SUPPLEMENT TO ANNUAL FUNDING NOTICE

Of NorthWestern Corporation Pension Plan (“Plan”)

For Plan Year Beginning January 1, 2018 and Ending December 31, 2018 (“Plan Year”)

This is a temporary supplement to your annual funding notice which is required by the Moving Ahead for Progress in the 21st Century Act, the Highway and Transportation Funding Act of 2014, and the Bipartisan Budget Act of 2015. These federal laws changed how pension plans calculate their liabilities. The purpose of this supplement is to show you the effect of these changes. Prior to 2012, pension plans determined their liabilities using a two-year average of interest rates. Now pension plans also must take into account a 25-year average of interest rates. This means that interest rates likely will be higher and plan liabilities lower than they were under prior law. As a result, your employer may contribute less money to the plan at a time when market interest rates are at or near historical lows.

The “Information Table” compares the impact of using interest rates based on the 25-year average (the “adjusted interest rates”) and interest rates based on a two-year average on the Plan’s: (1) Funding Target Attainment Percentage, (2) Funding Shortfall, and (3) Minimum Required Contribution. The funding target attainment percentage is a measure of how well the plan is funded on a particular date. The funding shortfall is the amount by which liabilities exceed net plan assets. The minimum required contribution is the amount of money an employer is required by law to contribute to a plan in a given year. The following table shows this information determined with and without the adjusted interest rates. The information is provided for the Plan Year and for each of the two preceding plan years, if applicable.

INFORMATION TABLE						
	2018		2017		2016	
	With Adjusted Interest Rates	Without Adjusted Interest Rates	With Adjusted Interest Rates	Without Adjusted Interest Rates	With Adjusted Interest Rates	Without Adjusted Interest Rates
Funding Target Attainment Percentage	107.11%	90.27%	106.29%	90.09%	107.66%	91.40%
Funding Shortfall	$0	$5,644,148	$0	$5,821,967	$0	$4,981,261
Minimum Required Contribution	$0	$2,122,746	$0	$2,195,381	$0	$2,161,723

ANNUAL FUNDING NOTICE
For
NorthWestern Corporation Pension Plan

Introduction

This notice includes important funding information about the funding status of your single-employer pension plan ("Plan"). It also includes general information about the benefit payments guaranteed by the Pension Benefit Guaranty Corporation ("PBGC"), a federal insurance agency. All traditional pension plans (called "defined benefit pension plans") must provide this notice every year regardless of their funding status. This notice does not mean the Plan is terminating. It is provided for informational purposes and you are not required to respond in any way. This notice is required by federal law. This notice is for the plan year beginning January 1, 2018 and ending December 31, 2018 ("Plan Year").

How Well Funded is Your Plan

The law requires the administrator of the Plan to tell you how well the Plan is funded, using a measure called the "funding target attainment percentage." The Plan divides its Net Plan Assets by Plan Liabilities to get this percentage. In general, the higher the percentage, the better funded the plan. The Plan's Funding Target Attainment Percentage for the Plan Year and each of the two preceding plan years is shown in the chart below. The chart also shows you how the percentage was calculated.

Funding Target Attainment Percentage			
	2018	2017	2016
1. Valuation Date	January 1, 2018	January 1, 2017	January 1, 2016
2. Plan Assets			
a. Total Plan Assets	$ 61,711,371	$ 61,224,026	$ 60,610,662
b. Funding Standard Carryover Balance	$ 0	$ 0	$ 0
c. Prefunding Balance	$ 9,309,540	$ 8,247,289	$ 7,636,379
d. Net Plan Assets (a) – (b) – (c) = (d)	$ 52,401,831	$ 52,976,737	$ 52,974,283
3. Plan Liabilities	$ 48,919,994	$ 49,839,860	$ 49,203,246
4. At-Risk Liabilities	N/A	N/A	N/A
5. Funding Target Attainment Percentage (2d)/(3)	**107.11%**	**106.29%**	**107.66%**

Plan Assets and Credit Balances

The chart above shows certain "credit balances" called the Funding Standard Carryover Balance and Prefunding Balance. A plan might have a credit balance, for example, if in a prior year an employer contributed money to the plan above the minimum level required by law. Generally, an employer may credit the excess money toward the minimum level of contributions required by law that it must make in future years. Plans must subtract these credit balances from Total Plan Assets to calculate their Funding Target Attainment Percentage.

