NORTHWESTERN CORPORATION

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

Financial Statements

For the Period Ending December 31, 2024

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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors of NorthWestern Corporation

Opinion

We have audited the consolidated financial statements of NorthWestern Corporation (the "Company"), which comprise the consolidated balance sheets as of December 31, 2024 and 2023, and the related consolidated statements of income, comprehensive income, shareholders' equity, and cash flows for the years then ended, and the related notes to the consolidated financial statements (collectively referred to as the "financial statements").

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Company as of December 31, 2024 and 2023, and the results of its operations and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America (GAAS). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Company and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Company's ability to continue as a going concern for one year after the date that the financial statements are issued.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Company's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

/s/ DELOITTE & TOUCHE LLP

February 28, 2025

NORTHWESTERN CORPORATION

CONSOLIDATED STATEMENTS OF INCOME

(in thousands)

	Year Ended December 31, 2024	Year Ended December 31, 2023
Revenues		
Electric	$ 1,010,234	$ 898,279
Gas	224,213	237,922
Total Revenues	1,234,447	1,136,201
Operating Expenses		
Fuel, purchased supply and direct transmission expense (exclusive of depreciation and depletion shown separately below)	319,817	281,346
Operating, administrative, and general	299,634	276,164
Property and other taxes	156,932	148,276
Depreciation and depletion	178,069	166,647
Total Operating Expenses	954,452	872,433
Operating Income	279,995	263,768
Interest Expense, net	(102,557)	(92,396)
Other Income, net	22,306	13,797
Income Before Income Taxes	199,744	185,169
Income Tax Expense	(19,665)	(14,394)
Income from Continuing Operations	180,079	170,775
Discontinued Operations, net of tax	—	23,357
Net Income	$ 180,079	$ 194,132

See Notes to Consolidated Financial Statements

NORTHWESTERN CORPORATION

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

(in thousands)

	Year Ended December 31,	
	2024	**2023**
Net Income	$ 180,079	$ 194,132
Other comprehensive income (loss), net of tax:		
Reclassification of net losses on derivative instruments	452	452
Postretirement medical liability adjustment	—	(262)
Foreign currency translation	(4)	2
Total Other Comprehensive Income	448	192
Comprehensive Income	$ 180,527	$ 194,324

See Notes to Consolidated Financial Statements

NORTHWESTERN CORPORATION

CONSOLIDATED BALANCE SHEETS
(in thousands)

	As of December 31,	
	2024	**2023**
ASSETS		
Current Assets:		
Cash and cash equivalents	$ 1,934	$ 8,851
Restricted cash	13,894	14,857
Accounts receivable, net	149,101	174,711
Accounts receivable from related parties	1,569	—
Inventories	89,506	82,822
Regulatory assets	27,650	23,945
Prepaid expenses and other	25,874	14,487
Current assets of discontinued operations	—	87,274
Total current assets	**309,528**	**406,947**
Property, plant, and equipment, net	5,305,002	4,972,196
Goodwill	263,807	263,807
Regulatory assets	667,423	650,012
Other noncurrent assets	32,147	26,695
Noncurrent assets of discontinued operations	—	1,276,873
Total Assets	**$ 6,577,907**	**$ 7,596,530**
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current Liabilities:		
Current maturities of finance leases	$ 3,596	$ 3,338
Current portion of long-term debt	235,959	99,950
Accounts payable	83,915	95,574
Accounts payable to related parties	—	207
Accrued expenses	217,003	218,217
Regulatory liabilities	15,105	40,336
Current liabilities of discontinued operations	—	77,482
Total current liabilities	**555,578**	**535,104**
Long-term finance leases	1,865	5,461
Long-term debt	2,170,247	2,152,611
Deferred income taxes	639,947	580,212
Noncurrent regulatory liabilities	550,428	551,144
Other noncurrent liabilities	271,149	271,108
Noncurrent liabilities of discontinued operations	**—**	**715,967**
Total Liabilities	**4,189,214**	**4,811,607**
Commitments and Contingencies (Note 18)		
Shareholders' Equity:		
Common stock, par value $0.01	0	0
Paid-in capital	2,045,000	1,981,123
Retained earnings	351,226	811,456
Accumulated other comprehensive loss	(7,533)	(7,656)
Total Shareholders' Equity	**2,388,693**	**2,784,923**
Total Liabilities and Shareholders' Equity	**$ 6,577,907**	**$ 7,596,530**

