



NORTHWESTERN CORPORATION

(A direct, wholly-owned subsidiary of NorthWestern Energy Group, Inc.)

Financial Statements

For the Period Ending September 30, 2024

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NORTHWESTERN CORPORATION
CONDENSED CONSOLIDATED STATEMENTS OF INCOME

(in thousands)

	Nine Months Ended September 30,	
	2024	2023
Revenues		
Electric	\$ 767,090	\$ 674,887
Gas	160,905	168,347
Total Revenues	927,995	843,234
Operating expenses		
Fuel, purchased supply and direct transmission expense (exclusive of depreciation and depletion shown separately below)	250,275	211,446
Operating, administrative and general	223,860	211,229
Property and other taxes	119,715	127,881
Depreciation and depletion	133,639	125,028
Total Operating Expenses	727,489	675,584
Operating income	200,506	167,650
Interest expense, net	(74,666)	(68,657)
Other income, net	19,195	11,775
Income before income taxes	145,035	110,768
Income tax expense	(17,556)	(16,680)
Income from Continuing Operations	127,479	94,088
Discontinued Operations, net of tax	—	16,901
Net Income	\$ 127,479	\$ 110,989

See Notes to Condensed Consolidated Financial Statements

NORTHWESTERN CORPORATION

CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

(in thousands)

	Nine Months Ended September 30,	
	2024	2023
Net Income	\$ 127,479	\$ 110,989
Other comprehensive income (loss), net of tax:		
Reclassification of net losses on derivative instruments	339	339
Postretirement medical liability adjustment	—	(502)
Foreign currency translation	(1)	(10)
Total Other Comprehensive Income (Loss)	338	(173)
Comprehensive Income	\$ 127,817	\$ 110,816

See Notes to Condensed Consolidated Financial Statements

NORTHWESTERN CORPORATION
CONDENSED CONSOLIDATED BALANCE SHEETS

(in thousands)

	As of September 30, 2024	As of December 31, 2023
ASSETS		
Current Assets:		
Cash and cash equivalents	\$ 1,262	\$ 8,851
Restricted cash	15,800	14,857
Accounts receivable, net	121,564	174,504
Inventories	89,549	82,822
Regulatory assets	23,122	23,945
Prepaid expenses and other	28,172	14,487
Current assets of discontinued operations	—	87,274
Total current assets	279,469	406,740
Property, plant, and equipment, net	5,229,500	4,972,196
Goodwill	263,807	263,807
Regulatory assets	670,452	650,012
Other noncurrent assets	29,740	26,695
Noncurrent assets of discontinued operations	—	1,276,873
Total Assets	\$ 6,472,968	\$ 7,596,323
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current Liabilities:		
Current maturities of finance leases	\$ 3,529	\$ 3,338
Current portion of long-term debt	235,934	99,950
Accounts payable	73,340	95,574
Accrued expenses	256,377	218,217
Regulatory liabilities	15,770	40,336
Current liabilities of discontinued operations	—	77,482
Total current liabilities	584,950	534,897
Long-term finance leases	2,798	5,461
Long-term debt	2,086,925	2,152,611
Deferred income taxes	622,464	580,212
Noncurrent regulatory liabilities	556,571	551,144
Other noncurrent liabilities	282,796	271,108
Noncurrent liabilities of discontinued operations	—	715,967
Total Liabilities	4,136,504	4,811,400
Commitments and Contingencies (Note 4)		
Shareholders' Equity:		
Common stock, par value \$0.01	0	0
Paid-in capital	2,045,481	1,981,123
Retained earnings	298,626	811,456
Accumulated other comprehensive loss	(7,643)	(7,656)
Total Shareholders' Equity	2,336,464	2,784,923
Total Liabilities and Shareholders' Equity	\$ 6,472,968	\$ 7,596,323

See Notes to Condensed Consolidated Financial Statements

NORTHWESTERN CORPORATION

CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS

(in thousands)

