



April 25, 2016

Commissioner LeAnn Pierce  
Brookings County Commission  
316 4th Str.  
Brookings, SD 57006

Re: Community Works Report

Dear Commissioner Pierce:

We value partnerships between NorthWestern Energy and the communities we are privileged to serve. We work to be resources for local and state economic and community development efforts. To that end, I'm pleased to share with you our 2016 Community Works Report, which details the many ways we work with you to build stronger communities.

As a focused provider of essential electric and natural gas infrastructure and service, we invest in serving you, our customers and communities. Over the next few years our annual investment in South Dakota and Nebraska, primarily related to electric and natural gas transmission and distribution service (excluding future gas and electric supply), is expected to be in the range of \$50 million. We spend over \$60 million annually on operating and administrative expenses in South Dakota and Nebraska, and pay nearly \$7 million in property and other taxes.

This activity does, and will, continue to have a powerful positive impact on the regional economy. Much more importantly, we are investing in long-term adequate, safe and reliable essential infrastructure to serve our customers and to support the development of our communities and our economy.

As you'll see, this report features some of the great people we work with. Our employees are dedicated to making a difference on and off the job, and we are proud to support them.

I hope you enjoy this report. Please let me know if there is anything else we can do to be of assistance.

Sincerely,

Robert C. Rowe  
President and Chief Executive Officer



NORTHWESTERN ENERGY'S

# Community Works

**2016  
Report**





## Vision

---

Enriching lives through a safe, sustainable energy future.

## Mission

---

Working together to deliver safe, reliable and innovative energy solutions.

## Values

Safety  
Excellence  
Respect  
Value  
Integrity  
Community  
Environment

---

*On the cover: In late 2014, we commissioned artist Monte Dolack to create as a way to commemorate the company's purchase of 11 hydroelectric facilities in Montana. We unveiled this painting, titled Clean Energy, as part of our centennial celebration for the Ryan hydroelectric facility in August 2015.*

*On this page: Harrison Shepp hugs a tree he helped plant on May 19, 2015, at his Florence, Montana, grade school. Harrison created one of the winning entries in the company's Trees Together program that provided new greenery for eight Montana communities, three South Dakota communities and one Nebraska community in 2015.*

## About this report

Our 2016 Community Works report provides an overview of our company's actions in support of our core values. We live our values through a strong and binding commitment to safety in our work practices, excellence in service to our customers, treating everyone with respect, creating value for our stakeholders, conducting our business with the utmost integrity, community involvement and environmental responsibility every day.

This report provides information on our 2015 financial, environmental and social performance. We prepared this in coordination with our annual report for the fiscal year ending December 31, 2015.

## Table of contents

A message from our president and CEO	1
Our company	2
Our communities	4
Our commitment to customers	10
Our employees	14
Our environmental stewardship	18
Our notable achievements	26

## Acknowledgements

This report was produced through a partnership of numerous NorthWestern Energy employees and a printing vendor within our service territory. We thank them for their time, contributions and support.

Lead editor and photographer: Susan Malee  
Designer: Travis Campbell



# NorthWestern Energy

Buck

NorthWestern Energy  
safe production

NorthWestern Energy

NorthWestern Energy

# A message from our president and CEO

Recently, I overheard someone from outside our company refer to our customers as ratepayers – a word that annoys me. To me, it implies an impersonal relationship between a person who pays and an entity that takes the payment. Instead, at NorthWestern Energy, we talk about our customers.

We not only talk about our customers but we also care about them because we know our customers have high expectations for service quality and value. They expect us to be responsive and to work with them to find solutions to their energy needs. They want interactions with us to be easy, and they want to come away with a feeling of being safe, valued and respected.

That is why we invite and welcome our customers to interact and engage with us. We want - and listen to - their feedback. One way to encourage this conversation is through our walk-in offices. I am proud that while other companies have closed their walk-in offices, we have maintained ours across South Dakota and Nebraska, and last year we opened offices to our customers in many Montana communities. Soon after we opened our customer service office in Missoula, Montana, a couple stopped in with a plate of cookies and a note that read, “You make paying our bill fun!” We also want to give our customers convenient options to connect with us. In addition to calling us or visiting in person, our customers now can make payments or track outages online because of ongoing investments in web technology.

We know our customers expect safe, reliable service at an affordable price. That is why we invest hundreds of millions of dollars each year to maintain, replace and improve our

infrastructure. It is why we have invested in cost-effective electric generation and natural gas production that provides long-term price stability, meaning we base prices on the cost of production instead of what happens in power markets.

We also spend time listening to customers, one-to-one, in community meetings and in stakeholder groups so we can learn how to do our jobs better. Advantage South Dakota, for example, is a key vehicle for supporting economic development work across our South Dakota service territory. In Montana, we kicked off a new Community Sustainable Energy Work Group to help us design several pilot projects so we can gain a better understanding of how distributed supply models might work with our distribution system. Currently, our Infrastructure Stakeholder Group is learning about our gas and electric delivery systems, so its members can help us plan ways to meet our customers’ expectations in the future.

Our customers also have told us they want NorthWestern Energy to be an active, responsible and trusted partner within our communities. We work to be responsible stewards, contributing more than \$2 million to our communities through our Community Works programs. Through our donations, we give to nonprofits, support events, fund scholarships and encourage economic development. More importantly, our employees apply their talents as volunteers for nearly 250 nonprofit agencies. However, our overall impact on communities is even greater than what we donate. According to a recent study, the total economic impact of our work was more than \$2 billion in 2015, spread across the communities we serve.

On the cover of this report is a copy of a painting by Montana artist Monte Dolack. We commissioned the piece in 2015 to celebrate the addition of 11 run-of-the-river hydroelectric facilities distributed across western and central Montana to our energy portfolio. We have dedicated the facilities to serve our customers permanently. This means our hydro-based electric supply system in Montana is nearly 60 percent carbon free but with important contributions from a diverse set of resources.

Monte's depiction of Black Eagle Dam, located on the Missouri River in Great Falls, Montana, also highlights our approach to the lifecycle of our well-managed and maintained energy production facilities. In addition, by selling copies of the print in 2015, we raised approximately \$11,000 for three river-conservation organizations, with whom we have a partnership to help maintain healthy rivers where our dams are located. On a larger scale, in 2016 we will fund \$1.2 million in fisheries, wildlife and habitat projects along our rivers.

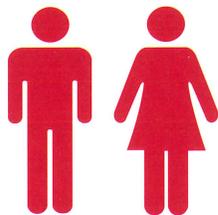
We approach our relationships with our stakeholders – customers and communities – with intent. We work each day to make their experience positive. We know we can always do better, and that expectations change. This Community Works Report highlights our intentional approach to customer and community engagement. It is our report so that you – our customers – can decide how well we are meeting your expectations.



# Our company

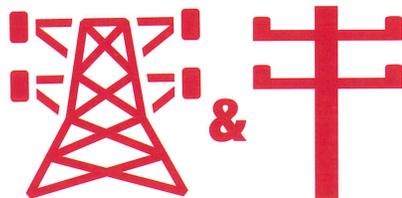
**700,100**

Customers



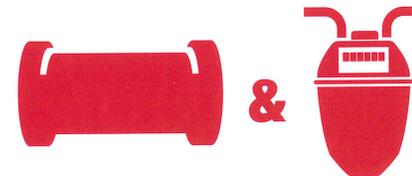
**27,900**

Miles of electric transmission  
& distribution lines



**9,575**

Miles of natural gas transmission  
& distribution lines



**3**

States served  
& one national park



**1,291 MW**

Nameplate owned power generation



**84 Bcf**

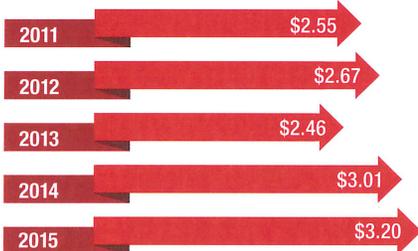
Gas storage  
& owned natural gas reserves



