Hydro – A Great Opportunity

Spring, 2014
A Portfolio for the 21st Century

- Announced in September 2013, eleven base load hydroelectric generating facilities representing 633 megawatts of capacity and one storage reservoir.
- These assets are consistent with our vision of providing safe and reliable energy.
- An environmentally responsible means of generating power – portfolio will be 50% renewable.
- Asset purchase price of $900 million, subject to state and federal regulatory approval, including the Montana Public Service Commission. Price is non-negotiable.

Overview of Hydro Facilities

<table>
<thead>
<tr>
<th>Plant</th>
<th>Net Capacity (MW)</th>
<th>Ownership%</th>
<th>COD</th>
<th>River Source</th>
<th>FERC License Expiration</th>
<th>5-Yr Avg. Capacity Factor</th>
</tr>
</thead>
<tbody>
<tr>
<td>Black Eagle</td>
<td>21</td>
<td>100%</td>
<td>1927</td>
<td>Missouri</td>
<td>2040</td>
<td>73.6%</td>
</tr>
<tr>
<td>Cochrane</td>
<td>69</td>
<td>100%</td>
<td>1958</td>
<td>Missouri</td>
<td>2040</td>
<td>49.1%</td>
</tr>
<tr>
<td>Hauser</td>
<td>19</td>
<td>100%</td>
<td>1911</td>
<td>Missouri</td>
<td>2040</td>
<td>79.3%</td>
</tr>
<tr>
<td>Holter</td>
<td>48</td>
<td>100%</td>
<td>1918</td>
<td>Missouri</td>
<td>2040</td>
<td>72.4%</td>
</tr>
<tr>
<td>Kerr</td>
<td>194</td>
<td>100%</td>
<td>1938</td>
<td>Flathead</td>
<td>2035</td>
<td>64.5%</td>
</tr>
<tr>
<td>Madison</td>
<td>8</td>
<td>100%</td>
<td>1906</td>
<td>Madison</td>
<td>2040</td>
<td>89.2%</td>
</tr>
<tr>
<td>Morony</td>
<td>48</td>
<td>100%</td>
<td>1930</td>
<td>Missouri</td>
<td>2040</td>
<td>63.8%</td>
</tr>
<tr>
<td>Mystic</td>
<td>12</td>
<td>100%</td>
<td>1925</td>
<td>West Rosebud Creek</td>
<td>2050</td>
<td>48.2%</td>
</tr>
<tr>
<td>Rainbow</td>
<td>60</td>
<td>100%</td>
<td>1910 / 2013</td>
<td>Missouri</td>
<td>2040</td>
<td>77.5%</td>
</tr>
<tr>
<td>Ryan</td>
<td>60</td>
<td>100%</td>
<td>1915</td>
<td>Missouri</td>
<td>2040</td>
<td>79.8%</td>
</tr>
<tr>
<td>Thompson Falls</td>
<td>94</td>
<td>100%</td>
<td>1915</td>
<td>Clark Fork</td>
<td>2025</td>
<td>60.1%</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>633</strong></td>
<td><strong>66.1%</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

(1) Hebgen facility (0 MW net capacity) excluded from figures. All facilities are “run-of-river” dams except for Kerr and Mystic, which are “storage generation”
(2) As of June 2013
(3) The Confederated Salish and Kootenai Tribes have an option to purchase Kerr from September 2015 thru 2025
• Dams/reservoirs are existing resources with no development risk.
• Facilities are in NWE service territory and were built to serve MT customers.
• No carbon emissions - reduces the risk of environmental regulations including compliance cost or price increases.
• No fuel costs. Supply cost based on cost of production, not market prices.
• The dams provide diversity to our generation portfolio of coal, wind and natural gas.
• The dams provide electricity that matches the needs of our customers.
Meeting Customer Demand

We expect to be able to provide nearly all the power during the light load periods with some flexibility to use market purchases or other resources to meet demand during heavy load periods.

The addition of the hydro generation assets into our Montana electric portfolio aligns well with forecasted customer demand.
Reducing Market Reliance

Sources of Supply w/ Hydro Assets
QF - Qualified Facility under 1976 PURPA

- Coal (Colstrip 4) 26%
- New Hydro Excluding Kerr 38%
- Market Purchases 10%
- Thermal (QF/contract) 12%
- Wind (QF/contract) 10%
- Hydro (QF/contract) 1%
- Natural Gas 1%

Sources of Supply w/o Hydro Assets

- Coal (Colstrip 4) 26%
- Wind (Spion Kop) 2%
- Wind (QF/contract) 10%
- Natural Gas 1%
- Thermal (QF/contract) 12%
- Market Purchases 48%
Examples of Market Volatility

Mid C Volatility
Due to Cold December 2013 Temperatures

Early December Cold Snap

2013 Mid C Daily Peak $/mwhr
2012 Mid C Daily Peak $/mwhr
Hydro Revenue Requirement and Market Price Forecast

Revenue Requirement
Montana Market Price Forecast

Rising Market Prices
Amounts below represented in $ / MW

1. Brookfield Renewable Energy Partners acquiring a 351 MW portfolio from NextEra Energy (12/21/12)
2. Innergex Renewable Energy acquiring 28 MW (operating only) Magpie facility (7/26/12)
3. Brookfield Renewable Energy Partners acquiring the 351 MW (installed capacity at the time) Tapoco asset from Alcoa (6/29/12)
4. Brookfield Renewable Energy Partners acquiring the 351 MW Tapoco asset from Alcoa, includes modernization underway at the time to increase capacity to 378 MW (6/29/12)
5. Innergex Renewable Energy acquiring a 40 MW portfolio from Capital Power (6/14/12)
6. ArcLight acquiring a 30 MW portfolio from PPL (7/1/09)
7. Hydro Quebec acquiring 201 MW Manicouagan Hydroelectric facility from AbitibiBowater (3/13/09)

Price well within the range of recent comparable hydroelectric transactions.

Source: Company press releases
Note: Innergex / Magpie, Innergex / Capital Power portfolio, Hydro Quebec / Manicouagan transactions converted from CAD to USD based on historical exchange rate at time of the announcement
Excludes $30 million purchase price allocated to 194 MW Kerr facility
The hydro acquisition provides long-term energy certainty at lower levelized costs without a carbon footprint.

Source: New build levelized costs per Levelized Cost of New Generation Resources in the Annual Energy Outlook 2013 adjusted for Producer Price Index for electric generation. U.S. Energy Information Administration. EIA estimates assume a 3% increase in cost of capital approximating an emissions fee of $15 / metric ton of carbon dioxide when investing in a new coal plant without carbon control and sequestration technologies. Levelized costs for Hydro acquisition based on NWE internal estimates.
More than 35,000 pages of information related to the purchase filed in the PSC application and responses, so far.

17 PSC listening sessions across the state.
- A great opportunity to learn and be heard.

Formal hearing in early July.

Decision expected by mid-September.
Delivering a bright future

NorthWestern Energy