	Nine Months Ended September 30,	
	2024	2023
OPERATING ACTIVITIES:		
Net Income	\$ 127,479	\$ 110,989
Less: Income from discontinued operations, net of tax	—	(16,901)
Items not affecting cash:		
Depreciation and depletion	133,639	125,028
Amortization of debt issuance costs, discount and deferred hedge gain	2,736	2,720
Stock-based compensation costs	4,358	4,249
Equity portion of allowance for funds used during construction	(14,615)	(11,959)
Gain on disposition of assets	(37)	(27)
Deferred income taxes	14,482	(21,434)
Changes in current assets and liabilities:		
Accounts receivable	52,941	76,488
Inventories	(6,727)	(10,766)
Other current assets	(13,685)	676
Accounts payable	(6,997)	(42,009)
Accrued expenses	38,178	52,988
Regulatory assets	823	83,600
Regulatory liabilities	(24,566)	10,003
Other noncurrent assets and liabilities	(13,715)	(22,616)
Cash provided by continuing operations	294,294	341,029
Net cash provided by discontinued operations	—	85,893
Cash Provided by Operating Activities	294,294	426,922
INVESTING ACTIVITIES:		
Property, plant, and equipment additions	(360,211)	(364,406)
Cash used in continuing investing activities	(360,211)	(364,406)
Cash used in discontinued investing activities	—	(46,568)
Cash Used in Investing Activities	(360,211)	(410,974)
FINANCING ACTIVITIES:		
Distribution of cash to NorthWestern Energy Public Service Corporation	(253)	—
Distribution of cash to NorthWestern Energy Group, Inc.	(1,166)	—
Equity contribution from NorthWestern Energy Group, Inc.	60,000	—
Proceeds from issuance of common stock, net	—	73,613
Dividends on common stock	(69,937)	(115,048)
Issuance of long-term debt	175,000	239,000
Repayments on long-term debt	(100,000)	—
Line of credit repayments, net	(5,000)	(226,590)
Other financing activities, net	(793)	(1,995)
Cash provided by (used in) continuing financing activities	57,851	(31,020)
Cash provided by discontinued financing activities	—	14,249
Cash Provided by (Used in) Financing Activities	57,851	(16,771)
Net Decrease in Cash, Cash Equivalents, and Restricted Cash	(8,066)	(823)
Cash, Cash Equivalents, and Restricted Cash, beginning of period ⁽¹⁾	25,128	22,463
Cash, Cash Equivalents, and Restricted Cash, end of period	\$ 17,062	\$ 21,640
Supplemental Cash Flow Information:		
Cash (received) paid during the period for:		
Income taxes	(4,769)	3,204
Interest	72,794	64,533
Significant non-cash transactions:		
Capital expenditures included in accounts payable	23,217	43,389
Refinancing of Pollution Control Revenue Refunding Bonds	—	144,660

⁽¹⁾ Includes cash of discontinued operations of \$1,419 as of December 31, 2023.

See Notes to Condensed Consolidated Financial Statements

NORTHWESTERN CORPORATION

CONDENSED CONSOLIDATED STATEMENTS OF COMMON SHAREHOLDERS' EQUITY

(in thousands)

