



At a glance

South Dakota & Nebraska

An economic development fact sheet // June 2015

NorthWestern[®]
Energy

 **Community
Works**

Introduction

NorthWestern Energy is a major, regional provider of electricity, natural gas and related services to approximately 692,600 customers in Montana, South Dakota and Nebraska. Our electric system has more than 27,800 miles of transmission and distribution lines and associated facilities serving 297 communities and surrounding rural areas in Montana and eastern South Dakota. Our natural gas system includes approximately 9,605 miles of transmission and distribution pipelines and storage facilities serving 168 communities and surrounding rural areas in Montana, South Dakota and central Nebraska. NorthWestern Energy has approximately 1,604 full-time employees.

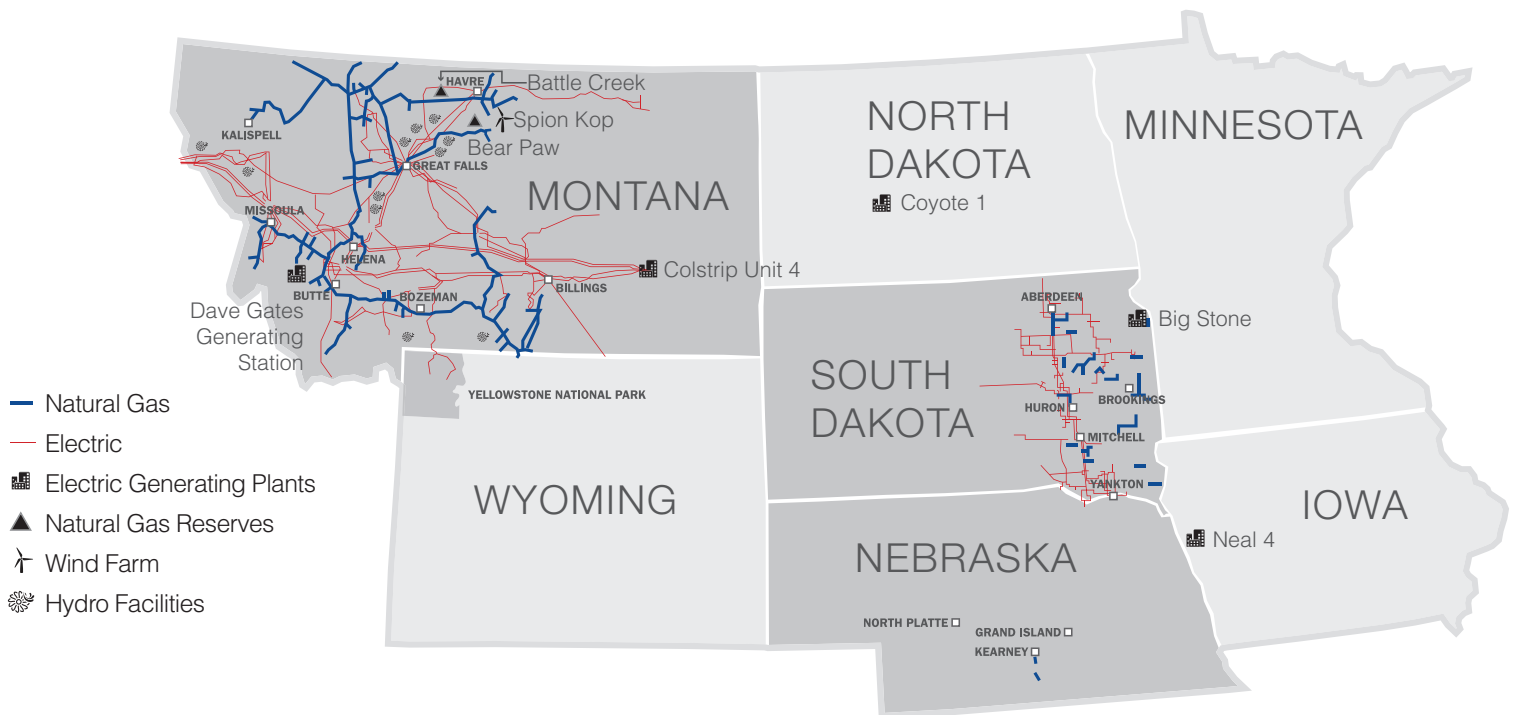
The South Dakota and Nebraska energy operations provide electric and natural gas distribution services to approximately 62,500 electric customers and 87,500 natural gas customers in the eastern half of South Dakota and in four Nebraska communities.