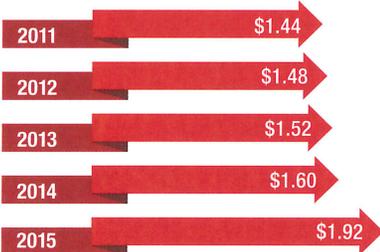
## Year-end Share Price



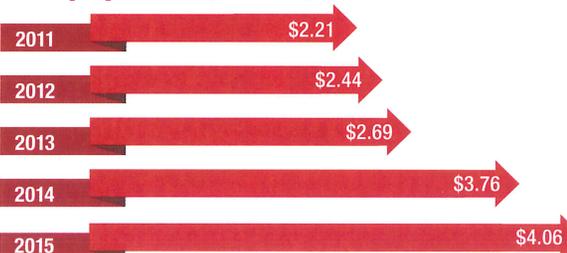
## Basic Earnings Per Share



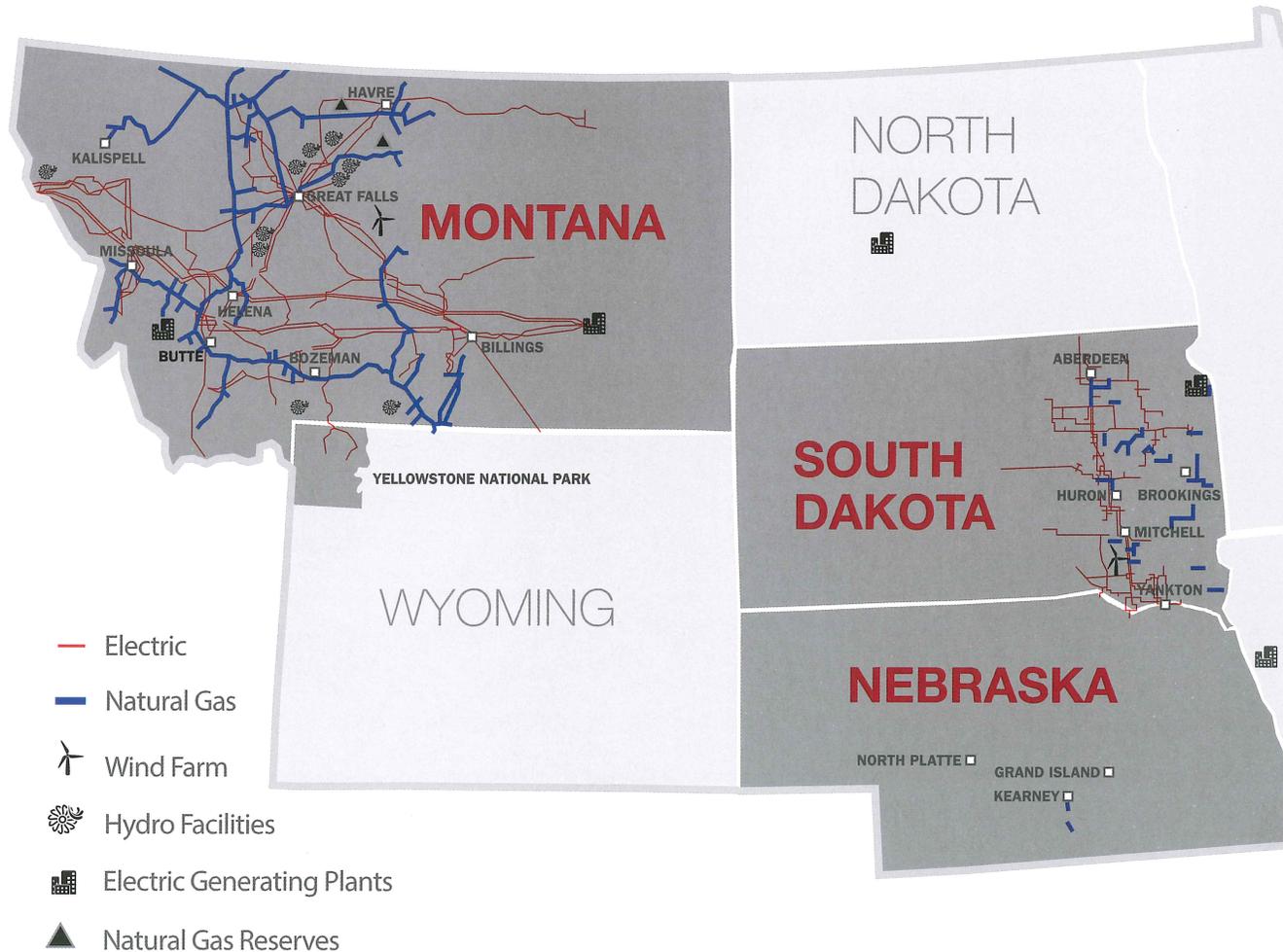
## Dividends Per Share



## Net Property, Plant & Equipment (in billions)



## Service territory



# Our communities



# \$2.1M

Through our Community Works program in 2015, we contributed more than \$2.1 million in support of our communities in the form of economic development opportunities, United Way involvement, sponsorships and employee volunteer efforts.

## Charitable donations, economic development and local sponsorships

	Charitable donations	United Way match*	Local sponsorships	Economic development
<b>Montana</b>				
Billings, Lewistown	\$69,730	\$7,302	\$21,815	\$9,250
Bozeman	70,035	4,110	19,505	13,320
Butte	55,550	16,029	12,665	17,500
Great Falls, Havre	67,008	9,658	21,702	17,500
Helena	49,320	4,135	13,435	9,410
Missoula, Hamilton, Kalispell	103,912	6,578	29,342	9,500
State-wide initiatives				37,365
<b>South Dakota</b>				
Aberdeen	\$20,640	\$1,117	\$7,180	1,000
Brookings	11,300	0	3,292	30,000
Huron	26,032	3,639	8,920	35,000
Mitchell	21,625	515	6,097	33,371
Sioux Falls	18,235	15,102	6,119	25,000
Yankton	16,220	245	5,473	1,500
State-wide initiatives				1,500
<b>Nebraska</b>				
Grand Island	\$11,772	0	\$4,929	0
Kearney	5,748	0	2,998	0
North Platte	6,184	52	2,845	0
State-wide initiatives				1,000
<b>Totals</b>	<b>\$553,311</b>	<b>\$52,453</b>	<b>\$166,317</b>	<b>\$242,216</b>

**Notes:**

- The geographical areas listed above include all towns served by NorthWestern Energy.
- The United Way match includes only the money NorthWestern Energy contributed to match donations made by employees and retirees.

Photo caption opposite page: Clockwise from the upper left – An early spring morning outside Mocassin, Montana; Mike Polich of our Butte Division affixes an RU Safe Community decal to a fleet vehicle; Deb Young staffs an energy efficiency booth at a Thompson Falls, Montana, community event last summer; and employees volunteer time to mark the exact placement for the thousand U.S. flags, making up the Field of Honor in Butte, Montana. (Photo by Mark Mallard)

## Volunteerism

# 585

EMPLOYEES WHO VOLUNTEERED

# \$244,386

SOCIAL VALUE CREATED

# \$90,500

VOLUNTEER GRANTS AWARDED

# 2015

# 7,470

HOURS GIVEN

# 248

NONPROFITS HELPED

# \$105,000

Our employees and retirees donated \$104,906 of their own money to their communities' United Way organizations in 2015.

# \$328,000

In 2015, NorthWestern Energy paid close to \$203,000 in state and local Chamber of Commerce dues and about \$125,000 in employee association dues.

# \$496,000

NorthWestern Energy donated close to half a million dollars to civic, educational and nonprofit sectors across its service territory in 2015.

## Low-income assistance

NorthWestern Energy is committed to helping our customers understand how to use energy wisely and to lending a hand to those who may struggle to pay their energy bills. We contribute to energy assistance programs throughout our service territory. We work closely with the federal Low Income Energy Assistance programs – LIEAP in Montana and South Dakota

and LIHEAP in Nebraska – to deliver critical short-term aid to our community's most vulnerable citizens. Although state agencies administer the programs, the federal government funds LIEAP and LIHEAP. State agencies pay assistance money directly to NorthWestern Energy for eligible households and the company returns any unused funds to the state.

## \$50,000



ENERGY SHARE of MONTANA

Energy Share of Montana is a statewide nonprofit energy assistance program that helps low-income families who may have a hard time paying their heating bills during the winter.

## \$8.3 million

During the 2014 and 2015 heating season, we delivered \$8,298,126 in funding to 14,583 households at an average of \$569 per household in Montana, South Dakota and Nebraska. Of this, we returned \$216,131 the states.

