Two Dot Wind Farm – Montana

2019 First Quarter Earnings Webcast

April 24, 2019

NorthWestern Energy

Delivering a Bright Future

Presenting Today

Bob Rowe,
President & CEO

Brian Bird,
Vice President & CFO

Forward Looking Statements

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

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

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Recent Highlights

- **Net income for the first quarter of 2019 increased $14.3 million, or 24.4%, as compared to the same period in 2018.** This increase was primarily due to higher gross margin as a result of colder winter weather and customer growth and a reduction in revenue in 2018 due to impacts of the Tax Cuts and Jobs Act, partly offset by higher operating expenses.

- Diluted earnings per share increased $0.26, or 22.0%, as compared to the same period in 2018.
    - After adjusting for favorable weather in both periods, Non-GAAP* adjusted earnings per share increased $0.12, or 10.8%, as compared to the same period in 2018.

- On April 15, 2019 we issued a request for proposals for 60 MW of flexible capacity resources to begin serving South Dakota customers by the end of 2021. Responses are due in July 2019, with evaluation of the proposals during the second half of 2019.

- The Board of Directors declared a quarterly dividend of $0.575 per share payable June 28th to shareholders of record as of June 14th, 2019.

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* See slides 12 & 24 for additional information and Non-GAAP disclosures.

Summary Financial Results
(First Quarter)

(in millions except per share amounts)

	Three Months Ended March 31,			
	2019	2018	Variance	% Variance
Operating Revenues	$ 384.2	$ 341.5	$ 42.7	12.5%
Cost of Sales	115.7	96.1	19.6	20.4%
Gross Margin [(1)]	**268.5**	**245.4**	**23.1**	**9.4%**
Operating Expenses				
Operating, general & administrative	81.1	74.3	6.8	9.2%
Property and other taxes	44.8	42.8	2.0	4.7%
Depreciation and depletion	45.6	43.8	1.8	4.1%
Total Operating Expenses	**171.5**	**160.9**	**10.6**	**6.6%**
Operating Income	**97.0**	**84.5**	**12.5**	**14.8%**
Interest Expense	(23.8)	(23.0)	(0.8)	(3.5%)
Other Income (expense)	1.1	(1.1)	2.2	200.0%
Income Before Taxes	**74.3**	**60.4**	**14.0**	**23.2%**
Income Tax Expense	(1.6)	(1.9)	0.3	15.8%
Net Income	**$ 72.7**	**$ 58.5**	**$ 14.3**	**24.4%**
Effective Tax Rate	2.1%	3.2%	(1.1%)	
Diluted: Shares Outstanding	50.7	49.5	1.2	2.4%
Diluted Earnings Per Share	$ 1.43	$ 1.18	$ 0.26	22.0%
Dividends Paid per Common Share	$ 0.575	$ 0.55	$ 0.025	4.5%

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

Gross Margin
(First Quarter)

(dollars in millions)

	Three Months Ended March 31,			
	2019	2018	Variance	
Electric	$ 196.0	$ 181.0	$ 15.0	8.3%
Natural Gas	72.5	64.4	8.1	12.6%
Total Gross Margin (1)	**$ 268.5**	**$ 245.4**	**$ 23.1**	**9.4%**

Increase in gross margin due to the following factors:

$ 7.9	Natural gas retail volumes
7.3	Tax Cuts and Jobs Act impact
5.5	Electric retail volumes
(1.7)	Montana natural gas rates
(1.6)	Montana electric supply costs
(0.7)	Electric transmission
3.5	Other miscellaneous increases
$ 20.2	**Change in Gross Margin Impacting Net Income**
$ 1.7	Property taxes recovered in trackers
0.8	Operating expenses recovered in trackers
0.4	Production tax credits flowed-through trackers
$ 2.9	**Change in Gross Margin Offset Within Net Income**
$ 23.1	**Increase in Gross Margin**