NorthWestern Energy is dedicated to providing safe, reliable and cost-effective energy and services to all of its residential, commercial and industrial customers.

Programs & Services

Listed below is a summary of NorthWestern's programs and services.

- Retail electric and natural gas distribution, transmission and supply services.
- Wholesale electric services.
- Business retention, business expansion and business creation through Economic Development resources.
- Online customer services including account access, service requests and bill payment.
- In South Dakota, we provide energy efficiency (Efficiency Plus E+) programs and rebates for a variety of commercial applications including high efficiency lighting, office equipment/appliances, heating/air conditioning equipment, insulation, variable frequency drives (VFDs) or more specialized measures.



System facts

SOUTH DAKOTA AND NEBRASKA OPERATIONS

| | | | |
|---|---|-------------------------|------------------------------------|
| South Dakota Electric & Gas Operations Area | Electric services to 25 counties in eastern South Dakota with a combined population of 226,200 (2010 census). Natural Gas services to 22 counties in South Dakota and Nebraska and a population of 357,507 (2010 census). | | |
| Nebraska Gas Operations | Four cities in southcentral Nebraska | | |
| Number of Employees | Approximately 331 employees in South Dakota and Nebraska | | |
| Number of Customers and Types¹ | Total | Residential | Commercial & Industrial |
| Electric | 62,500 | 49,800 | 12,700 |
| Natural Gas (South Dakota & Nebraska) | 87,500 | 76,300 | 11,200 |
| NorthWestern serves 141 communities in South Dakota and four communities in Nebraska. In addition to the cities listed here, we also serve numerous small towns in South Dakota. Please consult NorthWestern Energy to determine if we serve your location. | Cities | Electric Service | Natural Gas Services |
| | Aberdeen, SD | YES | YES |
| | Brookings, SD | NO | YES |
| | Huron, SD | YES | YES |
| | Mitchell, SD | YES | YES |
| | Yankton, SD | YES | NO |
| | Alda, NE | NO | YES |
| | Grand Island, NE | NO | YES |
| | Kearney, NE | NO | YES |
| North Platte, NE | NO | YES | |
| Electric & Natural Gas Retail Rates | <p>South Dakota – Pricing for electric and natural gas retail services are established by tariffs filed with and approved by the South Dakota Public Utilities Commission. South Dakota has regulated natural gas and electric services. The supply portion of the bill for natural gas and the fuel and purchased power portion of the electric bill are subject to monthly tracker cost adjustments.</p> <p>Nebraska – Pricing for natural gas retail services are established by tariffs filed with and approved by the Nebraska Public Service Commission. The supply portion of the bill for natural gas is subject to twice yearly fuel cost adjustments and is shown separately from the delivery charge. NorthWestern Energy's electric and natural gas tariff rates and an electric rate compared with other utilities in the U.S. are available online at www.northwesternenergy.com.</p> | | |

