



NORTHWESTERN CORPORATION

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

Financial Statements

For the Period Ending March 31, 2024

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NORTHWESTERN CORPORATION
CONDENSED CONSOLIDATED STATEMENTS OF INCOME

(in thousands)

	Three Months Ended March 31,	
	2024	2023
Revenues		
Electric	\$ 294,527	\$ 250,273
Gas	88,236	100,401
Total Revenues	382,763	350,674
Operating expenses		
Fuel, purchased supply and direct transmission expense (exclusive of depreciation and depletion shown separately below)	125,973	103,103
Operating, administrative and general	76,381	74,227
Property and other taxes	45,386	47,239
Depreciation and depletion	44,594	42,376
Total Operating Expenses	292,334	266,945
Operating income	90,429	83,729
Interest expense, net	(24,585)	(22,627)
Other income, net	6,441	4,215
Income before income taxes	72,285	65,317
Income tax expense	(11,449)	(9,933)
Income from Continuing Operations	60,836	55,384
Discontinued Operations, net of tax	—	7,146
Net Income	\$ 60,836	\$ 62,530

See Notes to Condensed Consolidated Financial Statements

NORTHWESTERN CORPORATION

CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

(in thousands)

	Three Months Ended March 31,	
	2024	2023
Net Income	\$ 60,836	\$ 62,530
Other comprehensive income (loss), net of tax:		
Reclassification of net losses on derivative instruments	113	113
Postretirement medical liability adjustment	—	(167)
Foreign currency translation	(1)	(2)
Total Other Comprehensive Income (Loss)	112	(56)
Comprehensive Income	\$ 60,948	\$ 62,474

See Notes to Condensed Consolidated Financial Statements

NORTHWESTERN CORPORATION
CONDENSED CONSOLIDATED BALANCE SHEETS

(in thousands)

	<u>As of March 31,</u>	<u>As of December</u>
	<u>2024</u>	<u>31,</u>
		<u>2023</u>
ASSETS		
Current Assets:		
Cash and cash equivalents	\$ 2,601	\$ 8,851
Restricted cash	15,056	14,857
Accounts receivable, net	153,728	174,504
Inventories	74,207	82,822
Regulatory assets	51,735	23,945
Prepaid expenses and other	13,826	14,487
Current assets of discontinued operations	—	87,274
Total current assets	311,153	406,740
Property, plant, and equipment, net	5,018,951	4,972,196
Goodwill	263,807	263,807
Regulatory assets	650,374	650,012
Other noncurrent assets	28,111	26,695
Noncurrent assets of discontinued operations	—	1,276,873
Total Assets	\$ 6,272,396	\$ 7,596,323
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current Liabilities:		
Current maturities of finance leases	\$ 3,400	\$ 3,338
Current portion of long-term debt	—	99,950
Accounts payable	76,530	95,574
Accrued expenses	267,289	218,217
Regulatory liabilities	30,383	40,336
Current liabilities of discontinued operations	—	77,482
Total current liabilities	377,602	534,897
Long-term finance leases	4,596	5,461
Long-term debt	2,198,222	2,152,611
Deferred income taxes	599,477	580,212
Noncurrent regulatory liabilities	545,599	551,144
Other noncurrent liabilities	270,528	271,108
Noncurrent liabilities of discontinued operations	—	715,967
Total Liabilities	3,996,024	4,811,400
Commitments and Contingencies (Note 4)		
Shareholders' Equity:		
Common stock, par value \$0.01	0	0
Paid-in capital	1,982,321	1,981,123
Retained earnings	301,920	811,456
Accumulated other comprehensive loss	(7,869)	(7,656)
Total Shareholders' Equity	2,276,372	2,784,923
Total Liabilities and Shareholders' Equity	\$ 6,272,396	\$ 7,596,323

See Notes to Condensed Consolidated Financial Statements

NORTHWESTERN CORPORATION

CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS

(in thousands)