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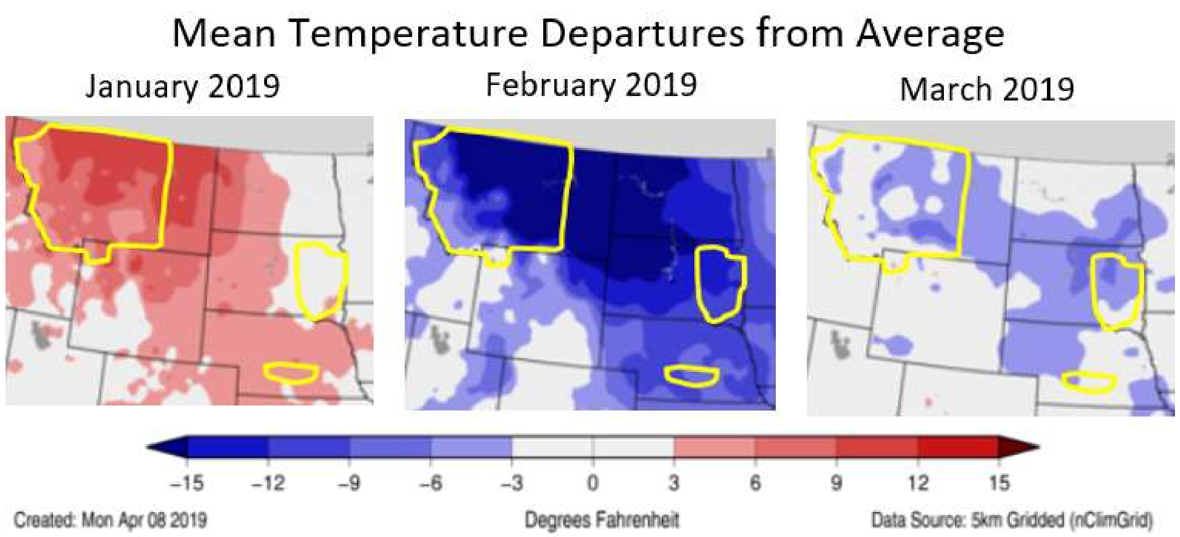
(1) Gross Margin, defined as revenues less cost of sales, is a non-GAAP Measure See appendix for additional disclosure.

Weather
(First Quarter)

Heating Degree - Days	Qtr 1 Degree Days			Q1 2019 as compared with:	
	2019	2018	Historic Average	2018	Historic Average
Montana	4,052	3,549	3,259	14% colder	24% colder
South Dakota	4,661	4,364	4,060	7% colder	15% colder
Nebraska	3,634	3,600	3,369	1% colder	8% colder



Extremely cold February and March contributed approximately $14.0M pretax gross margin benefit as compared to normal and $9.2M pretax benefit as compared to first quarter 2018.

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Operating Expenses
(First Quarter)

(dollars in millions)

	Three Months Ended March 31,			
	2019	2017	Variance	
Operating, general & admin.	$ 81.1	$ 74.3	$ 6.8	9.2%
Property and other taxes	44.8	42.8	2.0	4.7%
Depreciation and depletion	45.6	43.8	1.8	4.1%
Operating Expenses	**$ 171.5**	**$ 160.9**	**$ 10.6**	**6.6%**

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

$	0.9	Hazard trees
	0.9	Pension expense
	0.4	Labor expense
	0.3	Plant operator costs
	1.2	Other miscellaneous increases
$	**3.7**	**Change in OG&A Items Impacting Net Income**
$	3.9	Non-employee directors deferred compensation
	1.0	Operating expenses recovered in trackers
	(1.8)	Pension and other postretirement benefits
$	**3.1**	**Change in OG&A Items Offset Within Net Income**
$	**6.8**	**Increase in Operating, General & Administrative Expenses**

$2.0 million increase in property and other taxes due primarily to plant additions and higher annual estimated property valuations in Montana.

$1.8 million increase in depreciation and depletion expense primarily due to plant additions.

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Operating to Net Income
(First Quarter)

(dollars in millions)

	Three Months Ended March 31,			
	2019	2018	Variance	
Operating Income	**$ 97.0**	**$ 84.5**	**$ 12.5**	**14.8%**
Interest Expense	(23.8)	(23.0)	(0.8)	(3.5%)
Other Income / (Expense)	1.1	(1.1)	2.2	200.0%
Income Before Taxes	**74.4**	**60.4**	**14.0**	**23.2%**
Income Tax Expense	(1.6)	(1.9)	0.3	15.8%
Net Income	**$ 72.8**	**$ 58.5**	**$ 14.3**	**24.4%**

$0.8 million increase in interest expenses was primarily due to higher borrowings.

$2.2 million improvement in other income. This includes a $3.9 million increase in the value of deferred shares held in trust for non-employee directors deferred compensation, partly offset by $1.8 million increase in other pension expense, both of which are offset in OG&A expenses with no impact to net income. Higher capitalization of AFUDC also contributed to the increase.

$0.3 million decrease in income tax expense due to a higher flow through adjustments to income taxes partly offset by higher pretax income.

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Income Tax Reconciliation
(First Quarter)

(in millions)	Three Months Ended March 31,				
	2019		2018		Variance
Income Before Income Taxes	**$74.3**		**$60.4**		**$13.9**
Income tax calculated at federal statutory rate	15.6	21.0%	12.7	21.0%	2.9
Permanent or flow through adjustments:					
State income, net of federal provisions	0.9	1.2%	0.7	1.2%	0.2
Flow - through repairs deductions	(7.9)	(10.7%)	(6.6)	(10.9%)	(1.3)
Production tax credits	(4.4)	(6.0%)	(3.9)	(6.4%)	(0.5)
Plant and depreciation of flow through items	(1.5)	(2.0%)	(0.9)	(1.6%)	(0.6)
Amortization of excess deferred income tax	(1.4)	(1.8%)	(0.4)	(0.6%)	(1.0)
Share based compensation	0.2	0.3%	0.3	0.5%	(0.1)
Other, net	0.1	0.1%	-	-	0.1
Sub-total	(14.0)	(18.9%)	(10.8)	(17.8%)	(3.2)
Income Tax Expense	**$ 1.6**	**2.1%**	**$ 1.9**	**3.2%**	**$ (0.3)**