## Scholarships

In 2015, we gave \$103,250 to universities, colleges, tribal and trade schools in Montana, Nebraska and South Dakota to fund scholarships for students studying engineering, computer technology, business or utility-related trades.



# Health and safety in our communities

## Protecting our buildings, information networks and energy systems

Protecting our physical energy infrastructure and automated information networks from attack of any kind is a top priority at NorthWestern Energy. We constantly monitor and assess evolving threats and apply current technology to protect our employees, our communities and our systems that deliver safe and reliable power to our customers. We have in place a suite of policies, procedures, working groups and executive-level oversight to manage and govern cybersecurity. We continually evaluate and enhance our cybersecurity tools for quicker threat identification and remediation and take advantage of advanced technology to examine incoming and outgoing data for illicit traffic. We protect our hundreds of offices, buildings, warehouses, garages and service centers with a mix of security – from guards and controlled card-access system to around-the-clock surveillance. We also work closely with the North American Electric Reliability Corporation (NERC) to meet guidelines for increased protection of electric transmission stations, substations and associated control centers.

**10,625 mi.**

NorthWestern Energy operates its 10,625 miles of natural gas pipelines in a manner that ensures reliable, continuous delivery of natural gas to customers while maintaining public safety and the integrity of the gas pipeline system.

## Ensuring our natural gas transmission and distribution pipelines are safe

We communicate pipeline awareness and safety by mailing information to landowners and tenants who live along or near one of our high-pressure gas transmission lines. We also have a growing third-party damage prevention group that focuses on safe digging practices around our gas and electric infrastructure. These employees participate in safety training for contractors and other excavator groups to help eliminate the unintended release of natural gas thus protecting the public and the environment.

We focus on ways to increase awareness among customers about the safe use of natural gas, and we provide safety educational materials and training to groups that work around our energy systems.

Through its employees and in collaboration with other groups, NorthWestern provides face-to-face training and informational manuals to first responders in 57 counties in Montana, Nebraska and South Dakota. In 2015, close to 1,000 first responders, including firefighters, attended NorthWestern Energy sponsored training, and we distributed close to 1,200 emergency guidelines booklets, training CDs and 3,500 newsletters to emergency agencies and public officials.

We also conduct on-going inspections of our natural gas infrastructure as part of operating a safe and reliable system. Every year, we inspect our pipeline routes for signs of leaks and corrosion. We also comply with the pipeline safety regulations established by agencies such as the Department of Transportation and the Office of Pipeline Safety.

Gas line type	Montana	South Dakota	Nebraska	Totals
Number of services*	183,811	47,915	40,276	272,002
Miles - distribution main*	4,680	1,591	778	7,049
Miles - transmission pipe	2,094	55	–	2,149
Miles - storage system pipe	77	–	–	77
Miles - gathering pipe	1,350	–	–	1,350
<b>Total miles</b>	<b>8,201</b>	<b>1,646</b>	<b>778</b>	<b>10,625</b>

\*Based on 2014, year-end Department of Transportation reports.

## RU Safe partnership



In 2015, we formed a partnership with Ryan United, a nonprofit group, to help deliver safety information and promote awareness of child safety in communities across our service territory. Through the partnership, we work on the RU SAFE Communities™ program, which includes missing-child response and prevention, cyber-safety for children and adults and the know-and-tell concept that encourages situational awareness and reporting of suspicious activity. Last year, our employees received vehicle decals and a training guide. We also are working to place the RU SAFE Community logo and information on all of its fleet vehicles in the coming months, sending the message that our employees are stewards of this program.

## Tree planting events promote call before you dig



**Know what's below.  
Call before you dig.**

Through our unique tree-planting campaign called Trees Together, we encourage individuals to call for utility line locates before beginning any excavation project. In 2015, Trees Together provided trees or shrubs for eight Montana communities, three South Dakota communities and one Nebraska community. The program encourages third-grade students to enter a coloring contest with winners receiving \$5,000 grants for their schools to purchase and plant trees on or near their school grounds. The program reinforces the importance of planning before planting and digging safely. Last year, NorthWestern Energy employees joined students at several locations to plant trees and shrubs during the spring and autumn planting season.

Photo caption opposite page: Scholarship recipients, employees and college administrators are on hand on October 6, 2015, for a ceremonial check presentation at which NorthWestern Energy gave Montana Tech \$25,000 for scholarships.

## Advisory panels

NorthWestern Energy works collaboratively with stakeholders to gather their input on various important topics. In 2015, the company launched three stakeholder initiatives in Montana.

The first group convened in mid-June with the purpose of identifying a renewable technology pilot project in the Bozeman area. We expect the project, which is a collaborative effort between NorthWestern Energy and the city of Bozeman, to break ground in mid-2016.

The Community Sustainable Energy Working Group (CSEWG), moderated by leaders from the Solar Electric Power Association, is an invited group of civic and environmental advocacy stakeholders intended to help the company identify potential pilot programs that would help

the company understand how new technologies could integrate reliably into the grid as they become cost-effective. We expect the CSEWG to wrap up its work in spring 2016.

The Infrastructure Stakeholder Group is picking up where a similar group left off about seven years ago. It is a broad-based group of customer segments ranging from low-income residential to large industrial, representing the rural and urban communities of Montana. We have asked this group to review and comment on NorthWestern's plans to address electric and natural gas distribution and transmission in the coming years. This group began in late 2015; we expect them to convene through 2016.

## Economic impact\*

Economic benefits summary	Montana	South Dakota & Nebraska
Local job benefit	>10,800	>950
Gross economic output	\$1.78 billion	\$226 million
Gross county output	\$776 million	\$112 million
Total labor income	\$366.5 million	\$47.3 million
Capital income	\$378 million	\$62.6 million
Indirect business taxes and fees	\$31.6 million	\$2.2 million

\*As calculated by Circle Analytics, Inc.



A consultant from a local business captures the essence – in graphics – of a community meeting on sustainable energy held in Bozeman in 2015.

# Property taxes

Montana Counties	2015 Taxes
Butte-Silver Bow	\$8,608,053
Cascade	15,815,574
Yellowstone	11,267,220
Missoula	10,787,786
Lewis & Clark	10,216,618
Gallatin	11,468,323
Flathead	2,226,315
Fergus	1,279,517
Carbon	1,779,675
Phillips	419,576
Hill	2,208,826
Ravalli	2,715,284
Lake	2,241,826
Beaverhead	1,428,447
Chouteau	869,149
Valley	574,004
Toole	987,492
Big Horn	933,455
Musselshell	533,162
Blaine	1,199,249
Madison	1,894,548
Pondera	850,989
Powell	1,857,317
Rosebud	3,706,583
Anaconda-Deer Lodge	6,106,513
Teton	1,291,743
Stillwater	2,236,496
Treasure	127,837
Sanders	3,107,873
Judith Basin	677,238
Glacier	2,951,864
Sweet Grass	767,228
Broadwater	912,022

Montana Counties (continued)	2015 Taxes
Wheatland	784,160
Granite	952,811
Meagher	650,456
Liberty	267,721
Park	2,142,962
Jefferson	1,460,809
Golden Valley	413,009
Mineral	623,407
Montana Other	2015 Taxes
City of Bozeman	24,899
City of Dillon	652
Blackfeet Loop & Possessory Tax	310,321
Crow Tribe Railroad & Utility Tax	148,462
Fort Peck Tribe Utility Tax *	280
Canadian Montana Pipeline	19,410
Montana Rail Link	1,183
Battle Creek - Wells (100%)	5,846
Bear Paw - Wells (100%)	31,564
Bear Paw South - Wells (100%)	46,046
<b>Total</b>	<b>\$121,931,797</b>

\*Estimated Tax

South Dakota Counties	2015 Taxes
Aurora	\$20,808
Beadle	693,254
Bon Homme	78,917
Brookings	94,829
Brown*	942,601
Brule	51,044
Charles Mix	106,875
Clark	93,539
Codington	26,163
Davison	345,986
Day	90,835
Deuel	28,411
Douglas	37,226
Edmunds	13,984
Faulk	53,600
Grant	433,912
Hamlin	32,555
Hand	24,317
Hanson	21,076
Hughes	11,449
Hutchinson	136,935
Hyde	52,945
Jerauld	12,717
Kingsbury	28,420
Lake	49,574
Lincoln	99,622
Marshall	2,797
McCook	8,230
Miner	6,809
Roberts	1,747
Sanborn	41,943
Spink	191,533
Turner	42,689
Yankton	294,108
<b>Total</b>	<b>\$4,171,449</b>

\*Some tax bills in Brown County are being paid under protest.