ELECTRIC OPERATIONS

| | |
|--|--|
| Service Area Size | 25 counties in eastern South Dakota |
| Peak & Average Load | Peak demand was approximately 304 megawatts, the average daily load was approximately 180 megawatts, and more than 1.57 million megawatt hours were supplied to customers during 2014. |
| Generation and Supply | Own 210 megawatts of electric generation serving South Dakota customers from three coal-burning baseload plants, 150 megawatts from various natural gas and fuel oil peaking units. The utility also has 125 megawatts available from wind generation under a 20-year contract with four different PPA agreements; agreements with Basin Electric Power Cooperative for 15 MW firm in 2014 and 19 MW in 2015; and an agreement with Missouri River Energy Services for 30 MW firm capacity in 2016, 30 MW in 2017 and 35 MW in 2018. South Dakota has voluntary renewable standard of 10% of all retail electricity sold in SD will be renewable by 2015. In 2014, NorthWestern Energy had approximately 6 percent generated from renewable resources. |
| Distribution and Transmission Miles | 3,500 miles distribution and transmission and 124 substations. |
| Transmission Interconnections | Transmission system has connections to the Mid-Continent Area Power Pool (MAPP), which is an area power pool arrangement consisting of utilities and power suppliers having transmission interconnections located in a nine-state area in the North Central region of the United States and in two Canadian provinces. The terms and conditions of the Mid-Continent Area Power Pool agreement and transactions between Mid-Continent Area Power Pool members are subject to the jurisdiction of the FERC. Along with WAPA and other MAPP members, the utility expects to join the Southwest Power Pool (SPP) regional transmission organization by October 2015. |
| Transmission Wholesale Rates | Transmission services for retail access are provided under the Federal Energy Regulatory Commission Electric Open Access Transmission Tariff, available online at www.northwesternenergy.com . |

NATURAL GAS OPERATIONS

| | |
|--|---|
| Service Area Size | We provide natural gas to approximately 87,500 customers in 60 eastern South Dakota communities and four southcentral Nebraska communities. |
| Peak Load | For year-end 2014, our South Dakota supply deliveries were approximately 32.6 Bcf and for Nebraska, they were approximately 8.0 Bcf. |
| Natural Gas Distribution & Transmission | We have 2,350 miles of distribution mains pipelines, 55 miles of transmission pipeline and 41 city gate stations. |
| System Interconnections | Pipeline interconnections with Northern Natural Gas, Northern Border, Kinder-Morgan and Trailblazer. |
| On System-Transportation | End-use customers can contract for on-system transportation services. On-system services include firm and interruptible distribution transportation and are regulated by the South Dakota Public Utilities Commission. Customers not interconnected with NorthWestern's regulated system negotiate a separate rate. Customers with large loads and bypassable locations that are connected with the regulated system may receive rate deviation from the PUC. |

¹Customer Counts are rounded totals as of December 31, 2014 and as published in NorthWestern Energy's 2014 10-K. Sources: NorthWestern Energy SEC filings and internal documents.

Rates

RELIABLE SUPPLY

NorthWestern Energy distributes electricity in South Dakota and relies on its own generation to provide a reliable supply and reasonable prices for its electric customers. Electric services to customers generally involve only one point of delivery and power supply source. Customers with special needs for redundant power sources will typically be responsible for additional costs related to redundant power delivery. If a project has special needs for redundant power sources, the developers must coordinate these with NorthWestern Energy and contact the utility early in the project development process.

NorthWestern Energy distributes natural gas to customers in South Dakota and Nebraska. Supply requirements are fulfilled through third-party fixed-term purchase contracts, natural gas storage services contracts and short-term market purchases. This supply flexibility or portfolio approach enables us to maintain a diversified supply of natural gas sufficient to meet our supply requirements.

REGULATION

South Dakota utilities are regulated by the South Dakota Public Utilities Commission with respect to electric and natural gas service, territorial integrity, rates, terms and conditions of service, accounting records and other aspects of our operations. We have the exclusive right to serve an assigned service area in South Dakota comprised of 25 counties with a combined population of approximately 226,200 people according to the 2010 census.

The Nebraska Public Service Commission has jurisdiction over our natural gas operations in Nebraska.