Balance Sheet

(dollars in millions)		Period Ended March 31, 2019		Period Ended December 31, 2018
Cash and cash equivalents	$	4.0	$	7.9
Restricted cash		7.1		7.5
Accounts receivable, net		169.6		162.4
Inventories		47.6		50.8
Other current assets		59.9		49.2
Goodwill		357.6		357.6
PP&E and other non-current assets		5,054.9		5,009.1
Total Assets	**$**	**5,700.7**	**$**	**5,644.4**
Payables		81.5		87.0
Finance leases		2.3		2.3
Short-term borrowings		-		-
Other current liabilities		263.4		257.7
Long-term debt & capital leases		2,099.8		2,122.3
Other non-current liabilities		1,263.8		1,232.7
Shareholders' equity		1,989.8		1,942.4
Total Liabilities and Equity	**$**	**5,700.7**	**$**	**5,644.4**
Capitalization:				
Finance Leases		2.3		2.3
Long Term Debt & Finance Leases		2,099.8		2,122.3
Less: Basin Creek Finance Lease		(21.7)		(22.2)
Less: New Market Tax Credit Financing Debt		(27.0)		(27.0)
Shareholders' Equity		1,989.8		1,942.4
Total Capitalization	**$**	**4,043.3**	**$**	**4,017.7**
Ratio of Debt to Total Capitalization		**50.8%**		**51.7%**

Improvement in debt to capitalization ratio; which is now closer to bottom end of 50%-55% targeted range.

Debt to Total Capitalization was 52.0% at March 31, 2018

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Cash Flow

(dollars in millions)	Three Months Ending March 31, 2019	2018
Operating Activities		
Net Income	$ 72.8	$ 58.5
Non-Cash adjustments to net income	48.7	49.0
Changes in working capital	(6.5)	59.6
Other non-current assets & liabilities	(3.6)	6.0
Cash provided by Operating Activities	**111.4**	**173.0**
Investing Activities		
PP&E additions	(65.6)	(52.0)
Cash used in Investing Activities	**(65.6)**	**(52.0)**
Financing Activities		
Proceeds from issuance of common & treasury stock, net	0.8	1.6
Repayments of borrowings, net	(22.0)	(96.6)
Dividends on common stock	(28.8)	(26.9)
Financing costs	(0.1)	(0.2)
Cash used in Financing Activities	**(50.1)**	**(122.2)**
Decrease in Cash, Cash Equiv. & Restricted Cash	**(4.3)**	**(1.1)**
Beginning Cash, Cash Equiv. & Restricted Cash	15.3	12.0
Ending Cash, Cash Equiv. & Restricted Cash	**$ 11.0**	**$ 10.9**

Cash from operating activities decreased by $61.6 million primarily due to an increase in market purchases of supply resulting in an under collection of supply costs from customers in the current period, credits to Montana customers during the current period related to TCJA, and the receipt of insurance proceeds during the three months ended March 31, 2018.

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Adjusted Non-GAAP Earnings
(First Quarter)

(in millions)	GAAP Three Months Ended March 31, 2019	Favorable Weather	(1) Move Pension Expense to OG&A (disaggregated with ASU 2017-07)	Non-employee Deferred Compensation	Non-GAAP Three Months Ended March 31, 2019	Non-GAAP Variance: Variance $	Non-GAAP Variance: Variance %	Non-GAAP Three Months Ended March 31, 2018	Non-employee Deferred Compensation	(1) Move Pension Expense to OG&A (disaggregated with ASU 2017-07)	Favorable Weather	GAAP Three Months Ended March 31, 2018
Revenues	$384.2	(14.0)			$370.2	$33.5	9.9%	$336.7			(4.8)	$341.5
Cost of sales	115.7				115.7	19.6	20.4%	96.1				96.1
Gross Margin	**268.5**	**(14.0)**	-	-	**254.5**	**13.9**	**5.8%**	**240.6**	-	-	**(4.8)**	**245.4**
Op. Expenses												
OG&A	81.1		1.7	(2.2)	80.6	4.6	6.1%	76.0	1.7	-		74.3
Prop. & other taxes	44.8				44.8	2.0	4.7%	42.8				42.8
Depreciation	45.6				45.6	1.8	4.1%	43.8				43.8
Total Op. Exp.	**171.5**	-	**1.7**	**(2.2)**	**171.0**	**8.4**	**5.2%**	**162.6**	**1.7**	-	-	**160.9**
Op. Income	**97.0**	**(14.0)**	**(1.7)**	**2.2**	**83.5**	**5.5**	**7.1%**	**78.0**	**(1.7)**	-	**(4.8)**	**84.5**
Interest expense	(23.8)				(23.8)	(0.8)	-3.5%	(23.0)				(23.0)
Other (Exp.) Inc., net	1.1		1.7	(2.2)	0.6	-	0.0%	0.6	1.7	-		(1.1)
Pretax Income	**74.4**	**(14.0)**	-	-	**60.4**	**4.8**	**8.6%**	**55.6**	-	-	**(4.8)**	**60.4**
Income tax	(1.6)	3.5	-	-	1.9	2.6	379.2%	(0.7)	-	-	1.2	(1.9)
Net Income	**$72.8**	**(10.5)**	-	-	**$62.3**	**$7.4**	**13.5%**	**$54.9**	-	-	**(3.6)**	**$58.5**
ETR	2.2%	25.3%	-	-	-3.2%			1.2%	-	-	25.3%	3.1%
Diluted Shares	50.7				50.7	1.2	2.4%	49.5				49.5
Diluted EPS	**$1.44**	(0.21)	-	-	$1.23	$0.12	10.8%	$1.11	-	-	(0.07)	**$1.18**