See Notes to Consolidated Financial Statements

NORTHWESTERN CORPORATION

CONSOLIDATED STATEMENTS OF CASH FLOWS
(in thousands)

	Year Ended December 31,	
	2024	2023
OPERATING ACTIVITIES:		
Net Income	$ 180,079	$ 194,132
Less: Income from discontinued operations, net of tax	—	(23,357)
Adjustments to reconcile net income to cash provided by operations:		
Depreciation and depletion	178,069	166,647
Amortization of debt issuance costs, discount and deferred hedge gain	3,631	3,987
Stock-based compensation costs	3,877	4,284
Equity portion of Allowance for Funds Used During Construction	(17,538)	(16,748)
Gain on disposition of assets	(84)	(7)
Deferred income taxes	17,937	19,858
Changes in current assets and liabilities:		
Accounts receivable	23,834	24,982
Inventories	(6,685)	(4,723)
Other current assets	(11,388)	3,211
Accounts payable	8,259	(48,328)
Accrued expenses	67	(3,437)
Regulatory assets	(3,596)	95,406
Regulatory liabilities	(25,231)	32,903
Other noncurrent assets and liabilities	(20,055)	(35,303)
Cash provided by continuing operations	331,176	413,507
Net cash provided by discontinued operations	—	75,917
Cash Provided by Operating Activities	331,176	489,424
INVESTING ACTIVITIES:		
Property, plant, and equipment additions	(481,326)	(503,103)
Cash used in continuing investing activities	(481,326)	(503,103)
Cash used in discontinued investing activities	—	(67,709)
Cash Used in Investing Activities	(481,326)	(570,812)
FINANCING ACTIVITIES:		
Distribution of cash to NorthWestern Energy Group, Inc.	(1,419)	—
Equity contribution from NorthWestern Energy Group, Inc.	60,000	—
Dividends on common stock	—	(115,048)
Cash dividends to parent	(69,936)	(39,042)
Proceeds from issuance of common stock, net	—	73,613
Issuance of long-term debt	175,000	239,000
Repayments on long-term debt	(100,000)	—
Line of credit borrowings (repayments), net	78,000	(109,500)
Treasury stock activity	—	731
Other financing activities, net	(794)	(3,488)
Cash provided by continuing financing activities	140,851	46,266
Cash provided by discontinued financing activities	—	37,786
Cash Provided by Financing Activities	140,851	84,052
Net (Decrease) Increase in Cash, Cash Equivalents, and Restricted Cash	(9,299)	2,664
Cash, Cash Equivalents, and Restricted Cash, beginning of period (1)	25,127	22,463
Cash, Cash Equivalents, and Restricted Cash, end of period	**$ 15,828**	**$ 25,127**

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

See Notes to Consolidated Financial Statements

NORTHWESTERN CORPORATION

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	—	—	—	—	—	194,132		194,132
Foreign currency translation adjustment, net of tax	—	—	—	—	—	—	2	2
Reclassification of net losses on derivative instruments from OCI to net income, net of tax	—	—	—	—	—	—	452	452
Postretirement medical liability adjustment, net of tax	—	—	—	—	—	—	(262)	(262)
Stock based compensation	51		—	4,954	—	—	—	4,954
Issuance of shares	1,433	(14)	15	74,267	270	—	—	74,552
Dividends on common stock	—	—	—	—	—	(115,048)	—	(115,048)
Merger transaction with NorthWestern Energy Group, Inc. (See Note 1)	(64,762)	(3,520)	(648)	(97,474)	98,122	—	—	—
Cash dividends to parent	—	—	—	—	—	(39,042)	—	(39,042)
Balance at December 31, 2023	**0**	**—**	**$ 0**	**$1,981,123**	**$ —**	**$ 811,456**	**$ (7,656)**	**$ 2,784,923**
Net income	—	—	—	—	—	180,079	—	180,079
Foreign currency translation adjustment, net of tax	—	—	—	—	—	—	(4)	(4)
Reclassification of net losses on derivative instruments from OCI to net income, net of tax	—	—	—	—	—	—	452	452
Stock based compensation	—	—	—	3,877	—	—	—	3,877
Equity contribution from parent	—	—	—	60,000	—	—	—	60,000
Distribution to NorthWestern Energy Group, Inc. (See Note 2)	—	—	—	—	—	(570,373)	(325)	(570,698)
Cash dividends to parent	—	—	—	—	—	(69,936)	—	(69,936)
Balance at December 31, 2024	**0**	**—**	**$ 0**	**$2,045,000**	**$ —**	**$ 351,226**	**$ (7,533)**	**$ 2,388,693**