	Three Months Ended March 31,	
	2024	2023
OPERATING ACTIVITIES:		
Net Income	\$ 60,836	\$ 62,530
Less: Loss from discontinued operations, net of tax	—	(7,147)
Items not affecting cash:		
Depreciation and depletion	44,594	42,377
Amortization of debt issuance costs, discount and deferred hedge gain	951	906
Stock-based compensation costs	1,198	2,746
Equity portion of allowance for funds used during construction	(4,100)	(3,542)
Gain on disposition of assets	(1)	(18)
Deferred income taxes	9,400	(21,307)
Changes in current assets and liabilities:		
Accounts receivable	20,776	23,606
Inventories	8,615	13,835
Other current assets	661	4,306
Accounts payable	(3,199)	(33,050)
Accrued expenses	49,070	46,687
Regulatory assets	(27,790)	39,166
Regulatory liabilities	(9,953)	3,158
Other noncurrent assets and liabilities	(6,886)	(1,955)
Cash provided by continuing operations	144,172	172,298
Net cash provided by discontinued operations	—	41,401
Cash Provided by Operating Activities	144,172	213,699
INVESTING ACTIVITIES:		
Property, plant, and equipment additions	(95,484)	(126,873)
Cash used in continuing investing activities	(95,484)	(126,873)
Cash used in discontinued investing activities	—	(9,731)
Cash Used in Investing Activities	(95,484)	(136,604)
FINANCING ACTIVITIES:		
Distribution of cash to NorthWestern Energy Public Service Corporation	(253)	—
Distribution of cash to NorthWestern Energy Group, Inc.	(1,166)	—
Dividends on common stock	—	(38,041)
Issuance of long-term debt	175,000	189,000
Repayments on long-term debt	(100,000)	—
Line of repayments borrowings, net	(129,000)	(209,990)
Other financing activities, net	(740)	(1,254)
Cash used in continuing financing activities	(56,159)	(60,285)
Cash used in discontinued financing activities	—	(12,171)
Cash Used in Financing Activities	(56,159)	(72,456)
Net (Decrease) Increase in Cash, Cash Equivalents, and Restricted Cash	(7,471)	4,639
Cash, Cash Equivalents, and Restricted Cash, beginning of period ⁽¹⁾	25,128	22,463
Cash, Cash Equivalents, and Restricted Cash, end of period	\$ 17,657	\$ 27,102
Supplemental Cash Flow Information:		
Cash (received) paid during the period for:		
Income taxes	(4,810)	3,204
Interest	15,221	18,196
Significant non-cash transactions:		
Capital expenditures included in accounts payable	19,822	12,209

⁽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	—	—	—	—	—	62,530	—	62,530
Foreign currency translation adjustment, net of tax	—	—	—	—	—	—	(2)	(2)
Reclassification of net losses on derivative instruments from OCI to net income, net of tax	—	—	—	—	—	—	113	113
Postretirement medical liability adjustment, net of tax	—	—	—	—	—	—	(167)	(167)
Stock based compensation	48	—	—	3,294	(79)	—	—	3,215
Issuance of shares	—	(1)	—	169	—	—	—	169
Dividends on common stock	—	—	—	—	—	(38,041)	—	(38,041)
Balance at March 31, 2023	63,326	3,533	\$ 633	\$2,002,839	\$ (98,471)	\$ 795,903	\$ (7,904)	\$ 2,693,000
Balance at December 31, 2023	0	—	\$ 0	\$1,981,123	\$ —	\$ 811,456	\$ (7,656)	\$ 2,784,923
Net income	—	—	—	—	—	60,836	—	60,836
Foreign currency translation adjustment, net of tax	—	—	—	—	—	—	(1)	(1)
Reclassification of net losses on derivative instruments from OCI to net income, net of tax	—	—	—	—	—	—	113	113
Stock based compensation	—	—	—	1,198	—	—	—	1,198
Distribution to Northwestern Energy Group, Inc.	—	—	—	—	—	(570,372)	(325)	(570,697)
Balance at March 31, 2024	0	—	\$ 0	\$1,982,321	\$ —	\$ 301,920	\$ (7,869)	\$ 2,276,372