South Dakota Wind Generation	2015 Taxes
Wind Gross Receipts Tax	\$40,011
Nameplate Capacity Tax	64,076
<b>Total</b>	<b>\$104,087</b>

Note: The state of South Dakota allocates the wind taxes to the counties based on tower location. NorthWestern Energy's 43 towers are located in Bon Homme (8), Charles Mix (19) and Hutchinson (16)

Nebraska Counties	2015 Taxes
Buffalo	\$132,707
Hall	224,485
Kearney	1,505
Lincoln	116,895
Merrick	915
<b>Total</b>	<b>\$476,507</b>

# Our commitment to customers



# Investment summary

## 2015 financial highlights

Total assets in Montana: **\$3.8 billion**

Total assets in South Dakota and Nebraska: **\$802 million**

Total company assets: **\$5.28 billion**

Total capitalization: **\$3.6 billion**

Total non-payroll operating general and administrative expenses: **\$215 million**

## 2016 capital commitment

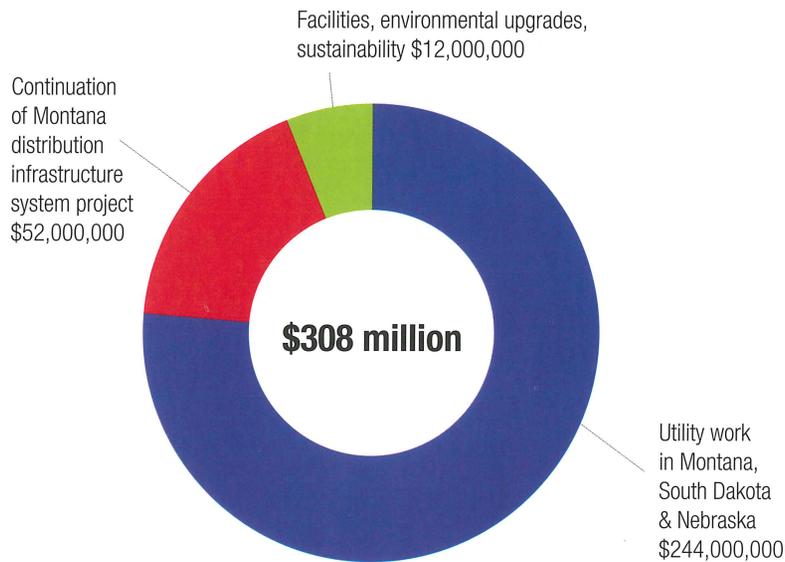


Photo caption opposite page: Clockwise from the upper left – a lineman works on a 69 kV line in the Bitterroot Valley, Montana; installation of a new natural gas service pipeline in mid-winter; crews work through the night to restore power after a severe windstorm knocked out power to thousands of customers on August 10, 2015, in the Missoula, Montana area (photo by Mark Bryant); and Shannon Cooney, lead customer associate, in one of our new walk-in offices.

Photo caption this page: Crews work to rebuild the Delmont, South Dakota, system after a tornado devastated a major portion of the small town on May 9, 2015. (Photo by Tom Glanzer)

# Reliability

While outages are unavoidable, we are dedicated to keeping the disruption to a minimum. As such, we monitor and measure the frequency and duration of outages through industry-accepted performance standards called SAFI and SAIDI.

## Our reliability terms:

### 1. SUSTAINED OUTAGE

A power outage lasting longer than five minutes

### 2. SAIFI

(System Average Interruption Frequency Index) – The number of sustained outages experienced by the average customer in a year

### 3. SAIDI

(System Average Interruption Duration Index) – The cumulative duration of sustained outages experienced by the average customer in a year

	2014	2015*
SAFI (occurrences)	1.09	1.22
SAIDI (minutes)	108.3	123.2
Avg. wait (minutes to get power back)	99.6	101.42

\*We anticipated and saw a decrease in our 2015 reliability measurements because of the installation and system-wide use of a new automated outage management system.

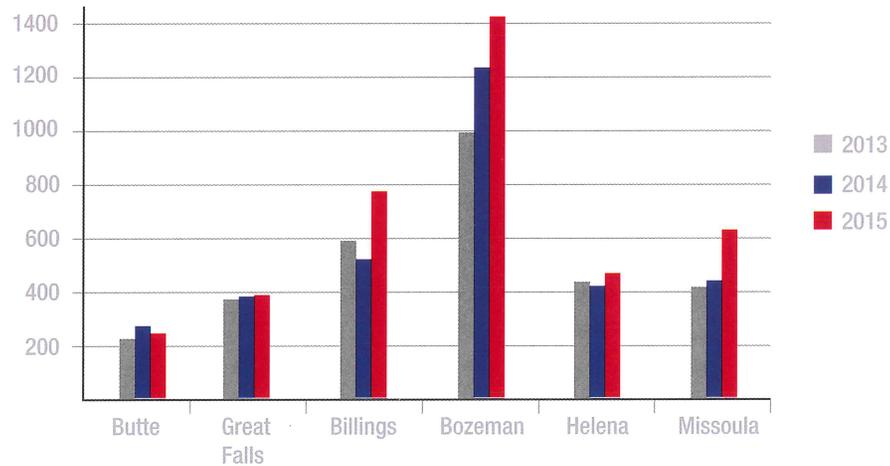
In 2015, we also experienced six major event days, five in Montana and one in South Dakota, with the wind damage in Missoula, Montana, so severe we considered it a catastrophic day.



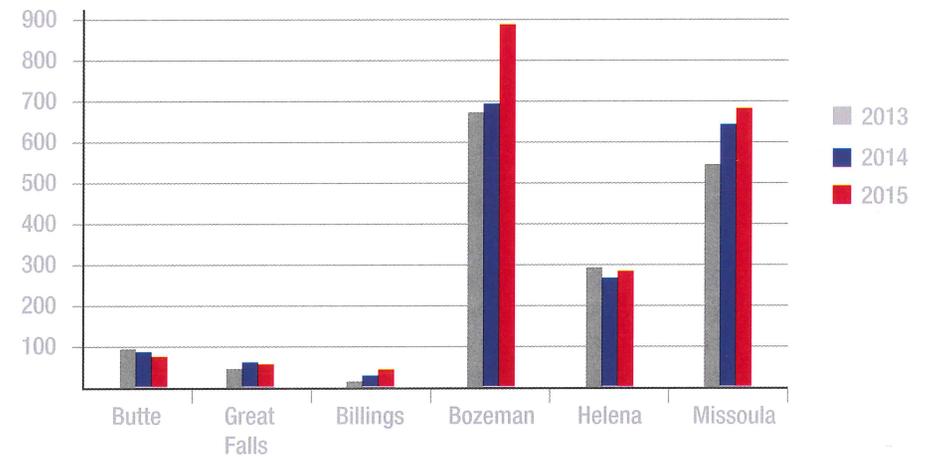
# Energy for growing communities

Each year, we measure the requests we receive for new electric and natural gas service. We call them new connects and they require the installation of a meter. We believe the number of new connects is a direct reflection of activity in residential and commercial building markets.

