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Statement of Policy

It is the policy of NorthWestern Energy to provide eligible employees with Paid Time Off (PTO) from work for such things as rest, recreation, vacations, non-occupational illness or disability, funerals, family emergencies, to attend to other personal needs, and to meet the Deductible period for illness or injuries under NorthWestern Energy's Short Term Disability Income Benefit Plan (STD).

Objective

The objective of this policy is to describe the terms and conditions for delivering PTO benefits to eligible employees.

Scope

This policy applies to all eligible employees, from the first day of employment, as described below:

- A Regular Full-Time employee is eligible for full policy benefits.
- Regular Part-Time employees are eligible to receive prorated policy benefits based on their normal work schedule during the Calendar Year.
- A Seasonal employee is initially provided prorated policy benefits based on the employee's employment date and expected termination date.
- Temporary and Limited Part-Time employees are not eligible to receive policy benefits.

Definitions

- Calendar Year*: The time period from January 1 to December 31 used by NorthWestern Energy to administer PTO benefits.
- Deductible*: The benefit waiting period established under NorthWestern Energy's Short Term Disability Income Benefit Plan (STD).
- Floating Holiday*: A day designated as a holiday (i.e. President's Day, Martin Luther King Jr. Day, or Veteran's Day) that may be taken, with appropriate supervisor approval, on any regularly scheduled work day selected by the employee.
- Front-end Load*: The method used to load an employee's annual PTO benefit at the beginning of the Calendar Year to better serve business needs and allow PTO not yet earned to be available for use immediately.



Schedule of Benefits

PTO benefit levels increase based on years of service. The table below outlines the PTO benefit levels for eligible Full-Time employees, unless otherwise provided for under a collective bargaining agreement. Floating Holiday hours will be added to each employee’s basic PTO hours to determine the total PTO benefit subject to provisions of the Holiday policy.

Years of Service	Basic PTO Hours	Floating Holiday Hours	Total PTO Hours
<10 years	160	24	184
10 through 19 years	200	24	224
20 years or more	240	24	264

Policy Provisions

A. Accrual

1. PTO is accrued or earned while an employee is actively at work and on holiday, STD, or PTO. Employees changing from one scheduled PTO benefit level to the next (those with 9 or 19 years of service at the beginning of the Calendar Year) will receive a prorated PTO accrual based on their anniversary date in the upcoming Calendar Year.
2. An eligible Part-Time employee’s basic PTO hours will be prorated based on years of service at the beginning of the Calendar Year and projected work schedule for the year. The Floating Holiday for an eligible Part-Time employee will be established in accordance with the Holiday policy.
3. New employees accrue prorated PTO based on hire date and eligibility status.

B. Front-end Load

1. PTO is accrued or earned throughout the Calendar Year. To better serve business needs and simplify administration, an employee’s total PTO benefit level for the year is front-end loaded, or available to use, on the first day of each Calendar Year.
2. At the end of each Calendar Year, an eligible Part-Time employee who receives a prorated accrual as described in the provision above or has a status change prior to year-end will have their PTO Front-end Load and recorded usage reconciled with PTO earned in accordance with the Schedule of Benefits. Required adjustments will be made to an employee’s bank or to the following year’s Front-end Load.



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C. Bank

1. Subject to the Minimum Required Usage provision, all PTO accrued during the Calendar Year but not used by Calendar Year-end will be recorded and accounted for in the employee's PTO Bank.
2. The maximum PTO Bank balance that an eligible employee can carry to the next year is 480 hours. Hours in excess of the maximum PTO bank as of December 31 each year will be forfeited.

D. Minimum Required Usage

1. Each calendar year, an employee is required to use at least 50% of their PTO Front-end Load and all allotted Floating Holiday hours.
2. An employee who does not use the required minimum PTO will forfeit those hours not used.
3. A new or rehired employee is not required to meet minimum PTO usage requirement until the first full Calendar Year of employment.

E. PTO Balance Management

1. PTO that is used will be subtracted first from the employee's current year balance and then from the PTO Bank.
2. Unpaid time cannot be substituted for PTO when an employee has PTO available.
3. Each employee is responsible for managing their PTO benefits and is encouraged to keep a reasonable amount of PTO hours available to address unanticipated circumstances.
4. Employees are not allowed to borrow against a future year's benefit accrual.
5. When an employee has used all available PTO and requests additional time off, the supervisor should contact the benefits department for guidance.
6. If an exempt employee has used all available PTO, the employee should not be paid for less than a full day. If an exempt employee no longer has PTO available, but needs additional time off in less than one-day increments, the supervisor must contact the benefits department for guidance regarding any unpaid time.