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 March 31, 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:

	Three Months Ended March 31, 2023
Operating revenues	\$ 103,868
Operating expenses	91,554
Operating Income	12,314
Interest expense, net	(5,381)
Other income, net	521
Income from discontinued operations before income tax	7,454
Income tax expense	(308)
Discontinued operations, net of tax	\$ 7,146

(3) Employee Benefit Plans

We sponsor and/or contribute to pension and postretirement health care and life insurance benefit plans for eligible employees. We did not contribute to our pension plans during the three months ended March 31, 2024. We expect to contribute \$10.0 million to our pension plans during the remainder of 2024.

ENVIRONMENTAL LIABILITIES AND REGULATION

Environmental Protection Agency (EPA) Rules

Congress has not passed any federal climate change legislation regarding GHG emissions from coal fired plants, and we cannot predict the timing or form of any potential legislation. Section 111(d) of the Clean Air Act (CAA) confers authority on EPA and the states to regulate emissions, including GHGs, from existing stationary sources. In May 2023, EPA proposed new GHG emissions standards for coal and natural gas-fired plants. In particular, the proposed rules would (i) strengthen the current New Source Performance Standards for newly built fossil fuel-fired stationary combustion turbines (generally natural gas-fired); (ii) establish emission guidelines for states to follow in limiting carbon pollution from existing fossil fuel-fired steam generating electric generating units (including coal, oil and natural gas-fired units); and (iii) establish emission guidelines for large, frequently used existing fossil fuel-fired stationary combustion turbines (generally natural gas-fired). In addition, in April 2023, EPA proposed to amend the MATS. Among other things, MATS currently sets stringent emission limits for acid gases, mercury, and other hazardous air pollutants from new and existing electric generating units. We are in compliance with existing MATS requirements. The proposed amendment of the MATS would strengthen the MATS requirements, and if adopted as written, both the GHG and MATS proposed rules could have a material negative impact on our coal-fired plants, including requiring potentially expensive upgrades or the early retirement of Colstrip Unit's 3 and 4 due to the rules making the facility uneconomic.

On April 25, 2024, the EPA released final rules related to 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). The final MATS and GHG Rules will require compliance as early as 2028 and 2032, respectively. We are evaluating how the final MATS and GHG Rules may impact our coal-fired generation facilities and operations.

Previous efforts by the EPA were met with extensive litigation and we anticipate a similar response to the new GHG Rules and MATS Rules. As the MATS Rules and GHG Rules are implemented, it could 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 or 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.

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 Montana Public Service Commission (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. The owners previously agreed to stay the Arbitration in an effort to work out a global resolution to the dispute, but that stay has now expired. The parties were not able to agree to continue the stay, and are presently in the process of identifying and retaining an arbitrator (or arbitrators) and are proceeding with the Arbitration.

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. 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. Since this lawsuit remains in its discovery stages, we are unable to predict outcomes. We continue to evaluate a range of reasonably possible losses.

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 is presently scheduled for May 15, 2024, and a determination of the appeal will follow. We recommenced construction in June 2023 and expect the plant to be operational by the end of the third quarter 2024. The ultimate resolution of the lawsuit challenging the Yellowstone County Generating Station air quality permit could impact our ability to operate the facility and increase costs.

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 June 1, 2023, the MDEQ issued its draft supplemental environmental assessment that contained the updated exterior lighting analysis, and the MDEQ indicated that no other analysis was necessary. The comment period concerning the MDEQ's draft supplemental environmental assessment ended on July 3, 2023. 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 outcome of the *Held* case could pose additional delays and costs for the Yellowstone County Generating Station.

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.