Plan Liabilities

Plan Liabilities shown in line 3 of the chart above is an estimate of the amount of assets the Plan needs on the Valuation Date to pay for promised benefits under the Plan.

Year-End Assets and Liabilities

The asset values in the chart above are measured as of the first day of the Plan Year. They also are "actuarial values." Actuarial values differ from market values in that they do not fluctuate daily based on changes in the stock or other markets. Actuarial values smooth out those fluctuations and can allow for more predictable levels of future contributions. Despite the fluctuations, market values tend to show a clearer picture of a plan's funded status at a given point in time. As of December 31, 2018, the fair market value of the Plan's assets was $58,588,346. On this same date, the Plan's liabilities were $54,800,000.

Participant Information

The total number of participants and beneficiaries covered by the Plan on the Valuation Date of January 1, 2018 was 499. Of this number, 200 were current employees, 228 were retired and receiving benefits, and 71 were retired or no longer working for the employer and have a right to future benefits.

Funding & Investment Policies

Every pension plan must have a procedure to establish a funding policy for plan objectives. A funding policy relates to how much money is needed to pay promised benefits. The funding policy of the Plan is to generally contribute amounts as necessary, based on actuarial calculations to comply with applicable laws. Additional amounts may be contributed from time to time as business conditions warrant or where achieving a funded status makes economic or administrative sense.

Pension plans also have investment policies. These generally are written guidelines or general instructions for making investment management decisions. The investment policy of the Plan is to manage the pension plan assets to meet the current and future benefit payment needs while maximizing total investment returns (income and appreciation) after inflation within the constraints of diversification, prudent risk taking, and the Prudent Man Rule of the Employee Retirement Income Security Act of 1974 (ERISA). The plan is diversified across asset classes to achieve optimal balance between risk and return and between income and growth through capital appreciation. The portfolio asset mix of investments, or the allocation between the various classes of securities available, is an important component of the investment policy. The current asset allocation guideline is 22.5% invested in equities and 77.5% in fixed income investments. The target asset allocation is reviewed on a quarterly basis. Generally, the asset mix will be rebalanced to the target mix as individual portfolios approach their minimum or maximum levels.

The Plan's investment policy allows for the Plan to be invested in commingled funds, including mutual funds, collective investment funds, bank commingled funds and insurance company separate accounts. Plan assets are invested in common collective trusts (CCTs), which are invested in equity and fixed income securities and in insurance company separate accounts which is largely invested in fixed income securities. The pooled investment funds must have an adequate asset base relative to their asset class, be invested in a diversified manner, have a minimum of three years of verified investment performance experience or verified portfolio manager investment experience in a particular investment strategy, and have management and oversight by an investment advisor registered with the SEC. Investments in a collective investment vehicle are valued by multiplying the investee company's net asset value per share with the number of units or shares owned at the valuation date. Net asset value per share is determined by the trustee. Investments held by the CCT, including collateral invested for securities on loan are valued on the basis of valuations furnished by a pricing service approved by the CCT's investment manager, which determines valuations using methods based on quoted closing market prices on national securities exchanges, or at fair market value as determined in good faith by the CCT's investment manager if applicable. The funds do not contain any redemption restrictions. The direct holding of company stock is not permitted; however, any holding in a diversified mutual fund or collective investment fund is permitted. The policy prohibits any transactions that would threaten the tax exempt status of the fund and actions that would create a conflict of interest or transactions between fiduciaries and parties in interest as defined under ERISA.

Fixed income investments consist of U.S. as well as international instruments. Core domestic portfolios can be invested in government, corporate, asset-backed and mortgage-backed obligation securities whose overall profile has an average duration between nine to twelve years. The portfolio may invest in high yield securities, however, the average quality must be rated at least "investment grade" by rating agencies including Moody's and Standard and Poor's. Performance of fixed income investments is measured by both traditional investment benchmarks as well as relative changes in the present value of the plan's liabilities. A portion of this Plan's assets includes a participating group annuity contract in the John Hancock General Investment Account, which consists largely of fixed income securities. The participating group annuity contract is valued based on discounted cash flows of current yields of similar contracts with comparable duration based on the underlying fixed income investments.

Equity investments consist primarily of U.S. stocks including large, mid and small cap stocks, which are diversified across investment styles such as growth and value. International equity investments have exposure to developing and emerging markets. Derivatives, options and futures are permitted for the purpose of reducing risk but may not be used for speculative purposes.