Rates

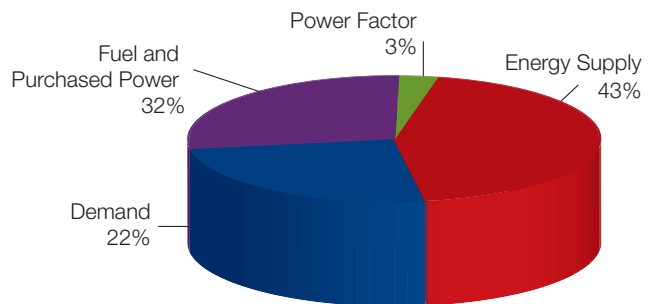
The tariffs establish a range of service classifications for both electric and natural gas customers based on customer size and other circumstances. For customers who are not under the bundled tariffs, rates for transmission services are provided under a tariff filed with and approved by the Federal Energy Regulatory Commission.

Electric Rates

Components displayed on the bill include: energy, demand, fuel and power factor. The fuel and purchased power portion of the bill is subject to a quarterly tracker cost adjustment. The table below shows these various billing components for a NorthWestern Energy commercial customer with a monthly usage of 14,000 kWh and 40 kW demand.

South Dakota NorthWestern Energy Commercial Customer Monthly Electric Billing Components January 1, 2015

Using 14,000 kWh & 40 kW Demand Per Month



Go to www.northwesternenergy.com for current electric and natural gas rates for residential and commercial customers.

Rates

NORTHWESTERN ENERGY'S SOUTH DAKOTA ELECTRIC COSTS BY SIZE AND CUSTOMER TYPE¹

| | Residential | Commercial and Industrial | | | |
|--|-------------|---------------------------|-----------|------------|------------|
| | | Rate 33 | Rate 33 | Rate 33 | Rate 34 |
| Monthly kWh | 750 | 1,500 | 14,000 | 180,000 | 650,000 |
| Peak Monthly kW Demand | N/A | 0 | 40 | 500 | 1,000 |
| TOTAL ELECTRIC COSTS (Default supply, distribution, transmission & other charges) | | | | | |
| Annual Electric Cost | \$ 936 | \$ 1,113 | \$ 16,200 | \$ 157,824 | \$ 450,456 |
| Average Annual Cost per kWh for Supply and Delivery | \$ 0.104 | \$ 0.098 | \$ 0.096 | \$ 0.073 | \$ 0.058 |
| Average Monthly Cost | \$ 78 | \$ 167 | \$ 1,350 | \$ 13,152 | \$ 37,538 |

¹Rates effective January 1, 2015; fuel and purchase power portion of bill is adjusted quarterly.