See Notes to Consolidated Financial Statements

NOTES TO 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 627,900 customers in Montana and Yellowstone National Park. We have generated and distributed electricity and distributed natural gas in Montana since 2002.

The 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). The preparation of financial statements in conformity with 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. The accompanying Consolidated Financial Statements include our accounts together with those of our wholly and majority-owned or controlled subsidiaries. All intercompany balances and transactions have been eliminated from the Consolidated Financial Statements. Events occurring subsequent to December 31, 2024, have been evaluated as to their potential impact to the Consolidated 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. Due to this reorganization, the financial position, results of operations, and cash flows of the South Dakota and Nebraska regulated utilities and certain other subsidiaries are reported in historical periods as discontinued operations. See Note 2 - Discontinued Operations for further information.

(2) Discontinued Operations

As described in Note 1 - Nature of Operations and Basis of Consolidation, 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 formerly held South Dakota electric and natural gas and Nebraska natural gas regulated utility operations, and the equity ownership in certain non-regulated subsidiaries, 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 notes to our financial statements present information from continuing operations.

The carrying amounts of the major classes of assets and liabilities of discontinued operations included in our 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	**$**	**1,364,147**
LIABILITIES		
Current Liabilities:		
Accounts payable		28,766
Accrued expenses		27,949
Regulatory liabilities		20,767
Total current liabilities		**77,482**
Long-term debt		532,148
Deferred income taxes		20,307
Noncurrent regulatory liabilities		106,307
Other noncurrent liabilities		57,205
Total Liabilities	**$**	**793,449**
Net Assets	**$**	**570,698**

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:

		Year Ended December 31, 2023
Operating revenues	$	285,942
Operating expenses		249,024
Operating Income		36,918
Interest expense, net		(22,221)
Other income, net		1,805
Income from discontinued operations before income tax		16,502
Income tax expense		6,855
Discontinued operations, net of tax	$	23,357

(3) Significant Accounting Policies

Use of Estimates

The preparation of financial statements in conformity with GAAP requires us to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the Consolidated Financial Statements and the reported amounts of revenues and expenses during the reporting period. Estimates are used for such items as long-lived asset values and impairment charges, long-lived asset useful lives, tax provisions, uncertain tax position reserves, AROs, regulatory assets and liabilities, allowances for uncollectible accounts, our QF liability, environmental liabilities, unbilled revenues and actuarially determined benefit costs and liabilities. We revise the recorded estimates when we receive better information or when we can determine actual amounts. Those revisions can affect operating results.

Revenue Recognition

The Company recognizes revenue as customers obtain control of promised goods and services in an amount that reflects consideration expected in exchange for those goods or services. Generally, the delivery of electricity and natural gas results in the transfer of control to customers at the time the commodity is delivered and the amount of revenue recognized is equal to the amount billed to each customer, including estimated volumes delivered when billings have not yet occurred.

Cash Equivalents

We consider all highly liquid investments with maturities of three months or less at the time of purchase to be cash equivalents.

Restricted Cash

Restricted cash consists primarily of funds held in trust accounts to satisfy the requirements of certain stipulation agreements and insurance reserve requirements.

Accounts Receivable, Net

Accounts receivable are net of allowances for uncollectible accounts of $2.2 million and $2.5 million at December 31, 2024 and December 31, 2023, respectively. Receivables include unbilled revenues of $74.1 million and $84.1 million at December 31, 2024 and December 31, 2023, respectively.