	Number of Common Shares	Number of Treasury Shares	Common Stock	Paid in Capital	Treasury Stock	Retained Earnings	Accumulated Other Comprehensive Loss	Total Shareholders' Equity
Balance at December 31, 2022	63,278	3,534	\$ 633	\$1,999,376	\$ (98,392)	\$ 771,414	\$ (7,848)	\$ 2,665,183
Net income	—	—	—	—	—	110,989	—	110,989
Foreign currency translation adjustment, net of tax	—	—	—	—	—	—	(10)	(10)
Reclassification of net losses on derivative instruments from OCI to net income, net of tax	—	—	—	—	—	—	339	339
Postretirement medical liability adjustment, net of tax	—	—	—	—	—	—	(502)	(502)
Stock based compensation	51	—	—	4,911	—	—	—	4,911
Issuance of shares	1,433	(14)	15	74,267	270	—	—	74,552
Dividends on common stock	—	—	—	—	—	(115,048)	—	(115,048)
Balance at September 30, 2023	64,762	3,520	\$ 648	\$2,078,554	\$ (98,122)	\$ 767,355	\$ (8,021)	\$ 2,740,414
Balance at December 31, 2023	0	—	\$ 0	\$1,981,123	\$ —	\$ 811,456	\$ (7,656)	\$ 2,784,923
Net income	—	—	—	—	—	127,479	—	127,479
Foreign currency translation adjustment, net of tax	—	—	—	—	—	—	(1)	(1)
Reclassification of net losses on derivative instruments from OCI to net income, net of tax	—	—	—	—	—	—	339	339
Stock based compensation	—	—	—	4,358	—	—	—	4,358
Contribution from NorthWestern Energy Group, Inc.	—	—	—	60,000	—	—	—	60,000
Distribution to Northwestern Energy Group, Inc.	—	—	—	—	—	(570,372)	(325)	(570,697)
Dividends on common stock	—	—	—	—	—	(69,937)	—	(69,937)
Balance at September 30, 2024	0	—	\$ 0	\$2,045,481	\$ —	\$ 298,626	\$ (7,643)	\$ 2,336,464

See Notes to Condensed Consolidated Financial Statements

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

(1) Nature of Operations and Basis of Consolidation

NorthWestern Corporation (NW Corp), a direct wholly-owned subsidiary of NorthWestern Energy Group, Inc., doing business as NorthWestern Energy, provides electricity and / or natural gas to approximately 617,600 customers in Montana and Yellowstone National Park. We have generated and distributed electricity and distributed natural gas in Montana since 2002.

The Condensed Consolidated Financial Statements (Financial Statements) for the periods included herein have been prepared by NW Corp (NorthWestern, we, or us) in accordance with accounting principles generally accepted in the United States of America (GAAP) for interim financial information. Accordingly, the interim Financial Statements do not include all of the information and note disclosures required by GAAP for complete financial statements. The preparation of financial statements in conformity with the interim reporting guidance under GAAP requires management to make estimates and assumptions that may affect the reported amounts of assets, liabilities, revenues and expenses during the reporting period. Actual results could differ from those estimates. Events occurring subsequent to September 30, 2024, have been evaluated as to their potential impact to the Financial Statements through the date of issuance.

Holding Company Reorganization

On October 2, 2023, NW Corp and NorthWestern Energy Group, Inc. completed a merger transaction pursuant to which NorthWestern Energy Group, Inc. became the holding company parent of NW Corp. In this reorganization, shareholders of NW Corp (the predecessor publicly held parent company) became shareholders of NorthWestern Energy Group, Inc., maintaining the same number of shares and ownership percentage as held in NW Corp immediately prior to the reorganization. NW Corp became a wholly-owned subsidiary of NorthWestern Energy Group, Inc. The transaction was effected pursuant to a merger pursuant to Section 251(g) of the General Corporation Law of the State of Delaware, which provides for the formation of a holding company without a vote of the shareholders of the constituent corporation. As a result of the reorganization, NorthWestern Energy Group, Inc. became the successor issuer to NW Corp pursuant to Rule 12g-3(a) of the Securities Exchange Act of 1934, and as a result, NorthWestern Energy Group, Inc.'s common stock was deemed registered under Section 12(b) of the Securities Exchange Act of 1934.

Upon the conversion of all issued and outstanding NW Corp common stock into common stock in NorthWestern Energy Group, Inc., as described above, the common stock of NW Corp ceased to exist. The accounting for this common stock conversion is treated as a retirement of common stock for NW Corp as the shares cease to exist. As such, the amounts included in Common stock and Treasury stock were cleared into Paid-in capital. Subsequent to the reorganization, NW Corp has 100 shares of common stock issued and outstanding, which are held by NorthWestern Energy Group, Inc.