REGIONAL UTILITIES MONTHLY "BUNDLED" ELECTRIC BILLS - JANUARY 1, 2015¹

| State | Utility Company | Residential | Commercial | | Industrial | |
|---|--|-----------------|-----------------|--------------------|----------------------|------------------------|
| | | 750 kWh | 1,500 kWh | 14,000 kWh & 40 kW | 180,000 kWh & 500 kW | 650,000 kWh & 1,000 kW |
| COLORADO | Black Hills (formerly Aquila and UtiliCorp) | \$120 | \$377 | \$1,709 | \$23,987 | \$61,924 |
| | Xcel Energy | \$81 | \$147 | \$1,333 | \$16,327 | \$41,410 |
| ILLINOIS | Ameren CIPS | \$69 | \$142 | \$1,257 | N/A | N/A |
| | Ameren IP | \$72 | \$142 | \$1,253 | N/A | N/A |
| | Commonwealth Edison Company | \$102 | \$179 | \$1,440 | N/A | N/A |
| IOWA | MidAmerican Energy - East System | \$67 | \$120 | \$753 | \$8,176 | \$24,789 |
| | MidAmerican Energy - North System | \$73 | \$143 | \$913 | \$9,938 | \$31,153 |
| | MidAmerican Energy - South System | \$73 | \$150 | \$909 | \$9,096 | \$28,111 |
| KANSAS | Westar Energy-KGE | \$93 | \$179 | \$1,642 | \$15,772 | \$42,463 |
| | Westar Energy-KPL | \$93 | \$179 | \$1,642 | \$15,772 | \$43,071 |
| MICHIGAN | Upper Peninsula Power Company | \$165 | \$297 | \$2,157 | \$23,864 | \$72,803 |
| | We Energies (formerly Wisconsin Electric) | \$119 | \$257 | \$2,077 | \$21,507 | \$59,994 |
| MINNESOTA | Minnesota Power Company | \$75 | \$163 | \$1,306 | \$14,647 | \$46,338 |
| | Xcel Energy (Northern States Power Company) (MN) | \$93 | \$173 | \$1,307 | \$16,303 | \$46,040 |
| | Otter Tail Power Company | \$79 | \$139 | \$1,263 | \$15,979 | \$44,498 |
| MONTANA | Montana-Dakota Utilities Company | \$63 | \$97 | \$1,026 | \$12,365 | \$37,139 |
| | NorthWestern Energy | \$87 | \$188 | \$1,531 | \$18,394 | \$53,781 |
| NEBRASKA | Nebraska Public Power District* | NA | NA | NA | NA | NA |
| NORTH DAKOTA | Montana-Dakota Utilities Company | \$74 | \$132 | \$1,136 | \$13,955 | \$43,629 |
| | Otter Tail Power Company | \$73 | \$106 | \$1,179 | \$15,001 | \$42,104 |
| SOUTH DAKOTA | Black Hills Power | \$113 | \$183 | \$970 | \$19,761 | \$58,780 |
| | Mid-American Energy | \$64 | \$155 | \$849 | \$9,004 | \$24,331 |
| | Montana-Dakota Utilities Company | \$78 | \$145 | \$1,125 | \$11,927 | \$38,812 |
| | NorthWestern Energy | \$78 | \$167 | \$1,350 | \$13,152 | \$37,538 |
| WISCONSIN | Otter Tail Power Company | \$75 | \$112 | \$1,161 | \$14,773 | \$38,123 |
| | Madison Gas & Electric Company | \$117 | \$216 | \$1,708 | \$20,147 | \$57,084 |
| | Xcel Energy (Northern States Power Company) (WI) | \$96 | \$184 | \$1,373 | \$16,627 | \$46,350 |
| | Superior Water, Light & Power Company (Allele) | \$82 | \$155 | \$1,189 | \$14,891 | \$46,799 |
| WYOMING | We Energies (formerly Wisconsin Electric) | \$114 | \$215 | \$1,745 | \$19,763 | \$55,412 |
| | Black Hills Power | \$101 | \$183 | \$1,692 | \$20,720 | \$61,910 |
| | Black Hills Power (Cheyenne Light, Fuel & Power) | \$115 | \$227 | \$1,924 | \$21,071 | \$58,278 |
| | Montana-Dakota Utilities Company | \$77 | \$104 | \$1,113 | \$12,191 | \$34,992 |
| NORTHWESTERN ENERGY RAKING FOR UTILITIES SHOWN | | 13 of 31 | 17 of 31 | 19 of 31 | 8 of 28 | 7 of 28 |

* Source: Edison Electric Institute *Typical Bills and Average Rates Report Winter* (January 2015). Monthly "bundled" costs for supply & delivery. NorthWestern Energy Rates are subject to a monthly supply change adjustment. * Nebraska Public Power District rates not available.