Regulation of Utility Operations

Our regulated operations are subject to the provisions of ASC 980, *Regulated Operations*. Regulated accounting is appropriate provided that (i) rates are established by or subject to approval by independent, third-party regulators, (ii) rates are designed to recover the specific enterprise's cost of service, and (iii) in view of demand for service, it is reasonable to assume that rates are set at levels that will recover costs and can be charged to and collected from customers.

Our Consolidated Financial Statements reflect the effects of the different rate making principles followed by the jurisdictions regulating us. The economic effects of regulation can result in regulated companies recording costs that have been, or are deemed probable to be, allowed in the ratemaking process in a period different from the period in which the costs would be charged to expense by an unregulated enterprise. When this occurs, costs are deferred as regulatory assets and recorded as expenses in the periods when those same amounts are reflected in rates. Additionally, regulators can impose liabilities upon a regulated company for amounts previously collected from customers and for amounts that are expected to be refunded to customers (regulatory liabilities).

If we were required to terminate the application of these provisions to our regulated operations, all such deferred amounts would be recognized in the Consolidated Statements of Income at that time. This would result in a charge to earnings and accumulated other comprehensive loss (AOCL), net of applicable income taxes, which could be material. In addition, we would determine any impairment to the carrying costs of deregulated plant and inventory assets.

Derivative Financial Instruments

We account for derivative instruments in accordance with ASC 815, *Derivatives and Hedging*. All derivatives are recognized in the Consolidated Balance Sheets at their fair value unless they qualify for certain exceptions, including the normal purchases and normal sales (NPNS) exception. Additionally, derivatives that qualify and are designated for hedge accounting are classified as either hedges of the fair value of a recognized asset or liability or of an unrecognized firm commitment (fair-value hedge) or hedges of a forecasted transaction or the variability of cash flows to be received or paid related to a recognized asset or liability (cash-flow hedge). For fair-value hedges, changes in fair values for both the derivative and the underlying hedged exposure are recognized in earnings each period. For cash-flow hedges, the portion of the derivative gain or loss that is effective in offsetting the change in the cost or value of the underlying exposure is deferred in AOCL and later reclassified into earnings when the underlying transaction occurs. Gains and losses from the ineffective portion of any hedge are recognized in earnings immediately. For other derivative contracts that do not qualify or are not designated for hedge accounting, changes in the fair value of the derivatives are recognized in earnings each period. Cash inflows and outflows related to derivative instruments are included as a component of operating, investing or financing cash flows in the Consolidated Statements of Cash Flows, depending on the underlying nature of the hedged items. As of December 31, 2024, the only derivative instruments we have qualify for the NPNS exception.

Revenues and expenses on contracts that are designated as NPNS are recognized when the underlying physical transaction is completed. While these contracts are considered derivative financial instruments, they are not required to be recorded at fair value, but on an accrual basis of accounting. NPNS are contracts where physical delivery is probable, quantities are expected to be used or sold in the normal course of business over a reasonable period of time, and price is not tied to an unrelated underlying derivative. As part of our regulated electric and gas operations, we enter into contracts to buy and sell energy to meet the requirements of our customers. These contracts include short-term and long-term commitments to purchase and sell energy in the retail and wholesale markets with the intent and ability to deliver or take delivery. If it were determined that a transaction designated as a NPNS no longer met the exceptions, the fair value of the related contract would be reflected as an asset or liability and immediately recognized through earnings. See Note 9 - Risk Management and Hedging Activities, for further discussion of our derivative activity.

Property, Plant and Equipment

Property, plant and equipment are stated at original cost, including contracted services, direct labor and material, allowance for funds used during construction (AFUDC), and indirect charges for engineering, supervision and similar overhead items. All expenditures for maintenance and repairs of utility property, plant and equipment are charged to the appropriate maintenance expense accounts. A betterment or replacement of a unit of property is accounted for as an addition and retirement of utility plant. At the time of such a retirement, the accumulated provision for depreciation is charged with the original cost of the property retired and also for the net cost of removal. Also included in plant and equipment are assets under finance lease, which are stated at the present value of minimum lease payments.