The adjusted non-GAAP measures presented in the table above are being shown to reflect significant items that were not contemplated in our original guidance, however they should not be considered a substitute for financial results and measures determined or calculated in accordance with GAAP.

(1) As a result of the adoption of Accounting Standard Update 2017-07 in March 2018, pension and other employee benefit expense is now disaggregated on the GAAP income statement with portions now recorded in both OG&A expense and Other (Expense) Income lines. To facilitate better understanding of trends in year-over-year comparisons, the non-GAAP adjustment above re-aggregates the expense in OG&A - as it was historically presented prior to the ASU 2017-07 (with no impact to net income or earnings per share).

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Looking Forward

Regulatory

- MPSC to review Montana general electric rate review, filed in September 2018.
- We expect to file an associated FERC rate case for our Montana transmission assets in the second quarter 2019.

Continue to Invest in our T&D infrastructure

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

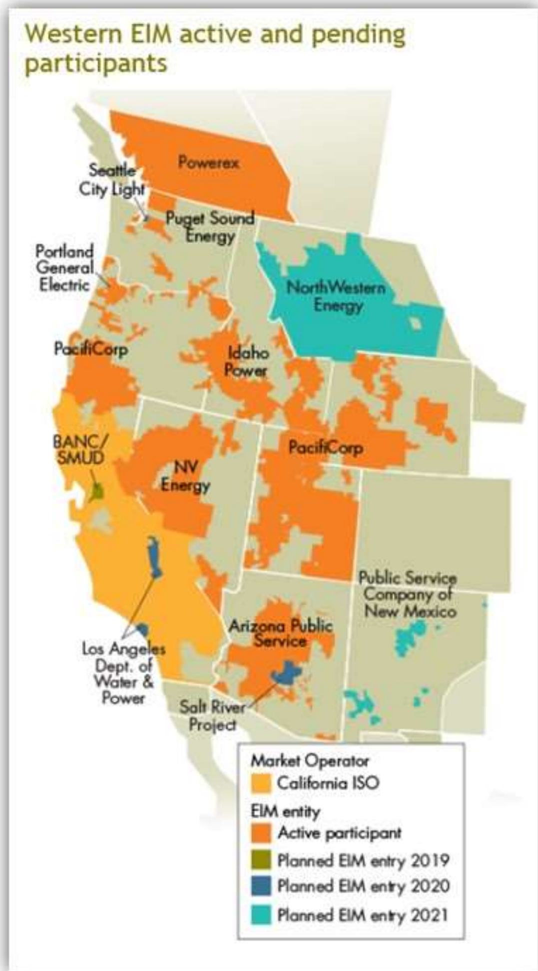
Plans to join Western Energy Imbalance Market (EIM)

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

Cost Control Efforts

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

Advance Electricity Resource Planning efforts in South Dakota and Montana



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Montana Electric Rate Case

Background

- First general electric rate case in Montana since 2009.
- While we have efficiently managed operating and administrative costs, increased Montana property taxes and significant investment in the system have compelled the request for rate relief.

September 2018 Filing (Docket D2018.2.12)

- Filed based on 2017 test year and $2.34 billion of rate base.
- Requested $34.9 million annual increase to electric rates (~7.4% increase to the typical residential bill).
- On April 5, 2019, we filed rebuttal testimony that updated and lowered our requested increase to $30.7 million. This update responded to intervenor testimony and included certain known and measurable adjustments.
- Request includes a10.65% return on equity, 4.26% cost of debt, 49.4% equity & 7.42% return on rate base[1]
- In March 2019, the MPSC issued an order approving an increase in rates of approximately $10.5 million on an interim and refundable basis effective April 1, 2019.

