election of directors, the advisory vote to approve named executive officer compensation, and the advisory vote on the frequency of advisory votes on executive compensation) unless they receive instruction from the beneficial owner.

A “broker non-vote” occurs when your broker submits a proxy for your shares but does not indicate a vote for a particular proposal because the broker does not have authority to vote on that proposal and has not received voting instructions from you. Broker non-votes are not counted as votes for or against the proposal in question or as abstentions, and are not counted to determine the number of votes present for the particular proposal.

Under the rules of the NYSE, if your broker holds shares in your name and delivers this proxy statement to you, the broker is entitled to vote your shares on *Proposal 2 — Ratification of Independent Registered Public Accounting Firm* even if the broker does not receive voting instructions from you. Without your instructions, the broker is not entitled to vote your shares on *Proposal 1 — Election of Directors* or *Proposal 3 — Advisory Vote to Approve Named Executive Officer Compensation*. We encourage you to provide instructions to your broker, bank, or other nominee. This ensures your shares will be voted at the annual meeting.

## Required Vote and Method of Counting

The required vote and method of counting votes for the various business matters to be considered at the annual meeting are described in the table on the following page. If you sign and return your proxy card without indicating your vote, your shares will be voted “FOR” each of the nominees for director, “FOR” ratification of Deloitte & Touche LLP as our independent registered public accounting firm, and “FOR” the advisory vote to approve named executive officer compensation and in accordance with the recommendations of our Board on any other matters properly brought before the annual meeting for a vote.

Item of Business	Board Recommendation	Voting Approval Standard	Effect of Abstention	Effect of Broker Non-Vote
<b>Proposal 1:</b> Election of Directors	<b>FOR</b> election of each director nominee	If a quorum exists, the nominees with the most "FOR" votes are elected.  If a Nominee receives more "WITHHOLD AUTHORITY" votes than "FOR" votes, the Nominee must submit resignation for consideration by the Governance Committee and final Board decision.	No effect	No effect
<b>Proposal 2:</b>  Ratification of Appointment of Independent Registered Public Accounting Firm	<b>FOR</b>	If a quorum exists, the <b>majority</b> of votes present in person or represented by proxy and entitled to vote.	Vote against	Not applicable; broker may vote shares without instruction
<b>Proposal 3:</b>  Advisory "Say-on-Pay" Vote to Approve Executive Compensation	<b>FOR</b>	If a quorum exists, the <b>majority</b> of votes present in person or represented by proxy and entitled to vote.  This <b>advisory vote</b> is not binding on the Board, but the Board will consider the vote results when making future executive compensation decisions.	Vote against	No effect

### *Method and Cost of Soliciting and Tabulating Votes*

The Board is providing these proxy materials to you in connection with the solicitation by the Board of proxies to be voted at our annual meeting. NorthWestern will pay the cost of the solicitation, which will be made primarily by the use of mail and the internet. Proxies also may be solicited in person or by telephone, facsimile, or similar means by our directors, officers, or employees without additional compensation.

We will, on request, reimburse shareholders who are brokers, banks, or other nominees for their reasonable expenses in sending proxy materials and annual reports to the beneficial owners of the shares they hold of record. Broadridge Financial Solutions, Inc., will be the proxy tabulator, and a representative from NorthWestern will act as the Inspector of Election.

### *Electronic Access to Proxy Statement and Annual Report*

The proxy statement, annual report, voting card, and voting instructions are available on the internet at [www.proxyvote.com](http://www.proxyvote.com) where you can also cast your vote and request to receive future proxy materials in printed form by mail or electronically by email. These materials will be available for one year following the annual meeting. You will need the control number provided on your notice to access the electronic materials.

## General Information

### *Attending the Annual Meeting in Person or by Webcast*

The annual meeting will be held at the Big Horn Hotel, 1801 Majestic Lane, Billings, Montana. Only shareholders of record or their legal proxy holders as of the record date or our invited guests may attend the annual meeting in person. If you wish to attend the annual meeting and your shares are held in street name at a brokerage firm, bank, or other nominee, you will need to bring your notice or a copy of your brokerage statement or other documentation reflecting your stock ownership as of the record date. You may be asked to provide photo identification, such as a driver's license.

No cameras, recording equipment, electronic devices, large bags, briefcases, or packages will be permitted at the annual meeting. No banners, signs, firearms, or weapons will be allowed in the meeting room. We reserve the right to inspect all items entering the meeting room.

The annual meeting will be webcast (audio and slides) simultaneously with the live meeting. You may access the webcast from our website at [NorthWesternEnergy.com](http://NorthWesternEnergy.com) under ***Our Company / Investor Relations / Presentations and Webcasts***. A webcast replay will be available at the same location on our website through April 23, 2021.