AFUDC represents the cost of financing construction projects with borrowed funds and equity funds. While cash is not realized currently from such allowance, it is realized under the ratemaking process over the service life of the related property through increased revenues resulting from a higher rate base and higher depreciation expense. The component of AFUDC attributable to borrowed funds is included as a reduction to interest expense, while the equity component is included in other income. This rate averaged 7.0% and 6.4% for 2024 and 2023, respectively. AFUDC capitalized totaled $25.5 million and $23.1 million for the years ended December 31, 2024 and 2023, respectively.

We record provisions for depreciation at amounts substantially equivalent to calculations made on a straight-line method by applying various rates based on useful lives of the various classes of properties (ranging from 5 to 127 years) determined from engineering studies. As a percentage of the depreciable utility plant at the beginning of the year, our provision for depreciation of utility plant was approximately 2.8% for 2024 and 2023.

Depreciation rates include a provision for our share of the estimated costs to decommission our jointly owned plants at the end of the useful life. The annual provision for such costs is included in depreciation expense, while the accumulated provisions are included in noncurrent regulatory liabilities.

Pension and Postretirement Benefits

We have liabilities under defined benefit retirement plans and a postretirement plan that offers certain health care and life insurance benefits to eligible employees and their dependents. The costs of these plans are dependent upon numerous factors, assumptions and estimates, including determination of discount rate, expected return on plan assets, rate of future compensation increases, age and mortality and employment periods. In determining the projected benefit obligations and costs, assumptions can change from period to period and may result in material changes in the cost and liabilities we recognize.

Income Taxes

We follow the liability method in accounting for income taxes. Deferred income tax assets and liabilities represent the future effects on income taxes from temporary differences between the bases of assets and liabilities for financial reporting and tax purposes. Deferred tax assets and liabilities are measured using enacted tax rates expected to apply to taxable income in the years in which those temporary differences are expected to reverse. The probability of realizing deferred tax assets is based on forecasts of future taxable income and the availability of tax planning strategies that can be implemented, if necessary, to realize deferred tax assets. We establish a valuation allowance when it is more likely than not that all, or a portion of, a deferred tax asset will not be realized.

Exposures exist related to various tax filing positions, which may require an extended period of time to resolve and may result in income tax adjustments by taxing authorities. We have reduced deferred tax assets or established liabilities based on our best estimate of future probable adjustments related to these exposures. On a quarterly basis, we evaluate exposures in light of any additional information and make adjustments as necessary to reflect the best estimate of the future outcomes. We believe our deferred tax assets and established liabilities are appropriate for estimated exposures; however, actual results may differ from these estimates. The resolution of tax matters in a particular future period could have a material impact on our Consolidated Income Statements and provision for income taxes.

Under the Inflation Reduction Act of 2022 our production tax credits may be transferred to an unrelated entity. Our policy is to account for these transferable credits within income tax expense.

Environmental Costs

We record environmental costs when it is probable we are liable for the costs and we can reasonably estimate the liability. If an environmental cost is related to facilities we currently use, such as pollution control equipment, then we may capitalize and depreciate the costs over the remaining life of the asset, assuming the costs are recoverable in future rates or future cash flows.

Our remediation cost estimates are based on the use of an environmental consultant, our experience, our assessment of the current situation and the technology currently available for use in the remediation. We regularly adjust the recorded costs as we revise estimates and as remediation proceeds. If we are one of several designated responsible parties, then we estimate and record only our share of the cost.

Supplemental Cash Flow Information

	Year Ended December 31, 2024	Year Ended December 31, 2023
		(in thousands)
Cash paid (received) for:		
Income taxes [1]	$ (4,769)	$ (827)
Interest [2]	100,853	105,238
Significant non-cash transactions:		
Capital expenditures included in trade accounts payable [3]	18,537	42,322

(1) Includes income tax refunds from discontinued operations of $845 as of December 31, 2023.
(2) Includes interest payments from discontinued operations of $20,778 as of December 31, 2023.
(3) Includes capital expenditures included in trade accounts payable of discontinued operations of $3,867 as of December 31, 2023.