Rates

Natural Gas Rates

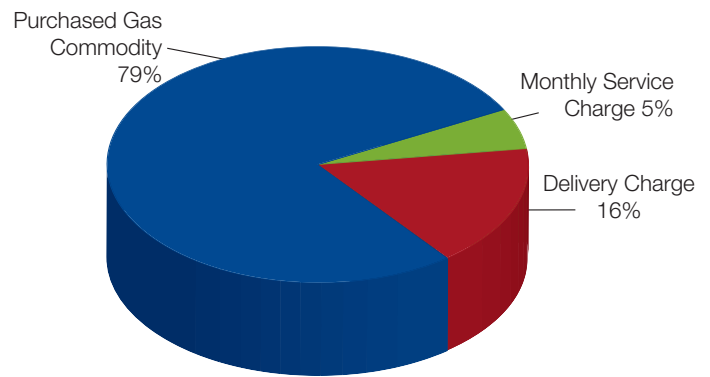
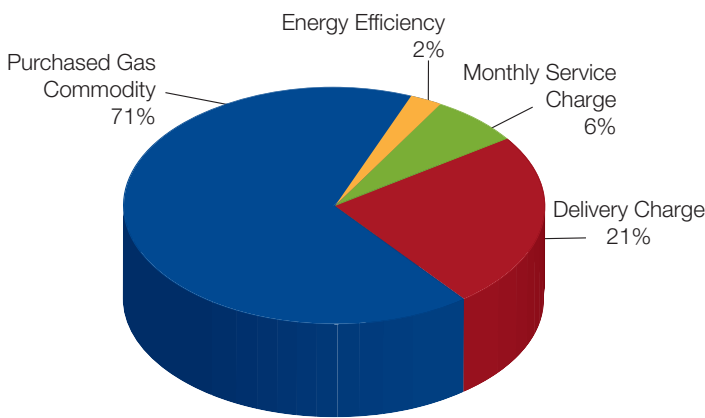
Customers see supply and delivery charges on their monthly bills. The NorthWestern Energy natural gas supply portion of the bill is subject to monthly cost adjustments in South Dakota and semi-annual adjustments in Nebraska. Current natural gas tariffs and natural gas service rules are available online at www.northwesternenergy.com.

The major pieces of a gas bill for a NorthWestern Energy small commercial natural gas customer using 200 therms a month and a residential customer using 100 therms a month are illustrated below.

Note: Usage varies between winter and summer months, depending upon the heating and water heating needs.

South Dakota NorthWestern Energy *Commercial* Customer
Monthly Natural Gas Billing Components
January 1, 2015 Using 200 Therms Per Month

Nebraska NorthWestern Energy *Commercial* Customer
Monthly Natural Gas Billing Components
January 1, 2015 Using 200 Therms Per Month



JANUARY 2015 PER THERM SOLD TO RESIDENTIAL AND COMMERCIAL CUSTOMERS BY UTILITIES¹

| State | Residential | Commercial |
|--|---------------|---------------|
| Colorado | \$0.79 | \$0.77 |
| Illinois | \$0.73 | \$0.68 |
| Iowa | \$0.75 | \$0.66 |
| Kansas | \$0.92 | \$0.87 |
| Michigan | \$0.86 | \$0.77 |
| Minnesota | \$0.86 | \$0.79 |
| Missouri | \$0.94 | \$0.88 |
| Montana | \$0.83 | \$0.84 |
| Nebraska | \$0.84 | \$0.78 |
| NorthWestern Energy NE² | \$0.85 | \$0.72 |
| North Dakota | \$0.79 | \$0.74 |
| South Dakota | \$0.77 | \$0.65 |
| NorthWestern Energy SD² | \$0.89 | \$0.71 |
| Wisconsin | \$0.86 | \$0.75 |
| Wyoming | \$0.85 | NA |
| AVERAGE FOR REGION | \$0.83 | \$0.76 |
| TOTAL AVERAGE U.S. | \$0.95 | \$0.82 |
| South Dakota - NorthWestern Energy ranking (compared to states listed above) | 12 of 15 | 4 of 14 |
| Nebraska - NorthWestern Energy Ranking (compared to states listed above) | 8 of 15 | 5 of 14 |

¹ Source: www.eia.doe.gov. - US Natural Gas Sector Report for average cost of gas sold in January 1, 2015. ² Source: NorthWestern Energy internal documents.