Under the investment policy, the Plan's assets were allocated among the following categories of investments, as of the end of the Plan Year. These allocations are percentages of total assets:

Asset Allocations	Percentage
1. Cash (Interest bearing and non-interest bearing)	-
2. U.S. Government securities	-
3. Corporate debt instruments (other than employer securities):	
Preferred	-
All other	-
4. Corporate stocks (other than employer securities):	
Preferred	-
Common	-
5. Partnership/joint venture interests	-
6. Real estate (other than employer real property)	-
7. Loans (other than to participants)	-
8. Participant loans	-
9. Value of interest in common/collective trusts	-
10. Value of interest in pooled separate accounts	-
11. Value of interest in master trust investment accounts	91.9% (Note 1)
12. Value of interest in 103-12 investment entities	-
13. Value of interest in registered investment companies (e.g., mutual funds)	-
14. Value of funds held in insurance co. general account (unallocated contracts)	8.1% (Note 2)
15. Employer-related investments:	
Employer Securities	-
Employer real property	-
16. Buildings and other property used in plan operation	-
17. Other	-

Note 1: The Plan's Master trust investment account consists of investments in the following Mercer Global Investments (MGI) and The Northern Trust Company common/collective trusts consistent with the Plan's investment policy:

– Northern Trust Global Investments CT	-%
– MGI Non-U.S. Core Equity Portfolio CT	4.5%
– MGI Emerging Markets Equity Portfolio CT	2.1%
– MGI US Large Cap Equity Portfolio CT	3.0%
– MGI US Large Cap Passive Equity Portfolio CT	2.0%
– MGI US Small/Midcap Equity Portfolio CT	1.2%
– MGI US Core Fixed Income Portfolio CT	16.3%
– MGI Global Low Volatility Equity Portfolio CT	3.2%
– MGI U.S. Passive Fixed Income Portfolio CT	9.5%
– MGI Long Duration Fixed Income CT	7.1%
– MGI Long Duration Investment Grade Fixed Income CT	12.9%
– MGI Long Duration Passive Fixed Income	3.1%
– MGI Active Long Term Corporate Investment Fixed Income CT	24.4%
– SSGA World Government Bond Ex-U.S. Index CT	2.6%

Note 2: The Plan assets in the participating group annuity contract in the John Hancock General Investment Account consists primarily of fixed-income securities.

For more information about the Plan's investment in master trust investment accounts, contact the NorthWestern Energy Benefits Department at 1-888-236-6656; by mail at 11 East Park Street, Butte, MT 59701-1711; or email to benefits@northwestern.com.

Right to Request a Copy of the Annual Report

Pension plans must file an annual report, called the Form 5500, with the US Department of Labor. The report contains Plan financial and other information. You may obtain an electronic copy of your Plan's annual report by going to www.efast.dol.gov and using the search tool. Annual reports also are available from the US Department of Labor, Employee Benefits Security Administration's Public Disclosure Room at 200 Constitution Avenue, NW, Room N-1515, Washington, DC 20210, or by calling (202) 693-8673. Or you may obtain a copy of the Plan's annual report by making a written request to the NorthWestern Energy Benefits Department at 11 East Park Street, Butte, MT 59701-1711; by email to benefits@northwestern.com; or by intranet or internet access as follows: (1) For active employees, the notice can be accessed on iConnect under "Employee Services" by selecting the "Forms and Document Libraries" link. Then under the Retirement Plan Benefits work group select the Regulatory Notice/Disclosure folder and open the document named Form 5500 – South Dakota/Nebraska Pension Plan. (2) For separated or retired employees and/or spouses, the notice can be accessed at http://retirees.northwesternenergy.com under "Benefits", "Annual Reports and Notices", "South Dakota/Nebraska" link to "Form 5500 Filing for South Dakota/Nebraska Pension Plan" for Form 5500 filing document. Individual information, such as the amount of your accrued benefit under the Plan, is not contained in the annual report. If you are seeking information regarding your benefits under the Plan, contact the plan administrator identified below under "Where To Get More Information."

Summary of Rules Governing Termination of Single-Employer Plans

If a plan terminates, there are specific termination rules that must be followed under federal law. A summary of these rules follows.