The following table provides a reconciliation of cash, cash equivalents, and restricted cash reported within the Consolidated Balance Sheets that sum to the total of the same such amounts shown in the Consolidated Statements of Cash Flows (in thousands):

	December 31, 2024	December 31, 2023
Cash and cash equivalents	$ 1,934	$ 8,851
Restricted cash	13,894	14,857
Discontinued operations (Note 2)	—	1,419
Total cash, cash equivalents, and restricted cash shown in the Consolidated Statements of Cash Flows	$ 15,828	$ 25,127

Restricted cash consists primarily of funds held in trust accounts to satisfy the requirements of certain stipulation agreements and insurance reserve requirements.

Accounting Standards Issued

There were no accounting standards adopted in the current year that had a material impact to our financial condition, results of operations, and cash flows. At this time, we are not expecting the adoption of recently issued accounting standards to have a material impact to our financial condition, results of operations, and cash flows.

(4) Regulatory Matters

Montana Rate Review

In July 2024, we filed a Montana electric and natural gas rate review (2023 test year) 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 Recovery 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, which was placed in service in October 2024.

In November 2024, the MPSC partially approved our requested interim rates, which are subject to refund, increasing electric and natural gas base rates by $18.4 million and $17.4 million, respectively, and decreasing our PCCAM base costs by $88.0 million, effective December 1, 2024.

In January 2025, intervenor testimony was filed and we anticipate filing our rebuttal testimony in March 2025. Based on the procedural schedule developed by the MPSC, a hearing on our rate review request is 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.

(5) Regulatory Assets and Liabilities

We prepare our Consolidated Financial Statements in accordance with the provisions of ASC 980, as discussed in Note 3 - Significant Accounting Policies. Pursuant to this guidance, certain expenses and credits, normally reflected in income as incurred, are deferred and recognized when included in rates and recovered from or refunded to customers. Regulatory assets and liabilities are recorded based on management's assessment that it is probable that a cost will be recovered or that an obligation has been incurred. Accordingly, we have recorded the following major classifications of regulatory assets and liabilities that will be recognized in expenses and revenues in future periods when the matching revenues are collected or refunded. Of these regulatory assets and liabilities, energy supply costs are the only items earning a rate of return. The remaining regulatory items have corresponding assets and liabilities that will be paid for or refunded in future periods.

	Note Reference	Remaining Amortization Period	December 31, 2024	December 31, 2023
			(in thousands)	
Flow-through income taxes	13	Plant Lives	$ 522,015	$ 483,949
Pension	15	See Note 15	56,719	73,823
Excess deferred income taxes	13	Plant Lives	39,040	44,657
Employee related benefits	15	See Note 15	17,877	21,926
Wildfire Mitigation		Undetermined	17,368	1,623
Deferred financing costs	12	See Note 12	16,961	18,540
State & local taxes & fees		1 Year	8,863	2,733
Supply costs		1 Year	1,132	3,895
Other		Various	15,098	22,811
Total Regulatory Assets			**$ 695,073**	**$ 673,957**
Removal cost	7	Plant Lives	$ 444,058	$ 435,470
Excess deferred income taxes	13	Plant Lives	108,154	117,870
State & local taxes & fees		1 Year	46	29,686
Supply costs		1 Year	5,093	924
Gas storage sales		16 years	6,205	6,625
Other		Various	1,977	905
Total Regulatory Liabilities			**$ 565,533**	**$ 591,480**

Income Taxes

Flow-through income taxes primarily reflect the effects of plant related temporary differences such as flow-through of depreciation, repairs related deductions, and removal costs that we will recover or refund in future rates. We amortize these amounts as temporary differences reverse. Excess deferred income tax assets and liabilities are recorded as a result of the Tax Cuts and Jobs Act and will be recovered or refunded in future rates. See Note 13 - Income Taxes for further discussion.

Pension and Employee Related Benefits

We recognize the unfunded portion of plan benefit obligations in the Consolidated Balance Sheets, which is remeasured at each year end, with a corresponding adjustment to regulatory assets/liabilities as the costs associated with these plans are recovered in rates. The MPSC allows recovery of pension costs on a cash funding basis. The portion of the regulatory asset related to our Montana pension plan will amortize as cash funding amounts exceed accrual expense under GAAP. The MPSC allows recovery of postretirement benefit costs on an accrual basis.