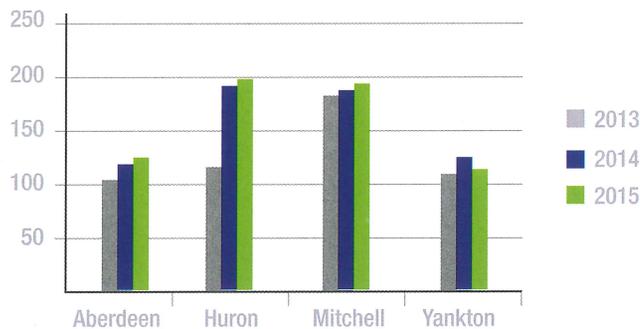
**Montana electric new-connects comparison 2013-2015**



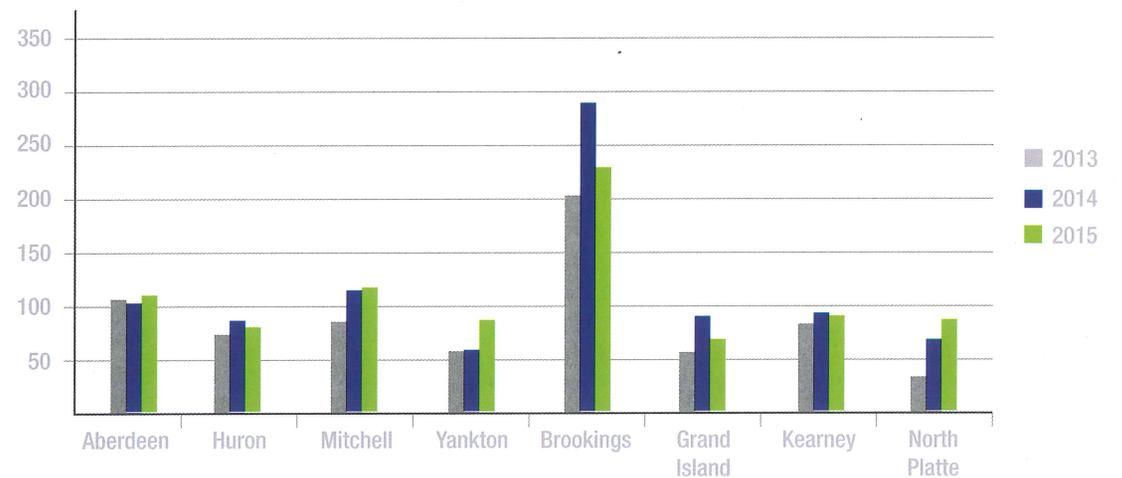
**Montana natural gas new-connects comparison 2013-2015**



**South Dakota electric new-connects comparison 2013-2015**



**South Dakota/Nebraska natural gas new-connects comparison 2013-2015**



## Contact centers

We have two customer contact centers, one in Butte and one in Huron, providing customers with 24/7 access.



**97,337**

Average calls per month



**Under 4 minutes**

Average talk time



**23**

Walk-in offices

Our employees read about 419,045 electric and 274,241 natural gas meters each month, estimating less than 2 percent of them.

## Other investments in customer service

NorthWestern Energy continues to reshape its energy supply portfolio, with a goal of providing sustainable, reliable and affordable electric and natural gas service to its customers.

Since purchasing 11 Montana hydroelectric facilities late in 2014, NorthWestern has been working to optimize the operations of the dams and maximize their value for our customers. The dams bring valuable diversity to NorthWestern's Montana energy portfolio. Nearly 60 percent of the electricity we use to serve our Montana customers now comes from by carbon-free water or wind.

NorthWestern's goal is to own 50 percent of the natural gas it needs to serve its Montana customers and we continue to seek opportunities to acquire natural gas assets. Thanks to acquisitions in recent years of wells, gathering systems and pipelines, we now own more than 30 percent of the gas reserves we need in Montana. Owning reserves allows us to remove the uncertainty of market prices for customers, creating more stable and predictable rates for heating homes and businesses.

We also are in the middle of the seven-year, \$375 million Distribution System Infrastructure Project that invests in the systems that deliver energy to Montana customers. In 2016, we will spend about \$62 million, including labor, across our Montana service territory upgrading power poles and underground lines, and improving natural gas systems. The program also includes tree trimming, substation work and technological upgrades across our system, all aimed at improving service reliability.

We also are working to upgrade and expand our transmission system, investing in reliable service to the Big Sky area of southwest Montana. Company and contract crews made significant progress on the \$48-million electric transmission upgrade in the environmentally sensitive Gallatin Canyon in 2015, and that work will near completion in 2016. Planning and permitting for a new electric transmission line in Stillwater and Carbon counties are complete. We plan to begin line construction in 2016. The \$35-million project will boost reliability and bring added capacity to this scenic, growing area of Montana.

Changes in how NorthWestern uses technology to manage its workforce and outages is paying great dividends. The changes also allow us to redefine customer service responsibilities and to staff walk-in, customer service offices in many of the larger communities we serve. The offices, modeled after similar well-received operations in South Dakota and Nebraska, allow customers to pay bills, inquire about accounts and learn about new services by working face-to-face with NorthWestern employees. Fully remodeled, freshly branded customer service offices opened in Missoula, Helena, Billings, Great Falls and Butte in late 2014 and 2015. We have similar office upgrade work planned for Kalispell and several South Dakota locations in 2016. The offices represent an already popular addition to customer services delivered via telephone and [northwesternenergy.com](http://northwesternenergy.com)



*A Chinook helicopter helps crews set one of the steel transmission structures as part of our upgrade project in the steep Gallatin River canyon near Big Sky, Montana.*

# Our employees



# 2015 employee summary

## Total employees

State	Count	Locations	Payroll
Montana	1,292	56	\$120 million
South Dakota & Nebraska	330	24	\$29 million

## Employees represented by unions

Location	Number of employees	Annual payroll
Montana	470	\$39 million
South Dakota & Nebraska	196	\$13 million

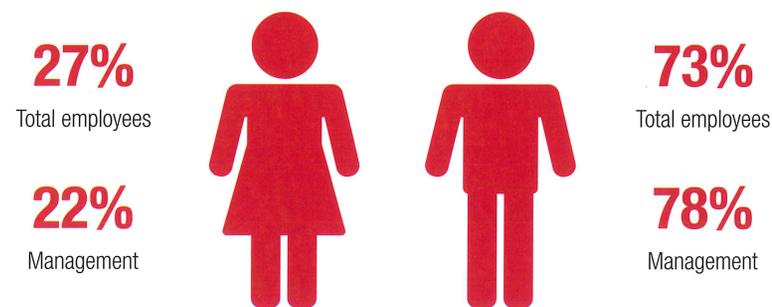
## Retirees

Location	Number of employees	Annual monthly benefit payments
Montana	1,326	\$17.9 million
South Dakota & Nebraska	239	\$2.7 million

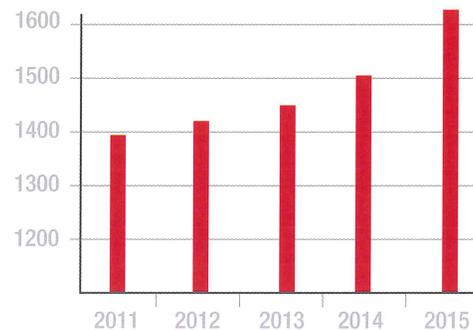


Laurie Stagnoli, lead compensation analyst, Butte, Montana, has more than 35 years of experience with the company.

## Gender



## Total employees as of January 1



## Turnover rate

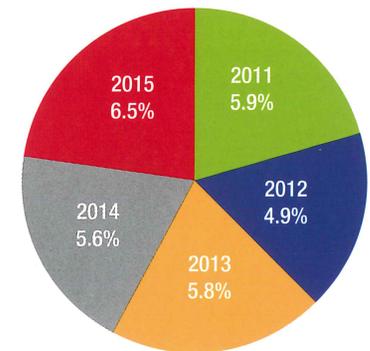


Photo caption opposite page: Clockwise from the upper left – a lineman is silhouetted by the sun; our operations supervisors pose for a photo during a meeting; Jonathan Shafer, engineer, points out features of photovoltaic solar collectors to a group of Montana State University electrical engineering students touring our microgrid solar project north of Deer Lodge.



## Employee safety programs

NorthWestern Energy is committed to the safety and health of its employees and the prevention of injuries, illnesses and vehicle incidents. Our guiding principle is that any work-related injury or illness is an unacceptable part of conducting our business and that no job is so important and no service is so urgent that employees cannot take the time to perform these tasks safety. This principle protects the safety and well-being of employees, customers and the general public.

We have a comprehensive safety system, providing employees with rules, procedures and work practices to support the safe completion of work. Additionally, we developed an experienced group of qualified safety professionals to support all employees in accomplishing their safety objectives, and we have administrative programs in place for medical surveillance, drug and alcohol prevention, prescription safety glasses and safety recognition activities.

To develop a sustainable and excellent safety culture, we believe that every employee in the organization must commit to accepting his or her roles and responsibility for the safe completion of work.

The following chart provides a historical look at our safety performance.