On January 1, 2024, we completed the second and final phase of the holding company reorganization. NW Corp contributed the assets and liabilities of its South Dakota and Nebraska regulated utilities to NorthWestern Energy Public Service Corporation (NWE Public Service), and then distributed its equity interest in NWE Public Service and certain other subsidiaries to NorthWestern Energy Group, Inc., resulting in NW Corp owning and operating the Montana regulated utility and NWE Public Service owning and operating the Nebraska and South Dakota utilities, each as a direct subsidiary of NorthWestern Energy Group, Inc.

(2) Discontinued Operations

On January 1, 2024, we completed the previously announced second and final phase of our holding company reorganization resulting in the distribution of our ownership in NWE Public Service, our former South Dakota electric and natural gas and Nebraska natural gas operating segments, and certain non-regulated subsidiaries, our former other operating segment, to NorthWestern Energy Group, Inc. As a result of this distribution, the historical assets and liabilities for these operating segments have been classified as assets and liabilities of discontinued operations and the historical results of operations are shown in discontinued operations, net of tax. Our Financial Statements for prior periods reflect this reclassification.

The carrying amounts of the major classes of assets and liabilities of discontinued operations included in our Condensed Consolidated Balance Sheet at December 31, 2023, were as follows:

**As of December
31, 2023**

ASSETS	
Current Assets:	
Cash and cash equivalents	\$ 253
Restricted cash	1,166
Accounts receivable, net	37,547
Inventories	31,717
Regulatory assets	5,681
Prepaid expenses and other	10,910
Total current assets	87,274
Property, plant, and equipment, net	1,067,606
Goodwill	93,779
Regulatory assets	93,933
Other noncurrent assets	21,555
Total Assets	\$ 1,364,147
LIABILITIES	
Current Liabilities:	
Accounts payable	28,766
Accrued expenses	27,949
Regulatory liabilities	20,767
Total current liabilities	77,482
Long-term debt	532,148
Deferred income taxes	20,307
Noncurrent regulatory liabilities	106,307
Other noncurrent liabilities	57,206
Total Liabilities	\$ 793,450

The reconciliation of the major classes of income and expense constituting pretax income from discontinued operations to the after-tax income from discontinued operations on the Condensed Consolidated Statements of Income were as follows:

	Nine Months Ended September 30, 2023
Operating revenues	\$ 222,900
Operating expenses	193,258
Operating Income	29,642
Interest expense, net	(16,488)
Other income, net	1,153
Income from discontinued operations before income tax	14,307
Income tax expense	2,594
Discontinued operations, net of tax	\$ 16,901

(3) Regulatory Matters

Montana Rate Review

In July 2024, we filed a Montana electric and natural gas rate review with the Montana Public Service Commission (MPSC). The filing requests a base rate annual revenue increase of \$156.5 million (\$69.4 million net with Property Tax and Power Cost and Credit Adjustment Mechanism (PCCAM) tracker adjustments) for electric and \$28.6 million for natural gas.

Our request is based on a return on equity of 10.80 percent with a capital structure including 46.81 percent equity, and forecasted 2024 electric and natural gas rate base of \$3.45 billion and \$731.9 million, respectively. The electric rate base investment includes the 175-megawatt natural gas-fired Yellowstone County Generating Station ("YCGS"), which was placed in service in October 2024.

Our filing included a request for interim base rates to be effective October 1, 2024. Implementation of interim base rates, if any, will be delayed beyond our requested effective date as the MPSC has not yet made a decision on the interim rate request.

The MPSC has developed its procedural schedule for our rate review request including a hearing scheduled to commence on April 22, 2025. If a final order is not received by May 23, 2025, which is 270 days from acceptance of our filing, we intend to implement, as permitted by the MPSC regulations, our requested rates, which will be subject to refund, until a final order is received.

(4) Employee Benefit Plans

We sponsor and/or contribute to pension and postretirement health care and life insurance benefit plans for eligible employees. We contributed \$7.4 million to our pension plans during the nine months ended September 30, 2024. We expect to contribute an additional \$2.6 million to our pension plans during the remainder of 2024.