The filing also requests:

- Approval to capitalize Demand Side Management Costs
- Establish a new baseline for PCCAM costs
- Place Two Dot Wind in rate base
- Approval of new net metering customer class and rate for new residential private generation

Update

- Feb. 12: Intervenor testimony file with the consumer advocate recommending a $17.3 million rate decrease.
- Feb. 28: 4-0 vote at MPSC work session to request additional testimony on 5 issues ($500k of unexplained generation expense, disposition of excess accumulated deferred income tax liability, hazard tree and wildfire liability mitigation, recently constructed Montana corporate office building, and street lighting tariffs).

Next Steps

- May 3: Final day for NWE and intervenors to respond to discovery.
- May 13: Hearing commences and continues day-to-day as necessary.

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

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Relevant Legislation

There are several potentially significant bills currently being considered by the Montana Legislature. In addition to many other less substantive bills, we are monitoring potential impacts of the following:

- Legislation that would allow us to acquire up to an additional 150 MW of generation from Colstrip Unit 4 for $1 and would facilitate our placing in rates a certain amount of capital investment over the following ten years. Linked to this transaction is also a requirement to obtain a greater ownership share of the Colstrip transmission line and pay no more than the depreciated book value;

- Legislation that would remove the +/- $4.1 million “deadband” sharing provision from the PCCAM as imposed by the MPSC's January 2019 order; and

- Legislation that would prohibit the MPSC from applying a maximum contract length of 15 years to our future owned and contracted electricity supply resources as required in the MPSC's November 2017, Qualifying Facilities order.

While the Montana legislative session is expected to end around May 1, 2019, it is premature to state how these pieces of legislation will ultimately be drafted, and how, or whether, they will be passed and / or signed into law by the Montana Governor.

NWE Energy Supply Resource Plans

South Dakota Electricity Supply Resource Plan

- Published fall of 2018, the plan focuses on modernization of our fleet to improve reliability and flexibility, maintain compliance in Southwest Power Pool, and lowering operating costs. The plan identifies 90MWs of existing generation that should be retired and replaced over the next 10 years.
- On April 15, 2019, we issued a request for proposals for 60 MW of flexible capacity resources to begin serving South Dakota customers by the end of 2021. Responses are due in July 2019, with evaluation of the proposals during the second half of 2019.

Ryan Dam Upgrade

Montana Electricity Supply Resource Plan

- Draft plan was filed in early March 2019 and expected to be finalized by the end of June 2019 after a 60 day public comment period.
- The plan supports the goal of developing resources that will address the changing energy landscape in Montana to meet our customers' electric energy needs in a reliable and affordable manner.
  - We are currently 630 MW short of our peak needs, which we procure in the market. We forecast that our energy portfolio will be 725 MW short by 2025 with a modest increase in customer demand.
  - Planned regional retirements of 3,500 MW of coal-fired generation are forecasted by the Northwest Power and Conservation Council causing regional energy shortages as early as 2021.
- We expect to solicit competitive all-source proposals in late 2019 for peaking capacity available by 2022.
  - We expect the process will be repeated in subsequent years to provide a resource-adequate energy and capacity portfolio by 2025.