### ***Householding; Receipt of Multiple Notices***

Under the rules of the SEC, a single Notice of Internet Availability of Proxy Materials or set of annual reports and proxy statements may be sent to any household at which two or more shareholders reside if they appear to be members of the same family. Each shareholder continues to receive a separate proxy card. This procedure, referred to as householding, reduces the volume of duplicate information shareholders receive and reduces mailing and printing expenses. In accordance with a notice sent to certain shareholders who shared a single address, only one annual report and proxy statement were sent to that address unless any shareholder at that address requested that multiple sets of documents be sent. However, if any shareholder who agreed to householding wishes to receive a separate annual report or proxy statement for 2020 or in the future, he or she may call (800) 542-1061 or write to Broadridge Household Department, 51 Mercedes Way, Edgewood, NY 11717, and the company will deliver promptly upon such written or oral request a separate Notice of Internet Availability of Proxy Materials or annual report or proxy statement. Shareholders sharing an address who wish to receive a single set of reports may do so by contacting their banks, brokers, or other nominees, if they are beneficial holders, or by contacting Broadridge at the address set forth above, if they are record holders.

### ***Available Information***

We file annual, quarterly, and current reports, proxy statements and other information with the SEC. These filings are available through a website maintained by a third-party and accessible through our company website at [NorthWesternEnergy.com](http://NorthWesternEnergy.com) under ***Our Company / Investor Relations / SEC Filings***. Our public filings also are available to the public from document retrieval services and the website maintained by the SEC at [www.sec.gov](http://www.sec.gov).

### ***Future Shareholder Proposals***

**Shareholder Proposals for Inclusion in Next Year's Proxy Statement.** To be considered for inclusion in the proxy statement for our annual meeting to be held in 2021, shareholder proposals submitted under Exchange Act Rule 14a-8 must be received by the corporate secretary of NorthWestern Corporation not later than November 6, 2020. Such proposal must comply with all applicable SEC requirements that a shareholder must meet in order to have a shareholder proposal included in the company's proxy statement.

**Other Shareholder Proposals for Presentation at the 2021 Annual Shareholders' Meeting.** For nominations of persons for election as a director or for any proposal that is not submitted for inclusion in next year's proxy statement, but is instead sought to be presented directly from the floor of the 2021 Annual Shareholders' Meeting, the company's bylaws require that timely notice must be given to the corporate secretary. To be timely, the notice must be received by the corporate secretary of NorthWestern Corporation between December 24, 2020 and January 23, 2021.

Shareholder proposals should be delivered or mailed to and received by the Company at its principal executive offices in accordance with the dates set forth above and addressed to:

Corporate Secretary  
NorthWestern Corporation  
3010 West 69th Street  
Sioux Falls, South Dakota 57108

To be in proper written form, a shareholder's notice for both annual and special meetings must set forth:

- (1) as to each person whom the shareholder proposes to nominate for election as a director, (a) the name, age, and business and residence address of the person, (b) the principal occupation or employment of the person, (c) the class or series and number of shares of capital stock of the company that are owned beneficially or of record by the person, (d) any other information relating to the person that would be required to be disclosed in a proxy statement or other filings required to be made in connection with solicitations of proxies for election of directors pursuant to Section 14 of the Securities and

Exchange Act of 1934, as amended (Exchange Act) and the rules and regulations promulgated thereunder, and (e) the written consent of each proposed nominee to being named as a nominee and to serve as a director if elected;

- (2) as to any other business that the shareholder proposes to bring before the meeting, (a) a brief description of the business desired to be brought before the meeting, (b) the text of the proposal or business (including the text of any resolutions proposed for consideration, and, in the event that such business includes a proposal to amend the bylaws of the company, the language of the proposed amendment), (c) the reasons for conducting such business at the meeting, and (d) any material interest of such shareholder in the business being proposed and the beneficial owner, if any, on whose behalf the proposal is being made; and
- (3) as to the shareholder giving this notice and the beneficial owner, if any, on whose behalf the nomination or proposal is made, (a) the name and record address of such shareholder and any such beneficial owner, (b) the class or series and number of shares of capital stock of the company that are owned beneficially or of record by such shareholder and beneficial owner, (c) a description of all arrangements or understandings between such shareholder and any such beneficial owner and each proposed nominee and any other persons (including their names) pursuant to which the nomination(s) are to be made by such shareholder, (d) a representation that such shareholder is a shareholder of record entitled to vote at such meeting and intends to appear in person or by proxy at the meeting to nominate the persons and/or conduct the business being proposed as described in the notice, and (e) a representation of whether such shareholder or any such beneficial owner intends or is part of a group which intends (i) to deliver a proxy statement and/or form of proxy to holders of at least the percentage of the company's outstanding capital stock required to approve or adopt the proposal or elect the nominee and/or (ii) otherwise to solicit proxies from shareholders in support of such proposal or nomination. The foregoing notice requirements shall be deemed satisfied by a shareholder with respect to an annual meeting if the shareholder has notified the company of his or her intention to present a proposal at such annual meeting in compliance with Regulation 14A (or any successor thereof) promulgated under the Exchange Act and such shareholder's proposal has been included in a proxy statement that has been prepared by the company to solicit proxies for such annual meeting. The company may require any proposed nominee to furnish such other information as it may reasonably require to determine the eligibility of such proposed nominee to serve as a director of the company.