**NorthWestern Energy Company  
OSHA Recordable Incidence Rates**

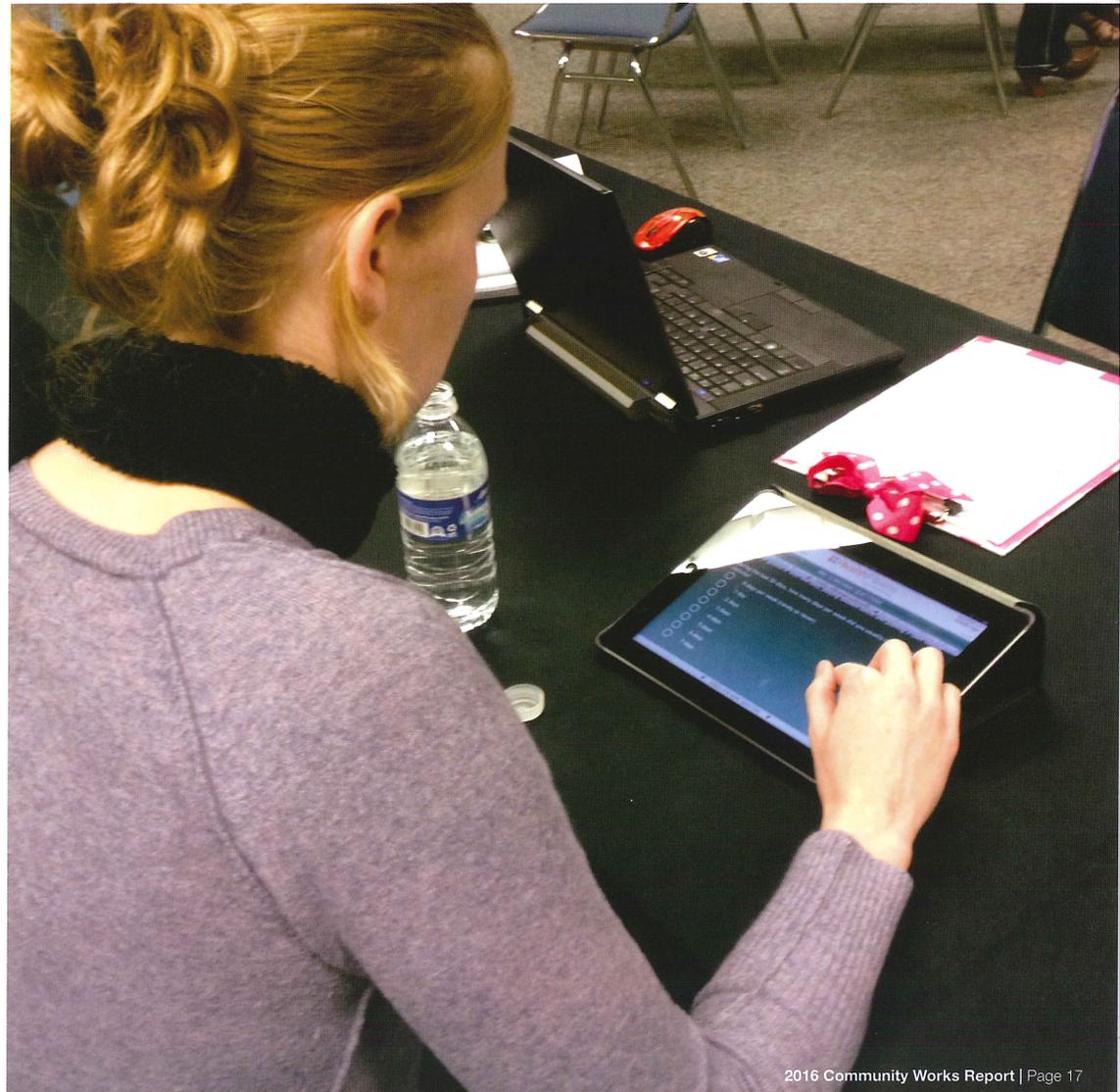


*Photo caption opposite page: Our line crews work to replace spacers on a span of our 500 kV lines in central Montana.*

*Photo caption this page: An employee completes a brief questionnaire online as part of our annual health screenings. (Photo by Tabatha Hyatt)*

## Wellness program

Since 2011, NorthWestern Energy has had a formal wellness program in place to encourage employees to make healthy lifestyle decisions involving preventive health care, healthy eating and staying active. In 2015, just under 65 percent of eligible employees took advantage of company-sponsored annual health screenings to obtain information about key health indicators. More than 55 percent of our employees completed all activities associated with the 2015 wellness program. In 2012 and 2014, NorthWestern Energy received a gold-level award from the Montana Worksite Health Promotion Coalition for excellence in promoting worksite health, and we anticipate submitting our application for the biennial award again this year.



# Our environment



# Environmental stewardship summary

We at NorthWestern Energy are committed to providing our customers with energy to meet current and future needs while protecting the quality of the environment. We are vigilant in monitoring the impacts of our operations on the environment, in complying with the spirit as well as the letter of environmental requirements, and in managing natural resources under our stewardship responsibly. As the company expands its energy generation capabilities, we understand that the need for a strategic focus on environmental compliance and stewardship is paramount.

## Hydroelectric license compliance and river and reservoir stewardship

In 2016, we gave \$1.2 million in support 39 fisheries, wildlife and habitat improvement projects within the 550-mile corridor of the Madison-Missouri rivers from Yellowstone National Park to the headwaters of Fort Peck Reservoir. Through this stewardship program,

which began in 2000 in cooperation with state and federal resource agencies, we monitor and offset effects from the nine hydroelectric projects we operate on the Madison and Missouri rivers. We are proud of the effort that demonstrates cooperation between state, federal and local government; private landowners; and non-governmental organizations to meet river conservation objectives.

This year, we also will collaborate with seven different government agencies, 16 private landowners, Montana's two major state universities and six different non-governmental conservation groups on a variety of projects. In addition, our contribution often qualifies as seed money to secure matching funds from already appropriated state and federal grant programs. Through this, agencies have leveraged an additional \$1.4 million in matching funds and in-kind donations from other entities, resulting in a total of \$2.6 million for river resource stewardship.



**Our Environmental Permitting and Compliance Department has more than 200 years of professional environmental experience.**



*We have projects planned to improve the aquatic habitat along rivers and 10 tributary streams from Hebgen Lake to Great Falls. We are working to restore wetland and aquatic habitat along 4,000 feet of O'Dell Creek near Ennis and we are funding efforts to establish cottonwood habitat and build fences to manage livestock grazing and improve sensitive riverside habitat in the Upper Missouri River Breaks National Monument, pictured here.*

*Recovery of endangered and sensitive species is another key part of the our environmental stewardship programs, including those that monitor and enhance populations of pallid sturgeon, trumpeter swans, westslope cutthroat trout and bald eagles. As part of this program, we installed diverters on an electric transmission line near a manmade pond, pictured above, when we learned that a flock of trumpeter swans began landing on the water.*

*We monitor fish and wildlife in nine reservoirs and more than 500 miles of river by providing funding and working closely with the state and federal agencies. Together we maintain long-term fish and wildlife databases, which provide useful management information and gauge the overall health of the system. Above is a representative from the state Fish, Wildlife and Parks and one of our biologists collecting fishery data along the Missouri River.*

*Photo caption opposite page: Clockwise from the upper left – Mystic Lake is our two-unit hydroelectric plant in the Beartooth Mountains southwest of Billings, Montana; trumpeter swans near Sheridan, Montana, take flight; the Missouri River at Yankton, South Dakota; Steve Leathe, hydro compliance professional, records fishery data.*

*Photo caption upper right: Sady Babcock, environmental permitting specialist, works with an engineer to identify potential wetland vegetation.*

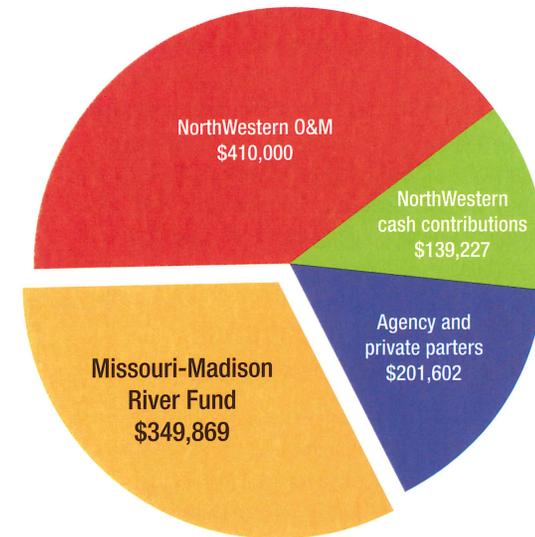
## Recreation

NorthWestern Energy participates in a public-private partnership to meet public recreation needs along the Missouri and Madison rivers. The Missouri-Madison River Fund (River Fund), a \$6.7 million, public-private trust fund for public recreation, was created through the collaborative efforts of NorthWestern Energy; Montana Fish, Wildlife & Parks; the U.S. Forest Service; the U.S. Bureau of Land Management; Madison, Gallatin, Broadwater, Lewis & Clark, Cascade and Chouteau counties; and numerous other public and private groups. This year marks the 10th year that the River Fund awarded earnings from the trust for recreation improvement projects. Created as a public-private partnership to meet public recreation needs along the Madison and Missouri rivers, the River Fund supports ongoing efforts to protect and enhance recreation from Hebgen Reservoir downstream to Fort Benton, excluding the Toston and Canyon Ferry hydroelectric plants and the river segment between them.