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

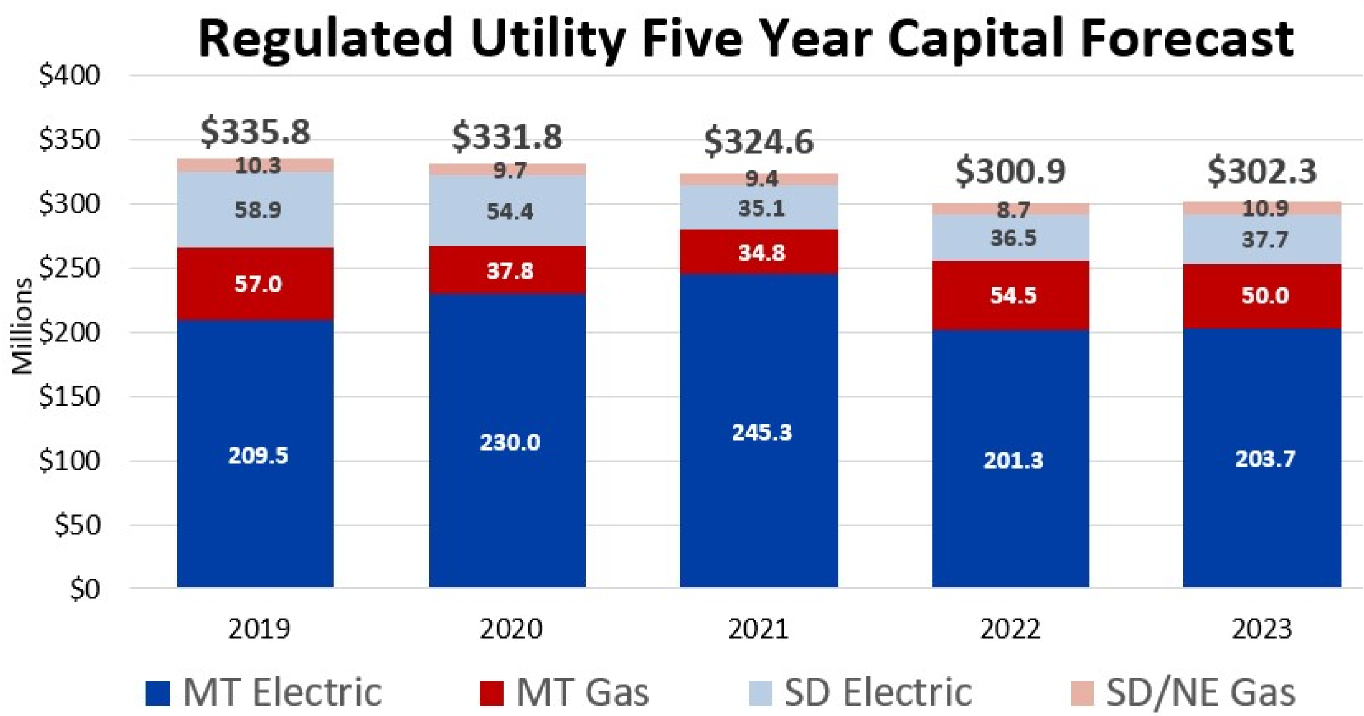
Capital Investment Forecast

$1.6 billion of total capital investment over five years.

Increased investment in first three years (relative to last two years) is primarily a result of advanced metering infrastructure (AMI) project.

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

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



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

Capital projections above do not include investment necessary to address capacity issues as identified in the South Dakota and pending* Montana Electricity Supply Resource Procurement Plans.

**Draft plan was released early March 2019.*

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Conclusion

- Pure Electric & Gas Utility
- Solid Utility Foundation
- Best Practices Corporate Governance
- Attractive Future Growth Prospects
- Strong Earnings & Cash Flows

Appendix

Montana Electric Tracker Update

The MPSC issued a final order in January 2019 approving a Power Cost & Credit Adjustment Mechanism (PCCAM) with the following provisions:

- A baseline of power supply costs;
- Symmetrical deadband of +/- $4.1 million from the established baseline. Supply cost variances above or below the deadband are shared 90/10 with customers/shareholders, respectively; and
- Retroactive implementation to the effective date of the new legislation (July 1, 2017).

Our 2019 results include a net reduction in the recovery of supply costs from customers of approximately $1.6 million in the Consolidated Statements of Income.

- For the 2017/2018 period, actual costs were below base revenues by approx. **$3.4 million**, resulting in no refund to customers.
- For the 2018/2019 period, actual costs were above base revenues by approx. **$27.6 million**, resulting in a regulatory asset for collection from customers of approx. **$21.2 million** and a **$6.5 million** reduction in recovery of supply costs for the first nine months of the twelve month tracker period.

($Millions)	2017/2018	2018 /2019 PCCAM				
	(Jul - Jun)	(Jul - Dec)		(Jan - Mar)		(9 of 12 months)
Annual Tracker Period (July 1-June 30)	Total	2018	+	2019	=	Total
Cost Above(Below) Baseline	($3.4)	$11.8		$15.8		$27.6
Less: Deadband ($0 to $4.1 million)	($3.4)	$4.1				$4.1
Amount Above(Below) Deadband subject to 90/10 sharing	-	**$7.7**		**$15.8**		**$23.5**
Customer Funded (Refunded)						
90% of variance Above (Below) Deadband	-	$6.9		$14.2		$21.2
Shareholder Funded (Retained)						
10% of variance Above (Below) Deadband	-	$0.8		$1.6		$2.4
Deadband	($3.4)	$4.1		$0.0		$4.1
Total Shareholder Under (Over) Recovery of Supply Costs	**($3.4)**	**$4.9**	+	**$1.6**	=	**$6.5**

x 90%

x 10%

x 100%

** Calendar year 2018 included 18 months (July 2017 - December 2018) of PCCAM impact as a result of the retroactive implementation to July 1, 2017.*

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Segment Results
(First Quarter)

(Unaudited) (in thousands)

Three Months Ending March 31, 2019	Electric	Gas	Other	Total
Operating revenues	$ 273,037	$ 111,183	$ -	$ 384,220
Cost of sales	76,994	38,741	-	115,735
Gross margin (1)	196,043	72,442	-	268,485
Operating, general and administrative	57,783	21,008	2,301	81,092
Property and other taxes	35,047	9,740	2	44,789
Depreciation & depletion	38,051	7,533	-	45,584
Operating Income (loss)	65,162	34,161	(2,303)	97,020
Interest expense	(19,535)	(1,510)	(2,745)	(23,790)
Other (expense) income	(561)	(477)	2,187	1,149
Income tax (expense) benefit	(1,809)	1,079	(843)	(1,573)
Net income (loss)	$ 43,257	$ 33,253	$ (3,704)	$ 72,806