Deferred Financing Costs

Consistent with our historical regulatory treatment, a regulatory asset has been established to reflect the remaining deferred financing costs on long-term debt that has been replaced through the issuance of new debt. These amounts are amortized over the life of the new debt.

Enhanced Wildfire Mitigation Plan

We have developed an Enhanced Wildfire Mitigation Plan addressing five key areas: situational awareness, operational practices, system preparedness, vegetation management, and public communications outreach. Because of ever-increasing wildfire risk, our plan includes greater focus on situational awareness to monitor changing environmental conditions, operational practices that are more reactive to changing conditions, increased frequency of patrol and repairs, and more robust system hardening programs that target higher risk segments in our transmission and distribution systems. The MPSC has approved the deferral of incremental operating costs related to this Enhanced Wildfire Mitigation Plan.

Supply Costs

The MPSC has authorized the use of electric and natural gas supply cost trackers that enable us to track actual supply costs and either recover the under collection or refund the over collection to our customers. Accordingly, we have recorded a regulatory asset and liability to reflect the future recovery of under collections and refunding of over collections through the ratemaking process. We earn interest on natural gas supply costs under collected, or apply interest to an over collection, of 6.7 percent. For our electric supply tracker, the PCCAM, the interest rate we earn on supply costs under collected, or the interest rate we apply to an over collection, is based on the monthly interest rate for three month commercial paper as published by the Federal Reserve.

State & Local Taxes & Fees (Montana Property Tax Tracker)

Under Montana law, we are allowed to track the changes in the actual level of state and local taxes and fees and recover the increase, or refund the decrease, in rates, less the amount allocated to Federal Energy Regulatory Commission jurisdictional customers and net of the related income tax benefit.

Removal Cost

The anticipated costs of removing assets upon retirement are collected from customers in advance of removal activity as a component of depreciation expense. Our depreciation method, including cost of removal, is established by the respective regulatory commissions. Therefore, consistent with this regulated treatment, we reflect this accrual of removal costs for our regulated assets by increasing our regulatory liability. See Note 7 - Asset Retirement Obligations, for further information regarding this item.

Gas Storage Sales

A regulatory liability was established in 2000 and 2001 based on gains on cushion gas sales in Montana. This gain is being flowed to customers over a period that matches the depreciable life of surface facilities that were added to maintain deliverability from the field after the withdrawal of the gas. This regulatory liability is a reduction of rate base.

(6) Property, Plant and Equipment

The following table presents the major classifications of our property, plant and equipment (in thousands):

	December 31, 2024	December 31, 2023
	(in thousands)	
Electric Plant	$ 4,888,326	$ 4,343,235
Natural Gas Plant	1,328,386	1,244,451
Plant acquisition adjustment(1)	656,319	656,319
Common and Other Plant	204,663	193,783
Construction work in process	133,740	352,377
Total property, plant and equipment	7,211,434	6,790,165
Less accumulated depreciation	(1,561,647)	(1,502,887)
Less accumulated amortization	(344,785)	(315,082)
Net property, plant and equipment	$ 5,305,002	$ 4,972,196

(1) The plant acquisition adjustment balance above includes our hydro generating assets acquired in 2014 and the inclusion of our interest in Colstrip Unit 4 in rate base in 2009. The acquisition adjustment is amortized on a straight-line basis over the estimated remaining useful life of each related asset in depreciation expense.

Net plant and equipment under finance lease were $3.0 million and $5.2 million as of December 31, 2024 and 2023, respectively, which is primarily comprised of a long-term power supply contract with the owners of a natural gas fired peaking plant, which has been accounted for as a finance lease.

Jointly Owned Electric Generating Plant

We have a 30% ownership interest in Colstrip Unit 4, a base-load electric generating plant, which is coal fired and operated by Talen Montana, LLC (Talen). Talen has a 30 percent ownership interest in Colstrip Unit 3. We have a reciprocating sharing agreement with Talen regarding the operation of Colstrip Units 3 and 4, in which each party receives 15 percent of the respective combined output and is responsible for 15 percent of the respective operating and construction costs, regardless of whether a particular cost is specified to Colstrip Unit 3 or 4. However, each party if responsible for its own fuel-related costs. Our interest in this plant is reflected in the Consolidated Balance Sheets on a pro rata basis and our share of operating expenses is reflected in the Consolidated Statements of Income. The participants each finance their own investment.