(5) Commitments and Contingencies

ENVIRONMENTAL LIABILITIES AND REGULATION

Environmental Protection Agency (EPA) Rules

On April 25, 2024, the EPA released final rules related to greenhouse gas (GHG) emission standards (GHG Rules) for existing coal-fired facilities and new coal and natural gas-fired facilities as well as final rules strengthening the MATS requirements (MATS Rules). Compliance with the rules will require expensive upgrades at Colstrip Units 3 and 4 with proposed compliance dates that may not be achievable and / or require technology that is unproven, resulting in significant impacts to costs of the facilities. The final MATS and GHG Rules require compliance as early as 2027 and 2032, respectively.

Previous efforts by the EPA were met with extensive litigation, and this time is no different. We, along with many other utilities, electric cooperatives, organizations, and states, have petitioned for judicial review of the GHG and MATS Rules with the U.S. Court of Appeals for the D.C. Circuit. The United States Supreme Court denied the multiple stay requests related to the MATS Rule and the GHG Rule. The litigation on the merits continues for both the MATS and GHG rules in the D.C. Circuit Court of Appeals, and decisions are expected in 2025. If the MATS Rules and GHG Rules are implemented, it would result in additional material compliance costs. We will continue working with federal and state regulatory authorities, other utilities, and stakeholders to seek relief from the MATS and GHG regulations that, in our view, disproportionately impact customers in our region.

These GHG Rules and MATS Rules as well as future additional environmental requirements - federal or state - could cause us to incur material costs of compliance, increase our costs of procuring electricity, decrease transmission revenue and impact cost recovery. Technology to efficiently capture, remove and/or sequester such GHG emissions or hazardous air pollutants may not be available within a timeframe consistent with the implementation of any such requirements.

LEGAL PROCEEDINGS

State of Montana - Riverbed Rents

On April 1, 2016, the State of Montana (State) filed a complaint on remand (the State's Complaint) with the Montana First Judicial District Court (State District Court), naming us, along with Talen Montana, LLC (Talen) as defendants. The State claimed it owns the riverbeds underlying 10 of our, and formerly Talen's, hydroelectric facilities (dams, along with reservoirs and tailraces) on the Missouri, Madison and Clark Fork Rivers, and seeks rents for Talen's and our use and occupancy of such lands. The facilities at issue include the Hebgen, Madison, Hauser, Holter, Black Eagle, Rainbow, Cochrane, Ryan, and Morony facilities on the Missouri and Madison Rivers and the Thompson Falls facility on the Clark Fork River. We acquired these facilities from Talen in November 2014.

The litigation has a long prior history in state and federal court, including before the United States Supreme Court. On April 20, 2016, we removed the case from State District Court to the United States District Court for the District of Montana (Federal District Court). On August 1, 2018, the Federal District Court granted our and Talen's motions to dismiss the State's Complaint as it pertains to the navigability of the riverbeds associated with four of our hydroelectric facilities near Great Falls. A bench trial before the Federal District Court commenced January 4, 2022, and concluded on January 18, 2022, which addressed the issue of navigability concerning our other six facilities. On August 25, 2023, the Federal District Court issued its Findings of Fact, Conclusions of Law, and Order (the "Order"), which found all but one of the segments of the riverbeds in dispute not navigable, and thus not owned by the State of Montana. The one segment found navigable, and thus owned by the State, was the segment on which the Black Eagle development was located. The State filed a motion to pursue an interlocutory appeal of the Order, and on January 2, 2024, the Federal District Court certified the Order for appeal to the 9th Circuit Court of Appeals. Briefing in the appeal is underway. Damages were bifurcated by agreement and will be tried separately for the Black Eagle segment, and any other segments found navigable, should the State prevail on appeal.