There are two ways an employer can terminate its pension plan. First, the employer can end the plan in a "standard termination" but only after showing the PBGC that such plan has enough money to pay all benefits owed to participants. Under a standard termination, a plan must either purchase an annuity from an insurance company (which will provide you with periodic retirement benefits, such as monthly for life or for a set period of time when you retire) or, if the plan allows, issue one lump-sum payment that covers your entire benefit. Your plan administrator must give you advance notice that identifies the insurance company (or companies) selected to provide the annuity. The PBGC's guarantee ends upon the purchase of an annuity or payment of a lump-sum. If the plan purchases an annuity for you from an insurance company and that company becomes unable to pay, the applicable state guaranty association guarantees the annuity to the extent authorized by that state's law.

Second, if the plan is not fully-funded, the employer may apply for a distress termination. To do so, however, the employer must be in financial distress and prove to a bankruptcy court or to the PBGC that the employer cannot remain in business unless the plan is terminated. If the application is granted, the PBGC will take over the plan as trustee and pay plan benefits, up to the legal limits, using plan assets and PBGC guarantee funds.

Under certain circumstances, the PBGC may take action on its own to end a pension plan. Most terminations initiated by the PBGC occur when the PBGC determines that plan termination is needed to protect the interests of plan participants or of the PBGC insurance program. The PBGC can do so if, for example, a plan does not have enough money to pay benefits currently due.

Benefit Payments Guaranteed by the PBGC

When the PBGC takes over a plan, it pays pension benefits through its insurance program. Only the benefits you have earned a right to receive and that cannot be forfeited (called vested benefits) are guaranteed. Most participants and beneficiaries receive all of the pension benefits they would have received under their plan, but some people may lose certain benefits that are not guaranteed.

The amount of benefits that the PBGC guarantees is determined as of the plan termination date. However, if a plan terminates during a plan sponsor's bankruptcy, then the amount guaranteed is determined as of the date the sponsor entered bankruptcy.

The PBGC maximum benefit guarantee is set by law and is updated each calendar year. For a plan with a termination date or sponsor bankruptcy date, as applicable in 2019, the maximum guaranteed benefit is $5,607.95 per month, or $67,295.40 per year, for a benefit paid to a 65-year-old retiree with no survivor benefit. If a plan terminates during a plan sponsor's bankruptcy, the maximum guarantee is fixed as of the calendar year in which the sponsor entered bankruptcy. The maximum guarantee is lower for an individual who begins receiving benefits from PBGC before age 65 reflecting the fact that younger retirees are expected to receive more monthly pension checks over their lifetimes. Similarly, the maximum guarantee is higher for an individual who starts receiving benefits from the PBGC after age 65. The maximum guarantee by age can be found on the PBGC's website, www.pbgc.gov. The guaranteed amount is also reduced if a benefit will be provided to a survivor of the plan participant.

The PBGC guarantees "basic benefits" earned before a plan is terminated, which include:

- pension benefits at normal retirement age;
- most early retirement benefits;
- annuity benefits for survivors of plan participants; and
- disability benefits for a disability that occurred before the date the plan terminated or the date the sponsor entered bankruptcy, as applicable.

The PBGC does not guarantee certain types of benefits:

- The PBGC does not guarantee benefits for which you do not have a vested right when a plan terminates, usually because you have not worked enough years for the company.
- The PBGC does not guarantee benefits for which you have not met all age, service, or other requirements.
- Benefit increases and new benefits that have been in place for less than one year are not guaranteed. Those that have been in place for less than five years are only partly guaranteed.
- Early retirement payments that are greater than payments at normal retirement age may not be guaranteed. For example, a supplemental benefit that stops when you become eligible for Social Security may not be guaranteed.
- Benefits other than pension benefits, such as health insurance, life insurance, death benefits, vacation pay, or severance pay, are not guaranteed.
- The PBGC generally does not pay lump sums exceeding $5,000.

In some circumstances, participants and beneficiaries still may receive some benefits that are not guaranteed. This depends on how much money the terminated plan has and how much the PBGC recovers from employers for plan underfunding.

For additional general information about the PBGC and the pension insurance program guarantees, go to the "General FAQs about PBGC" on the PBGC's website at www.pbgc.gov/generalfaqs. Please contact your employer or plan administrator for specific information about your pension plan or pension benefit. PBGC does not have that information. See "Where to Get More Information About Your Plan," below.

Where to Get More Information

For more information about this notice, you may contact the NorthWestern Energy Benefits Department at 1-888-236-6656; by mail at 11 East Park Street, Butte, MT 59701-1711; or email to benefits@northwestern.com. For identification purposes, the official plan number is 001 and the plan sponsor's name and employer identification number or "EIN" is NorthWestern Corporation EIN 46-0172280.