F. Integration with STD

1. Hours are deducted from the employee's PTO accrual to satisfy the Deductible for STD benefits and must be properly recorded as STD Deductible and not PTO.
2. Pending approval of STD benefits, time away from work is recorded as PTO and deducted from the employee's PTO accrual to the extent hours are available. Upon notification of



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approval from the third party administrator, any PTO recorded pending the approval of STD is reversed.

3. If an employee's STD claim is denied, the time away from work will remain coded as PTO.

G. Integration with NorthWestern Energy's Family and Medical Leave Act (FMLA) policy

1. PTO runs concurrently with FMLA leave. NorthWestern Energy requires the substitution of available paid leave and as such, absences must be properly recorded as PTO for FMLA purposes.

H. Years of service

1. Years of service for the purpose of PTO accrual will be based on an employee's adjusted service date, unless otherwise approved by the director responsible for benefits.

I. Termination

1. When employment with NorthWestern Energy ends for any reason, the PTO benefit that has been earned up to the termination date will be calculated. PTO earned during the year will be compared to PTO used.
2. Any PTO earned but not used will be paid out at 100% of the employee's current hourly base pay rate on their final paycheck.
3. Any PTO used in excess of the amount earned will be adjusted and the equivalent dollar value will be reduced from the employee's final paycheck.

J. PTO may not be used to extend an employee's termination date unless the reason for termination is retirement.

- a. For purposes of this policy, retirement is based on being at least age 55 with 20 years of service as of the last date of employment **and** having a PTO or adjusted service date that falls on or before December 31, 2002.

K. Illness or Injury While on PTO

1. An employee who becomes sick or injured while on scheduled PTO is not entitled to STD during the scheduled PTO; however, the time may be used to satisfy the Deductible.

L. Responsibilities

1. Each employee is responsible for:
 - a. Actively managing their PTO balances.



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- b. Scheduling PTO with and obtaining the approval from their supervisor prior to taking time off as PTO to allow supervisors to manage work assignments.
 - c. Giving as much advance notice as is reasonably possible in each instance. For illness or injury, NorthWestern Energy recognizes that advance scheduling may not be possible.
 - d. Accurately recording PTO according to regularly scheduled work hours.
2. Each supervisor is responsible for:
- a. Encouraging employees to manage their PTO benefit in accordance with the provisions of this policy.
 - b. Considering the impact to the workgroup, customer service, and emergency response, as well as the employee's ability to satisfy Minimum Required Usage and manage their maximum PTO bank, in deciding whether or not to approve requests for PTO.
 - c. Verifying each payroll period, that PTO is properly recorded and consistent with the employee's scheduled work hours, to ensure accurate PTO balances and carryovers.
 - d. Notifying a human resource generalist of an employee status change that would impact employee eligibility or PTO accrual level.
 - e. For non-FMLA leave, securing approval from the functional vice president of the area prior to approving any PTO request of more than two consecutive weeks (more than 80 hours of PTO, excluding holidays).
 - f. Contacting the benefits department for any requests to deviate from this policy.

Corporate Policy Provisions

- A. Nothing in this policy is intended to limit an employee's rights under the National Labor Relations Act (NLRA).
- B. If any of the provisions of this policy conflict with federal or state law, the provisions of the federal or state law prevail.
- C. If any of the provisions of this policy conflict with those of a collective bargaining agreement (CBA) for covered employees, the provisions of the CBA will prevail.
- D. All employees are expected to comply with this policy. Failure to do so may result in disciplinary action up to and including termination of employment.
- E. The existence of this policy does not create a contract or vested right of employment implied or otherwise. NorthWestern Energy is an at will employer in South Dakota, Nebraska, and Wyoming.



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F. NorthWestern Energy reserves the right to amend, terminate, or otherwise modify this policy at any time. The effect of any amendment or modification, however, will be prospective, not retroactive.

Additional Resources

- A. Holiday policy
- B. Family and Medical Leave Act (FMLA) policy
- C. Short Term Disability Income Benefit Plan
- D. Parental Leave policy
- E. NorthWestern Energy Code of Conduct and Ethics