We dispute the State's claims and intend to continue to vigorously defend the lawsuit. If the Federal District Court calculates damages as the State District Court did in 2008, we do not anticipate the resulting annual rent for the Black Eagle segment would have a material impact to our financial position or results of operations. We anticipate that any obligation to pay the State rent for use and occupancy of the riverbeds would be recoverable in rates from customers, although there can be no assurances that the MPSC would approve any such recovery.

Colstrip Arbitration

The remaining depreciable life of our investment in Colstrip Unit 4 is through 2042. The six owners of Colstrip Units 3 and 4 currently share the operating costs pursuant to the terms of an Ownership and Operation Agreement (O&O Agreement). However, several of the owners are mandated by Washington and Oregon law to eliminate coal-fired resources in 2025 and 2029, respectively.

As a result of the mandate, the owners have disagreed on various operational funding decisions, including whether closure requires each owner's consent under the O&O Agreement. On March 12, 2021, we initiated an arbitration under the O&O Agreement (the "Arbitration"), to resolve the issues of whether closure requires each owner's consent and to clarify each owner's obligations to continue to fund operations until all joint owners agree on closure. On September 17, 2024, the owners agreed to stay the Arbitration for 120 days.

Colstrip Coal Dust Litigation

On December 14, 2020, a claim was filed against Talen in the Montana Sixteenth Judicial District Court, Rosebud County, Cause No. CV-20-58. Talen is one of the co-owners of Colstrip Unit 3, and the operator of Units 3 and 4. The plaintiffs allege they have suffered adverse effects from coal dust generated during operations associated with Colstrip. On August 26, 2021, the claim was amended to add in excess of 100 plaintiffs; though the number of plaintiffs has since decreased to 57. It also added NorthWestern, the other owners of Colstrip, and Westmoreland Rosebud Mining LLC, as defendants. Plaintiffs are seeking economic damages, costs and disbursements, punitive damages, attorneys' fees, and an injunction prohibiting defendants from allowing coal dust to blow onto plaintiffs' properties. We do not anticipate that the amount of ultimate liability, if any, will have a material effect on our financial position, results of operations, or cash flows.

Yellowstone County Generating Station Air Permit

On October 21, 2021, the Montana Environmental Information Center and the Sierra Club filed a lawsuit in Montana State District Court, against the Montana Department of Environmental Quality (MDEQ) and NorthWestern, alleging that the environmental analysis conducted by MDEQ prior to issuance of the Yellowstone County Generating Station's air quality construction permit was inadequate. On April 4, 2023, the Montana District Court issued an order finding MDEQ's environmental analysis was deficient in not addressing exterior lighting and greenhouse gases and remanded it back to MDEQ to address the deficiencies and vacated the air quality permit pending that remand. As a result of the vacatur of the permit, we paused construction. On June 8, 2023, the Montana District Court granted our motion to stay the order vacating the air quality permit pending the outcome of our appeal to the Montana Supreme Court. Oral argument was held May 15, 2024. We recommenced construction in June 2023 and placed the plant in service in October 2024. The ultimate resolution of the lawsuit challenging the Yellowstone County Generating Station air quality permit could impact our ability to operate the facility.

During the litigation of the air permit, Montana House Bill 971 was signed into law, preventing the MDEQ from, except under certain exceptions, evaluating greenhouse gas emissions and corresponding impacts to the climate in environmental reviews of large projects such as coal mines and power plants. On August 4, 2023, the Montana First Judicial District Court in *Held v. State of Montana*, a separate case by Montana youths alleging climate damages, issued its order finding House Bill 971 unconstitutional delaying the issuance of the revised Yellowstone County Generating Station's air permit. The Montana

Supreme Court granted NorthWestern permission to participate as amicus in the Held appeal. The Montana Supreme Court heard oral argument on the Held appeal on July 10, 2024.

Other Legal Proceedings

We are also subject to various other legal proceedings, governmental audits and claims that arise in the ordinary course of business. In our opinion, the amount of ultimate liability with respect to these other actions will not materially affect our financial position, results of operations, or cash flows.