



**NORTHWESTERN ENERGY PUBLIC SERVICE CORPORATION**

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

**Financial Statements**

**For the Period Ending June 30, 2024**

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**NORTHWESTERN ENERGY PUBLIC SERVICE CORPORATION**

**CONDENSED STATEMENTS OF INCOME**

(in thousands)

	<b>Six Months Ended June 30, 2024</b>
Revenues	
Electric	\$ 91,295
Gas	60,390
<b>Total Revenues</b>	<b>151,685</b>
Operating Expenses	
Fuel, purchased supply and direct transmission expense (exclusive of depreciation shown separately below)	69,951
Operating, administrative and general	31,444
Property and other taxes	3,545
Depreciation	24,546
<b>Total Operating Expenses</b>	<b>129,486</b>
Operating income	22,199
Interest expense, net	(12,329)
Other income, net	827
Income before income taxes	10,697
Income tax benefit	1,634
<b>Net Income</b>	<b>\$ 12,331</b>

See Notes to Condensed Financial Statements

**NORTHWESTERN ENERGY PUBLIC SERVICE CORPORATION**  
**CONDENSED STATEMENTS OF COMPREHENSIVE INCOME**

**(in thousands)**

	<b>Six Months Ended June 30, 2024</b>
Net Income	\$ 12,331
Other comprehensive income, net of tax:	—
<b>Comprehensive Income</b>	<b>\$ 12,331</b>

See Notes to Condensed Financial Statements

**NORTHWESTERN ENERGY PUBLIC SERVICE CORPORATION**

**CONDENSED BALANCE SHEETS**

(in thousands)

	<b>June 30, 2024</b>	<b>December 31, 2023</b>
<b>ASSETS</b>		
<b>Current Assets:</b>		
Cash and cash equivalents	\$ 696	\$ 0
Restricted cash	8,394	—
Accounts receivable, net	23,991	—
Inventories	31,416	—
Regulatory assets	8,840	—
Prepaid expenses and other	11,797	—
<b>Total current assets</b>	<b>85,134</b>	<b>0</b>
Property, plant, and equipment, net	1,069,491	—
Goodwill	93,780	—
Regulatory assets	92,392	—
Other noncurrent assets	10,027	—
<b>Total Assets</b>	<b>\$ 1,350,824</b>	<b>\$ 0</b>
<b>LIABILITIES AND SHAREHOLDERS' EQUITY</b>		
<b>Current Liabilities:</b>		
Current portion of long-term debt	\$ 63,977	\$ —
Accounts payable	15,662	—
Accrued expenses	28,092	—
Regulatory liabilities	15,859	—
<b>Total current liabilities</b>	<b>123,590</b>	<b>—</b>
Long-term debt	477,069	—
Deferred income taxes	23,919	—
Noncurrent regulatory liabilities	107,653	—
Other noncurrent liabilities	31,843	—
<b>Total Liabilities</b>	<b>764,074</b>	<b>—</b>
Commitments and Contingencies (Note 3)		
<b>Shareholders' Equity:</b>		
Common stock, par value \$0.01	0	0
Paid-in capital	580,840	—
Retained earnings	5,585	—
Accumulated other comprehensive income	325	—
<b>Total Shareholders' Equity</b>	<b>586,750</b>	<b>0</b>
<b>Total Liabilities and Shareholders' Equity</b>	<b>\$ 1,350,824</b>	<b>\$ 0</b>

See Notes to Condensed Financial Statements

**NORTHWESTERN ENERGY PUBLIC SERVICE CORPORATION**

**CONDENSED STATEMENTS OF CASH FLOWS**

(in thousands)

	<b>Six Months Ended June 30, 2024</b>
<b>OPERATING ACTIVITIES:</b>	
Net Income	\$ 12,331
Items not affecting cash:	
Depreciation	24,546
Amortization of debt issuance costs, discount and deferred hedge gain	480
Stock-based compensation costs	641
Equity portion of allowance for funds used during construction	(445)
Deferred income taxes	(1,675)
Changes in current assets and liabilities:	
Accounts receivable	11,480
Inventories	300
Other current assets	(1,042)
Accounts payable	(8,771)
Accrued expenses	703
Regulatory assets	(2,990)
Regulatory liabilities	(5,076)
Other noncurrent assets and liabilities	1,599
<b>Cash Provided by Operating Activities</b>	<b>32,081</b>
<b>INVESTING ACTIVITIES:</b>	
Property, plant, and equipment additions	(25,264)
<b>Cash Used in Investing Activities</b>	<b>(25,264)</b>
<b>FINANCING ACTIVITIES:</b>	
Cash contribution from NorthWestern Corporation	253
Dividends on common stock	(6,746)
Issuance of long-term debt	40,000
Line of credit repayments, net	(31,000)
Financing costs	(234)
<b>Cash Used in Financing Activities</b>	<b>2,273</b>
<b>Net Increase in Cash and Cash Equivalents</b>	<b>9,090</b>
Cash and Cash Equivalents, beginning of period	0
<b>Cash and Cash Equivalents, end of period</b>	<b>\$ 9,090</b>
<b>Supplemental Cash Flow Information:</b>	
Cash paid during the period for:	
Income taxes	—
Interest	11,245
Significant non-cash transactions:	
Capital expenditures included in accounts payable	1,626