### Projects for 2016 include:

- Repair of a landslide at the Rainbow Overlook near Great Falls
- Upgrade of site amenities and delineating use areas at Spring Creek Campground on Hebgen Lake
- Application of chip-sealing asphalt surfaces at Devil's Elbow Campground and Clark's Bay Day Use Site on Hauser Lake
- Replacement of a pedestrian bridge over Whitmore Ravine near Great Falls
- Installation of trail amenities such as benches and shelters on a new birding trail at Missouri Headwaters State Park
- Replacement of latrines at Black's Ford Fishing Access Site on the Lower Madison River
- Completion of a new well for drinking water at Palisades Recreation Area on the Upper Madison River

### More than \$1.1 M in River Fund allocations for 86 recreation improvement projects in 2016



## Manufactured gas plant remediation

Manufactured Gas Plants (MGP) are part of almost any U.S. utility's history, and now they are part of their environmental cleanup responsibility. In Aberdeen, South Dakota, we have been working for several years to remediate environmental impacts associated with the operation of a former MGP. Using state-of-the-art technology, ingenuity and persistence, we eliminated the migration of coal tar into a nearby creek through the city's storm sewer system. We also identified and resolved a problem with coal tar infiltrating the city's sanitary sewer infrastructure and have installed a water treatment system. We have installed a massive underground collection pipe system to gather and recycle or dispose of drainable coal tar deep in the subsurface, and we will continue for years to monitor the site closely.

## Avian protection program

We have a longstanding commitment to deter birds from colliding with power lines and our turbines at Spion Kop wind farm. We also are active participants in the Avian Power Line Interaction Committee (APLIC). When constructing new overhead electric lines, we adhere to the Avian Protection Plan Guidelines, which the APLIC and the U.S. Fish and Wildlife Service developed jointly. Our environmental group evaluates existing lines for collision risk and recommends solutions including installing markers to make the lines more visible to birds and even reconfiguring lines so they are all at the same height to minimize the risk of collision.



A lineman attaches a diverter to a de-energized line, increasing the visibility of the line for birds flying near a wetland area.

## Clean Water Act and stream and wetland mitigation

As part of the U.S. Army Corps of Engineers Regulatory Program, NorthWestern Energy has participated in wetland and stream-bank compensatory mitigation projects to ensure minimal cumulative adverse impacts to wetlands and streams from one of our projects. We have secured mitigation for gas and electric transmission projects and for our hydro facilities. As part of our Project 2188 Federal Energy Regulatory Commission license, we have worked with private landowners, state and federal agencies and conservation groups to restore the O'Dell Creek wetlands along the upper Madison River. To date, we have restored more than 10 miles of the O'Dell Creek stream channel and more than 700 acres of formerly drained wetland with a corresponding recovery in fisheries, wildlife and botanical populations.

## Responding to environmental incidents

As with any field operations, we occasionally experience a spill or an unpermitted release to the environment. We work hard to anticipate and avoid such incidents. However, when something happens, our environmental group is prepared to respond quickly and completely. For example, after an unintentional release of mercaptan (the odorant added to natural gas which gives it that rotten egg smell), from a tank at a gas compressor station in northern Montana, we put in place measures to contain both the release and the associated odors. We worked closely with the Montana Department of Environmental Quality to determine the nature and possible impacts. Our plan included an engineered cap over the contaminated soil, groundwater monitoring and installation of a vapor recovery system to address the odors. The result is minimal disruption to our neighbors and the landscape.

## Big Stone air quality controls

We, along with our partners in the South Dakota Big Stone plant, invested close to \$490 million in environmental pollution control equipment at the generation plant to meet federal regional haze regulations. In December 2015, the new air quality control system was completed. It will reduce nitrogen oxides and sulfur dioxide emissions by approximately 90 percent and mercury emissions by approximately 80 percent.

*Construction workers at the Big Stone plant in June 2015.*





## Energy conservation

NorthWestern Energy has a long history of working with customers to promote wise and efficient use of electricity and natural gas. We first offered energy efficiency programs to our customers in the late 1970s, and today, we have programs in Montana and South Dakota.

Montana customers fund energy efficiency as a least-cost resource in supply rates and through the Universal System Benefits Charge (USBC). In South Dakota, an energy efficiency program charge funds the energy efficiency offerings. We initiated the current South Dakota programs in late in 2014 and have seen growth in participation and awareness. We offer programs to residential, commercial, industrial and irrigation customers in both states.

We offer efficiency programs through the NorthWestern Energy sub-brand of Efficiency Plus, or E+. Most popular are the rebates for high efficiency commercial lighting and controls and the free home energy audits for space and water heat customers. In Montana, some small-scale renewable projects also receive incentives funded through the USBC.

# \$12.5M

In 2015, NorthWestern reported energy savings\* totaled 53,134,358 kWh and 486,053 therms for a total cost of nearly \$12.5 million.

*\*We base all savings and expenditures on a July 1, 2014 – June 30, 2015 tracker year for Montana and for South Dakota. Currently, we do not offer energy efficiency programs for our Nebraska customers. Electric savings and expenditures include Montana small-scale renewables funded through the Universal System Benefits (USB) program. We fund additional Montana activities for local conservation, market transformation, research and development, and low-income bill and energy assistance with USB dollars but are not included in the expenditures.*

*Photo caption opposite page: A line crew sets a pole and affixed osprey platform near the Clark Fork River at Drummond, Montana.*

## Our LEED Gold building

In late 2015, we received a certificate of occupancy for our new 103,000 square-foot building on the corner of Park and Main streets in Butte, Montana. In addition to providing workspace for 225 employees, we are proud that the building earned a Leadership in Energy and Environmental Design (LEED) Gold certification.

LEED projects are responsible for diverting more than 80 million tons of waste from landfills. Compared to the average commercial building, LEED Gold buildings consume a quarter less energy and generate 34 percent lower greenhouse gas emissions. The design of our new building saves resources and has a positive impact on the health of its occupants while promoting renewable, clean energy.

Among the many LEED compliance efforts, our contractors diverted 1,285 tons of waste from the local landfill, used sustainably harvested wood in cabinets and incorporated materials like slag, glass and fly ash into flooring and countertops.

### A few of the many other features of our LEED building include:

- Energy efficient LED light fixtures and energy efficient mechanical and water-use systems to help achieve energy savings of greater than 30 percent over a typical new code-compliant building
- A live roof that reduces the solar reflectance index by reducing the area of the roof that reflects sunlight
- Large windows to provide daylight and south facing views of the valley and surrounding area
- Gas boilers that operate at more than 90 percent efficiency while still delivering relatively hot water
- Demand-based ventilation systems that use occupancy sensors in high-occupancy rooms to reduce the amount of outside air for ventilation when the rooms are not in use
- Raised floor systems, allowing for lower fan pressures, higher ventilation effectiveness and better air quality
- Lighting systems that reduce the buildings overall lighting electrical consumption through schedule based, occupancy based, and daylight-responsive automatic controls

*The fifth floor of our new building features an outside deck along with a living roof made up of easy-to-care-for grasses and plants.*



# The Clean Power Plan

In 2015, the Environmental Protection Agency (EPA) released its final Clean Power Plan, intended to reduce emissions of greenhouse gases in the United States. The plan requires states, including Montana, to develop plans to reduce carbon emissions from new and existing electric generation facilities and to meet the plan's targets by 2030.