### **Assistance**

If you need assistance with voting your proxy or have questions regarding our annual meeting, please contact:

Travis Meyer  
Director Corporate Finance  
and Investor Relations Officer  
(605) 978-2945

**or**

Emily Folsom  
Assistant Corporate Secretary  
(605) 978-2871

No persons have been authorized to give any information or to make any representations other than those contained in this proxy statement and, if given or made, such information or representations must not be relied upon as having been authorized by us or any other person. You should not assume that the information contained in this proxy statement is accurate as of any date other than the date of this proxy statement, and the mailing of this proxy statement to shareholders shall not create any implication to the contrary.

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# Proxy Statement Glossary

The list below defines the various terms, abbreviations, and acronyms used in this proxy statement.

<b>AGA</b>	American Gas Association
<b>Board</b>	Board of Directors of NorthWestern Corporation
<b>CD&amp;A</b>	Compensation Discussion and Analysis
<b>CEO</b>	President and Chief Executive Officer
<b>CFO</b>	Vice President and Chief Financial Officer
<b>COBRA</b>	Consolidated Omnibus Budget Reconciliation Act
<b>Code of Conduct</b>	Code of Conduct and Ethics
<b>Company</b>	NorthWestern Corporation d/b/a NorthWestern Energy
<b>Compensation Committee</b>	Human Resources Committee
<b>Deloitte</b>	Deloitte & Touche LLP
<b>Director Deferred Plan</b>	NorthWestern Corporation 2005 Deferred Compensation Plan for Non-Employee Directors
<b>Equity Compensation Plan</b>	NorthWestern Corporation Amended and Restated Equity Compensation Plan (f/k/a NorthWestern Corporation Amended and Restated 2005 Long-Term Incentive Plan)
<b>EPS</b>	Earnings per share
<b>ERM</b>	Enterprise Risk Management and Business Continuity Programs
<b>ERRP</b>	Executive Retention / Retirement Program
<b>Exchange Act</b>	Securities and Exchange Act of 1934, as amended
<b>Executive Officer</b>	The Named Executive Officers and other executives responsible for company policy, strategy and operations. For 2019, there were eight executive officers serving on our executive team.
<b>Governance Committee</b>	Governance and Innovation Committee
<b>Key Employee Severance Plan</b>	NorthWestern Corporation Key Employee Severance Plan, effective Oct. 19, 2016
<b>LTIP</b>	Long-Term Incentive Program
<b>NACD</b>	National Association of Corporate Directors
<b>Named Executive Officer</b>	The CEO, CFO, and the three most highly compensated officers, other than the CEO and CFO, who were serving as executive officers at the end of 2019. Our named executive officers for 2019 are identified in the <i>Compensation Discussion and Analysis</i> section of this proxy statement.
<b>NorthWestern</b>	NorthWestern Corporation d/b/a NorthWestern Energy
<b>NYSE</b>	New York Stock Exchange
<b>Officer Deferred Plan</b>	NorthWestern Corporation 2009 Officer Deferred Compensation Plan
<b>OSHA</b>	Occupational Safety and Health Administration
<b>Our</b>	NorthWestern Corporation d/b/a NorthWestern Energy
<b>PCAOB</b>	Public Company Accounting Oversight Board
<b>Record Date</b>	February 24, 2020
<b>ROAE</b>	Return on average equity
<b>SAIDI</b>	System Average Interruption Duration Index
<b>SEC</b>	Securities and Exchange Commission
<b>TSR</b>	Total shareholder return
<b>Us</b>	NorthWestern Corporation d/b/a NorthWestern Energy
<b>We</b>	NorthWestern Corporation d/b/a NorthWestern Energy

# NorthWestern® Energy

*Delivering a Bright Future*

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Montana Operational Support Office  
11 East Park Street  
Butte, Montana 59701  
(406) 497-1000

South Dakota / Nebraska Operational Support Office  
600 Market Street West  
Huron, South Dakota 57350  
(605) 353-7478

Corporate Support Office  
3010 West 69th Street  
Sioux Falls, South Dakota 57108  
(605) 978-2900

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