Three Months Ending March 31, 2018	Electric	Gas	Other	Total
Operating revenues	$ 238,342	$ 103,160	$ -	$ 341,502
Cost of sales	57,273	38,804	-	96,077
Gross margin (1)	181,069	64,356	-	245,425
Operating, general and administrative	54,648	21,219	(1,522)	74,345
Property and other taxes	33,493	9,318	2	42,813
Depreciation & depletion	36,153	7,594	8	43,755
Operating Income	56,775	26,225	1,512	84,512
Interest expense	(19,520)	(1,854)	(1,596)	(22,970)
Other income (expense)	490	108	(1,727)	(1,129)
Income tax (expense) benefit	(498)	(2,226)	810	(1,914)
Net income (loss)	$ 37,247	$ 22,253	$ (1,001)	$ 58,499

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

NorthWestern Energy
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Electric Segment
(First Quarter)

(dollars in millions)	Results 2019	2018	Change	% Change
Retail revenues	$ 238.7	$ 229.3	$ 9.4	4.1 %
Regulatory amortization	19.1	(8.1)	27.2	(335.8)
Total retail revenue	257.8	221.2	36.6	16.5
Transmission	13.5	15.3	(1.8)	(11.8)
Wholesale and other	1.7	1.8	(0.1)	(5.6)
Total Revenues	**273.0**	**238.3**	**34.7**	**14.6**
Total Cost of Sales	**77.0**	**57.3**	**19.7**	**34.4**
Gross Margin (1)	**196.0**	**181.0**	**15.0**	**8.3 %**

	Revenues		Megawatt Hours (MWH)		Avg. Customer Count	
	2019	2018	2019	2018	2019	2018
	(in thousands)					
Retail Electric						
Montana	$ 94,096	$ 87,250	807	761	302,158	298,367
South Dakota	18,015	18,682	196	187	50,670	50,507
Residential	**112,111**	**105,932**	**1,003**	**948**	**352,828**	**348,874**
Montana	86,710	83,640	816	804	68,263	67,184
South Dakota	23,160	24,011	284	270	12,770	12,649
Commercial	**109,870**	**107,651**	**1,100**	**1,074**	**81,033**	**79,833**
Industrial	11,581	10,762	701	606	77	75
Other	5,147	4,998	23	23	4,799	4,735
Total Retail Electric	**$ 238,709**	**$ 229,343**	**2,827**	**2,651**	**438,737**	**433,517**

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

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Appendix

Natural Gas Segment
(First Quarter)

(dollars in millions)	Results 2019	Results 2018	Results Change	Results % Change
Retail revenues	$ 106.8	$ 99.3	$ 7.5	7.6 %
Regulatory amortization	(5.3)	(6.3)	1.0	(15.9)
Total retail revenue	101.5	93.0	8.5	9.1
Wholesale and other	9.7	10.2	(0.5)	(4.9)
Total Revenues	**111.2**	**103.2**	**8.0**	**7.8**
Total Cost of Sales	**38.7**	**38.8**	**(0.1)**	**(0.3)**
Gross Margin [(1)]	**$ 72.5**	**$ 64.4**	**$ 8.1**	**$ 12.6 %**

	Revenues 2019	Revenues 2018	Dekatherms (Dkt) 2019	Dekatherms (Dkt) 2018	Avg. Customer Count 2019	Avg. Customer Count 2018
	(in thousands)					
Retail Gas						
Montana	$ 45,638	$ 40,902	6,875	5,906	174,470	172,350
South Dakota	13,042	11,418	1,747	1,675	40,302	39,897
Nebraska	9,640	11,413	1,497	1,416	37,634	37,578
Residential	**68,320**	**63,733**	**10,119**	**8,997**	**252,406**	**249,825**
Montana	23,017	20,532	3,599	3,084	24,199	23,866
South Dakota	9,207	7,907	1,605	1,475	6,841	6,719
Nebraska	5,300	6,116	1,050	982	4,922	4,865
Commercial	**37,524**	**34,555**	**6,254**	**5,541**	**35,962**	**35,450**
Industrial	482	539	77	82	241	247
Other	440	444	78	74	165	163
Total Retail Gas	**$ 106,766**	**$ 99,271**	**16,528**	**14,694**	**288,774**	**285,685**