In Montana, the plan requires a 47 percent reduction in carbon dioxide emissions by 2030, the largest reduction in any of the states. The targets in South Dakota are not nearly as high and appear to be achievable.

NorthWestern Energy takes its environmental stewardship responsibilities seriously, and we do not oppose the Clean Power Plan. NorthWestern and its customers own 30 percent of Colstrip Unit Four, the newest and cleanest of the generating units. Colstrip Unit Four

produces about 25 percent of what we need to provide our Montana customers with reliable, affordable electricity.

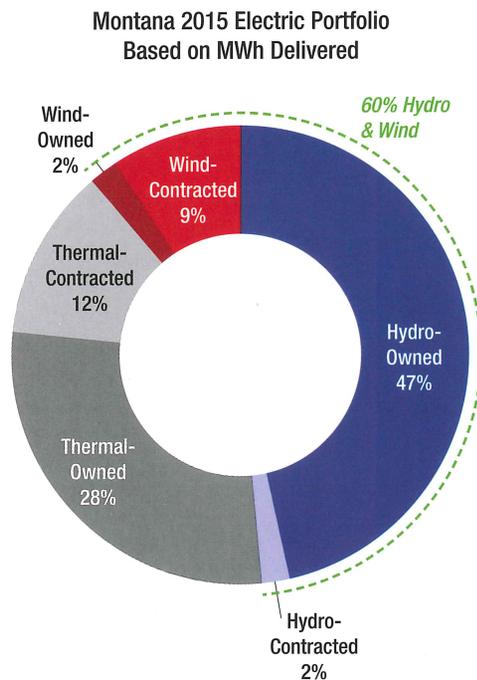
We are concerned that some or all of the four Colstrip coal-fired generating plants may be closed because of the Clean Power Plan emissions reductions.

The company and its customers have invested more than \$1 billion in recent years in renewable energy generation in Montana and South Dakota. In Montana, the recent purchase of 11 hydroelectric facilities, coupled with existing owned and contracted wind projects, gives NorthWestern a generation portfolio that is nearly 60 percent based on clean, emissions-free generation. In fact, the NorthWestern portfolio already exceeds the EPA's 2030 targets.

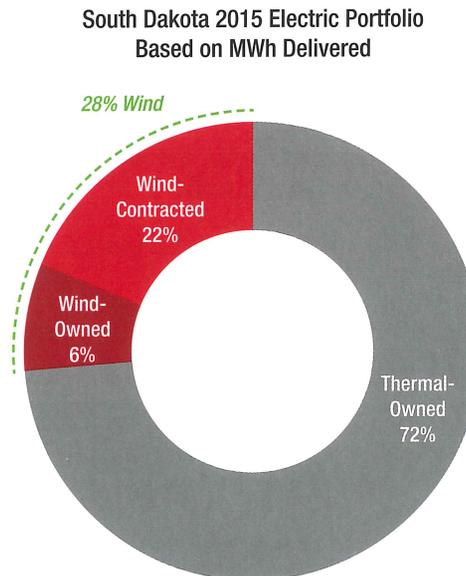
However, federal rules require statewide compliance. In its current form, our investments in renewable generation do not count to meet the Clean Power Plan requirements. We believe that not recognizing the existing clean, sustainable portfolio is unfair and could lead to higher rates for customers and cause economic damage across the state.

In February 2016, the U.S. Supreme Court voted to delay implementation of the Clean Power Plan until the court can decide the legality of the plan. That delay, called a stay, is temporary, meaning the EPA could eventually enforce its rules. The timeline for a full decision is unclear.

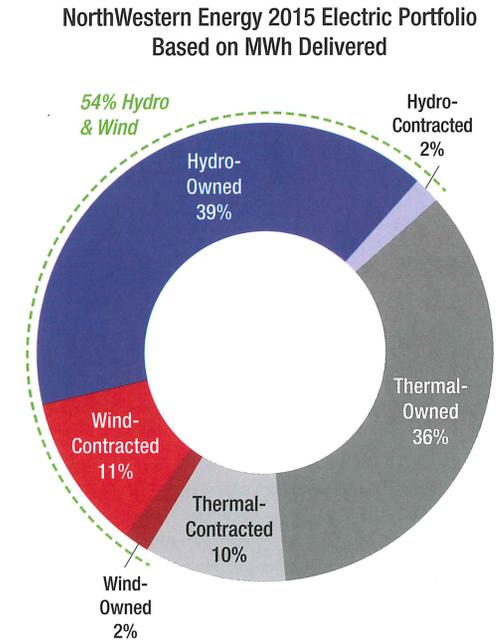
NorthWestern leaders and employees continue to work closely with state leaders, agency officials and many other stakeholders to develop an equitable state plan to meet the Clean Power Plan requirements.



In 2015, approximately 60 percent of our Montana portfolio came from renewables.



In 2015, approximately 28 percent of our South Dakota portfolio came from renewables.



In 2015, approximately 54 percent of our NorthWestern Energy portfolio came from renewables.



# Notable awards

## MEA's Life Sustaining Award

Six employees from our Great Falls Division received the Midwest Energy Association's Life Sustaining Award in 2015 for their quick thinking in helping to rescue a member of a tree-trimming crew in a mountainous and remote part of central Montana last winter. Our line crew helped an arborist who was severely hurt and in need of immediate medical attention. Due to the remote nature of the area, phone service was not available. The NorthWestern crew worked as a team to create an extensive communication network and support plan to ensure medical assistance could get to the injured arborist quickly. The team split up to assume various communications, safety and life sustaining roles. Within three hours, the crew was able to radio for medical support, hike to the injured arborist and provide evacuation and first aid assistance while on site.



## 2015 Utility Customer Champion

Cogent Reports™, the syndicated division of Market Strategies International recognized NorthWestern Energy as a 2015 Residential Utility Customer Champion. Cogent conferred this recognition after conducting more than 50,000 residential utility customer interviews through its 2015 Utility Trusted Brand & Customer Engagement™ study. According to Cogent, "Each Utility Customer Champion had to show strength in all three management areas to place in the top quartile in its region and to score above the national average on our Engaged Customers Relationship index to achieve this designation."



## NYSE Leadership Award Winner

In June 2015, the New York Stock Exchange Governance Services named NorthWestern Energy as a top award winner in the category of Exemplary Compensation Discussion & Analysis for its compensation committee. The award recognized work on the 2014 proxy statement prepared in-house by a small team of our employees.



## MTI Donor Legacy Award

The Mitchell Technical Institute (MTI) in Mitchell, South Dakota, presented NorthWestern Energy with its donor legacy award in late 2015. The MTI Foundation gives the award each year to a donor who has supported the institute consistently since its founding in 1999.



Mitchell Technical Institute

## OSHA Star Voluntary Protection Program

In 2015, the Occupational Safety and Health Administration (OSHA) formally recognized our Thompson Falls, Montana, hydro facility for its re-approval as a Voluntary Protection Program (VPP) Star Facility. VPP recognizes worksites that demonstrate exemplary safety performance that goes beyond compliance with safety regulations. Such approvals can occur every five years through completion of a rigorous multi-day audit by a team of OSHA VPP representatives. This is the second time this facility has earned such an honor.



*Pictured with the award and from the left are James Daugherty, Noel Jacobson, Bill Beckman and Bob Rice, who are members of our operations crew at the Thompson Falls hydro facility.*

# Contact us

NorthWesternEnergy.com

## CONNECT WITH US



### Corporate Support Office

3010 W. 69th Street  
Sioux Falls, SD 57108

### Montana Operational Support Office

11 East Park  
Butte, MT 59701-1711

### South Dakota/Nebraska Operational Support Office

600 Market Street West  
Huron, SD 57350

## CUSTOMER SERVICE

### Montana

(888) 467-2669  
7 a.m. - 6 p.m., M-F  
24/7 Emergency Service

### South Dakota and Nebraska

(800) 245-6977  
7 a.m. - 6 p.m., M-F  
24/7 Emergency Service

### Call Before You Dig



### To request additional copies, contact:

NorthWestern Energy  
Corporate Communications  
11 East Park  
Butte, MT 59701

You also may download the full report from [NorthWesternEnergy.com](http://NorthWesternEnergy.com)

© 2016 NorthWestern Corporation | All rights reserved |  Printed on recycled paper



*Miranda Martinez, a customer associate, at our walk-in office in Great Falls, Montana.*