³ Average for State Region is average for the 13 states listed (excludes NorthWestern Energy in NE & SD)

Economic Development

Economic vitality is crucial to the future of South Dakota and Nebraska, and for more than 100 years, NorthWestern Energy has held a strong commitment to the communities it serves. Community Works encompasses NorthWestern Energy's tradition of funding community activities, charitable efforts and economic development within its service territory. In 2014, NorthWestern Energy's Community Works programs provided about \$2.25 million in funds for community sponsorships, charitable contributions and economic development organizations in in Montana, South Dakota and Nebraska.

NorthWestern Energy is committed to serving as a meaningful and dedicated contributor to the economic development process and see our role as "energizing the economy in South Dakota and Nebraska." Our emphasis is on "Building for the future of South Dakota and Nebraska," and the mission of our Economic Development team is to help retain existing jobs in South Dakota and Nebraska, promote business expansion and recruit new businesses to the state. Our economic development employees

assist site selection consultants, economic development agencies, government agencies, existing businesses and potential new businesses.

We are actively involved in economic development initiatives at the local, state, regional and national levels.

We can answer questions about:

- utility rates
- power reliability
- availability of utility services
- energy efficiency programs
- utility operations

Contacts for more information on any topic in this brochure or any other related subject are listed on the backside of this page. Information on our economic development activities is available online at: www.northwesternenergy.com.

The screenshot shows the Advantage South Dakota website. The header includes the logo and navigation links: Home, Contact Us, Site Map, Real Estate, Community Profile, Business Resources, About Us, News & Events, and Contact Us. A map of South Dakota highlights the James River Valley region, with cities like Aberdeen, Webster, Milbank, Redfield, Huron, De Smet, Madison, Chamberlain, Mitchell, Freeman, and Yankton marked. Below the map are social media sharing options and three main navigation buttons: Community Profile, Site Selectors, and Business Directory. The main content area features a "Welcome to Our Economic Development Portal" message, followed by a "Featured News" section with two articles: "Dakota State partners with Advantanon to create Domestic Technology Center" and "Mitchell, SD Named an 'Intelligent Community'".

As an economic development partner in our region, NorthWestern Energy is a sponsor of the Advantage South Dakota initiative which focuses on workforce attraction and recruitment of businesses in the James River Valley. Services have a social media emphasis, including a web portal for economic development information. The website is intended to be a comprehensive resource for site selectors and new and existing businesses looking for information on locating their business in the region. For more detailed information on this region of South Dakota go to: <http://www.advantagesouthdakota.com/asd>

Contact

Statewide Economic Development

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Awards & Achievements

Public Utilities Fortnightly recognized NorthWestern Energy for the second year in a row as one of the **top 40 best energy companies** in the United States. The report compares shareholder value performance by looking at uniform data sets among the leading publicly traded electric and gas companies across a range of metrics.

NorthWestern Energy was among 53 companies nationwide to earn a top-tier brand honor from **Cogent Reports at Market Strategies International**, which surveyed utility customers to develop brand-trust scores. NorthWestern earned the top regional score for combined electric and natural gas utilities.

NorthWestern Energy earned an A rating from the **New York Stock Exchange's Corpedia** for its Code of Conduct and Ethics, putting NorthWestern in the top two percent of all energy and utility companies reviewed.

NorthWestern Energy received a high honor when the **Corporate Secretary Corporate Governance Award** program recognized our annual proxy statement as the best among small and mid-cap companies. NorthWestern had been a finalist for the top award in 2012 and 2013.

The **South Dakota National Guard and the Employer Support of the Guard and Reserve (ESGR) Pro-Patria Award** was given to NorthWestern Energy in 2014 for "exceptional support of national defense through leadership practices and personnel policies" in support of employees who serve in the National Guard and Reserves. The award is given to only one company annually.