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

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Appendix

Non-GAAP Financial Measures

Pre-Tax Adjustments ($ Millions)	2013	2014	2015	2016	2017	2018
Reported GAAP Pre-Tax Income	**$ 108.3**	**$ 110.4**	**$ 181.2**	**$ 156.5**	**$ 176.1**	**$ 178.3**
Non-GAAP Adjustments to Pre-Tax Income:						
Weather	(3.7)	(1.3)	13.2	15.2	(3.4)	(1.3)
Release of MPSC DGGS deferral	-	-	-	-	-	-
Lost revenue recovery related to prior periods	(1.0)	-	-	(14.2)	-	-
DGGS FERC ALJ initial decision - portion related to 2011	-	-	-	-	-	-
MSTI Impairment	-	-	-	-	-	-
Favorable CELP arbitration decision	-	-	-	-	-	-
Remove hydro acquisition transaction costs	6.3	15.4	-	-	-	-
Exclude unplanned hydro earnings	-	(8.7)	-	-	-	-
Remove benefit of insurance settlement	-	-	(20.8)	-	-	-
QF liability adjustment	-	-	6.1	-	-	(17.5)
Electric tracker disallowance of prior period costs	-	-	-	12.2	-	-
Transmission impacts (unfavorable hydro conditions)	-	-	-	-	-	-
Settlement of Workers Compensation Claim	-	-	-	-	-	-
Remove Montana Rate Adjustments not included in guidance						-
Increased pension expense	-	-	-	-	-	-
Transaction costs related to Colstrip Unit 4 sales process						-
Income tax adjustment	-		-		-	9.4
Unplanned Equity Dilution from Hydro transaction						-
Adjusted Non-GAAP Pre-Tax Income	**$ 109.8**	**$ 115.8**	**$ 179.7**	**$ 169.7**	**$ 172.7**	**$ 168.8**

Tax Adjustments to Non-GAAP Items ($ Millions)	2013	2014	2015	2016	2017	2018
GAAP Net Income	**$ 94.0**	**$ 120.7**	**$ 151.2**	**$ 164.2**	**$ 162.7**	**$ 197.0**
Non-GAAP Adjustments Taxed at 38.5%:						
Weather	(2.3)	(0.8)	8.1	9.3	(2.1)	(1.0)
Release of MPSC DGGS deferral	-	-	-	-	-	-
Lost revenue recovery related to prior periods	(0.6)	-	-	(8.7)	-	-
DGGS FERC ALJ initial decision - portion related to 2011	-	-	-	-	-	-
MSTI Impairment	-	-	-	-	-	-
Favorable CELP arbitration decision	-	-	-	-	-	-
Remove hydro acquisition transaction costs	3.9	9.5	-	-	-	-
Exclude unplanned hydro earnings	-	(5.4)	-	-	-	-
Remove benefit of insurance settlement	-	-	(12.8)	-	-	-
QF liability adjustment	-	-	3.8	-	-	(13.1)
Electric tracker disallowance of prior period costs	-	-	-	7.5	-	-
Transmission impacts (unfavorable hydro conditions)	-	-	-	-	-	-
Settlement of Workers Compensation Claim	-	-	-	-	-	-
Remove Montana Rate Adjustments not included in guidance	-	-	-	-	-	-
Increased pension expense	-	-	-	-	-	-
Transaction costs related to Colstrip Unit 4 sales process	-	-	-	-	-	-
Income tax adjustment	-	(18.5)	-	(12.5)	-	(12.8)
Unplanned Equity Dilution from Hydro transaction						
Non-GAAP Net Income	**$ 94.9**	**$ 105.5**	**$ 150.3**	**$ 159.8**	**$ 160.6**	**$ 170.2**

Non-GAAP Diluted Earnings Per Share	2013	2014	2015	2016	2017	2018
Diluted Average Shares (Millions)	*38.2*	*40.4*	*47.6*	*48.5*	*48.7*	*50.2*
Reported GAAP Diluted earnings per share	**$ 2.46**	**$ 2.99**	**$ 3.17**	**$ 3.39**	**$ 3.34**	**$ 3.92**
Non-GAAP Adjustments:						
Weather	(0.05)	(0.02)	0.17	0.19	(0.04)	(0.02)
Release of MPSC DGGS deferral	-	-	-	-	-	-
Lost revenue recovery related to prior periods	(0.02)	-	-	(0.18)	-	-
DGGS FERC ALJ initial decision - portion related to 2011	-	-	-	-	-	-
MSTI Impairment	-	-	-	-	-	-
Favorable CELP arbitration decision	-	-	-	-	-	-
Remove hydro acquisition transaction costs	0.11	0.24	-	-	-	-
Exclude unplanned hydro earnings	-	(0.14)	-	-	-	-
Remove benefit of insurance settlements & recoveries	-	-	(0.27)	-	-	-
QF liability adjustment	-	-	0.08	-	-	(0.26)
Electric tracker disallowance of prior period costs	-	-	-	0.16	-	-
Transmission impacts (unfavorable hydro conditions)	-	-	-	-	-	-
Settlement of Workers Compensation Claim	-	-	-	-	-	-
Remove Montana rate adjustments not included in guidance	-	-	-	-	-	-
Increased pension expense	-	-	-	-	-	-
Transaction costs related to Colstrip Unit 4 sales process	-	-	-	-	-	-
Income tax adjustment	-	(0.47)	-	(0.26)	-	(0.25)
Unplanned Equity Dilution from Hydro transaction	-	0.08	-	-	-	-
Non-GAAP Diluted Earnings Per Share	**$ 2.50**	**$ 2.68**	**$ 3.15**	**$ 3.30**	**$ 3.30**	**$ 3.39**

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

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

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