See Notes to Condensed Financial Statements

**NORTHWESTERN PUBLIC SERVICE CORPORATION**  
**CONDENSED 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
<b>Balance at December 31, 2023</b>	<b>0</b>	—	<b>\$ 0</b>	<b>\$ —</b>	<b>\$ —</b>	<b>\$ —</b>	<b>\$ —</b>	<b>0</b>
Net income	—	—	—	—	—	12,331	—	12,331
Stock based compensation	—	—	—	640	—	—	—	640
Cash Dividend						(6,746)		
Contribution from Northwestern Corporation	—	—	—	580,200	—	—	325	580,525
<b>Balance at June 30, 2024</b>	<b>0</b>	—	<b>\$ 0</b>	<b>\$ 580,840</b>	<b>\$ —</b>	<b>\$ 5,585</b>	<b>\$ 325</b>	<b>\$ 586,750</b>

See Notes to Condensed Financial Statements

## NOTES TO CONDENSED FINANCIAL STATEMENTS

### (1) Nature of Operations and Basis of Consolidation

Northwestern Energy Public Service Corporation (NWE Public Service), a direct wholly-owned subsidiary of NorthWestern Energy Group, Inc., doing business as NorthWestern Energy, provides electricity and / or natural gas to approximately 157,700 customers in South Dakota and Nebraska. We have generated and distributed electricity in South Dakota and distributed natural gas in South Dakota and Nebraska since 1923.

The Condensed Financial Statements (Financial Statements) for the periods included herein have been prepared by NWE Public Service (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 June 30, 2024, have been evaluated as to their potential impact to the Financial Statements through the date of issuance.

#### **Holding Company Reorganization**

NWE Public Service was incorporated on May 30, 2023, as a direct wholly-owned subsidiary of NorthWestern Corporation in preparation of a holding company reorganization. On October 2, 2023, NorthWestern Corporation (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. On January 1, 2024, NorthWestern Energy Group, Inc. 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 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. As NWE Public Service did not have any utility operations before January 1, 2024, these Financial Statements do not include comparative prior year results.

The below table represents the net assets that NW Corp contributed to NWE Public Service on January 1, 2024:



**Net assets contributed to NWE Public Service on January 1, 2024:**

<b>ASSETS</b>	
<b>Current Assets:</b>	
Cash and cash equivalents	\$ 253
Accounts receivable, net	37,547
Inventories	31,717
Regulatory assets	5,681
Prepaid expenses and other	10,755
<b>Total current assets</b>	<b>85,953</b>
Property, plant, and equipment, net	1,067,549
Goodwill	93,779
Regulatory assets	93,933
Other noncurrent assets	9,558
<b>Total Assets</b>	<b>\$ 1,350,772</b>
<b>LIABILITIES</b>	
<b>Current Liabilities:</b>	
Accounts payable	28,751
Accrued expenses	27,392
Regulatory liabilities	20,766
<b>Total current liabilities</b>	<b>76,909</b>
Long-term debt	532,148
Deferred income taxes	25,033
Noncurrent regulatory liabilities	106,307
Other noncurrent liabilities	29,850
<b>Total Liabilities</b>	<b>\$ 770,247</b>
<b>Total Net Assets Contributed to NWE Public Service</b>	<b>\$ 580,525</b>

**(2) Regulatory Matters**

**South Dakota Natural Gas Rate Review**

On June 21, 2024, we filed a natural gas rate review (2023 test year) with the South Dakota Public Utilities Commission. The filing requests a base rate annual revenue increase of \$6.0 million. Our request is based on a return on equity of 10.70 percent, a capital structure including 53.13 percent equity, and rate base of \$95.6 million. If a final order is not received by December 21, 2024, interim base rates may go into effect.

**Nebraska Natural Gas Rate Review**

On June 6, 2024, we filed a natural gas rate review (2023 test year) with the Nebraska Public Service Commission. The filing requests a base rate annual revenue increase of \$3.6 million. Our request is based on a return on equity of 10.70 percent, a capital structure including 53.13 percent equity, and rate base of \$47.4 million. Interim base rates are not anticipated to be implemented prior to October 1, 2024.

**(3) Employee Benefit Plans**

**Pension and Other Postretirement Benefit Plans**

We sponsor and/or contribute to pension and postretirement health care and life insurance benefit plans for eligible employees. We contributed \$0.6 million to our pension plans during the six months ended June 30, 2024. We expect to contribute \$0.6 million to our pension plans during the remainder of 2024.

**ENVIRONMENTAL LIABILITIES AND REGULATION**

**Environmental Protection Agency (EPA) Rules**

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 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. We have further requested the court stay the implementation of the Rules pending review on the merits, but that judicial relief is discretionary. Briefing is underway for the requests to stay the MATS Rules. On July 19, 2024, the D.C. Circuit denied all consolidated motions to stay the GHG Rules, concluding the petitioners had not shown likelihood of success on the merits and irreparable harm from the GHG Rules' imposition. However, the court ordered the litigation parties to submit a proposed briefing schedule to ensure the case is argued and the GHG Rule is reviewed on the merits as soon as possible. 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 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**

**Other Legal Proceedings**

We are 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 actions will not materially affect our financial position, results of operations, or cash flows.