In January 2023 and July 2024, we entered into definitive agreements, the first with Avista and the second with Puget, to acquire their respective interests in Colstrip Units 3 & 4. In particular, we agreed to acquire a 15% (222 megawatts) interest from Avista and a 25% (370 megawatts) interest from Puget. Both agreements provide that the purchase price will be $0. These agreements are substantially similar and are both scheduled to close December 31, 2025, subject to the satisfaction of customary closing conditions and approvals contained within the agreements. Under the terms of the agreements, we will be responsible for operating costs starting on January 1, 2026; while Puget and Avista will remain responsible for their respective pre-closing share of environmental and pension liabilities attributed to events or conditions existing prior to the closing of the transaction and for any future decommission and demolition costs associated with the existing facilities that comprise their interests.

Acquisition of Avista and Puget's interests would result in our ownership of 55 percent of the facility with the ability to guide operating and maintenance investments. This would provide capacity to help us meet our obligation to provide reliable and cost effective power to our customers in Montana, while allowing opportunity for us to identify and plan for newer lower or no-carbon technologies in the future.

Either party may terminate the respective separate agreement if any requested regulatory approval is denied or if the closing has not occurred by December 31, 2025 or if any law or order would delay or impair closing.

Information relating to our ownership interest in this facility is as follows (in thousands):

	Colstrip Unit 4
December 31, 2024	
Ownership percentages	30.0 %
Plant in service	$ 330,888
Accumulated depreciation	137,153
December 31, 2023	
Ownership percentages	30.0 %
Plant in service	$ 323,793
Accumulated depreciation	127,381

(7) Asset Retirement Obligations

We are obligated to dispose of certain long-lived assets upon their abandonment. We recognize a liability for the legal obligation to perform an asset retirement activity in which the timing and/or method of settlement are conditional on a future event. We measure the liability at fair value when incurred and capitalize a corresponding amount as part of the book value of the related assets, which increases our property, plant and equipment and other noncurrent liabilities. The increase in the capitalized cost is included in determining depreciation expense over the estimated useful life of these assets. Since the fair value of the asset retirement obligation (ARO) is determined using a present value approach, accretion of the liability due to the passage of time is recognized each period and recorded as a regulatory asset until the settlement of the liability. Revisions to estimated AROs can result from changes in retirement cost estimates, revisions to estimated inflation rates, and changes in the estimated timing of abandonment. If the obligation is settled for an amount other than the carrying amount of the liability, we will recognize a regulatory asset or liability for the difference, which will be surcharged/refunded to customers through the rate making process. We record regulatory assets and liabilities for differences in timing of asset retirement costs recovered in rates and AROs recorded since asset retirement costs are recovered through rates charged to customers.

Our AROs relate to the reclamation and removal costs at our jointly-owned coal-fired generation facility, U.S. Department of Transportation requirements to cut, purge and cap retired natural gas pipeline segments, our obligation to plug and abandon oil and gas wells at the end of their life, and to remove all above-ground wind power facilities and restore the soil surface at the end of their life. The following table presents the change in our ARO (in thousands):

	December 31,	
	2024	2023
Liability at January 1,	$ 34,808	$ 33,861
Accretion expense	1,626	1,575
Liabilities incurred	—	—
Liabilities settled	(1,923)	(1,151)
Revisions to cash flows	(299)	523
Liability at December 31,	$ 34,212	$ 34,808

During the twelve months ended December 31, 2024 our ARO liability decreased $1.9 million for partial settlement of the legal obligations at our jointly-owned coal-fired generation facility and natural gas pipeline segments. Additionally, during the twelve months ended December 31, 2024, our ARO liability decreased $0.3 million related to changes in both the timing and amount of retirement cost estimates.

In addition, we have identified removal liabilities related to our electric and natural gas transmission and distribution assets that have been installed on easements over property not owned by us. The easements are generally perpetual and only require remediation action upon abandonment or cessation of use of the property for the specified purpose. The ARO liability is not estimable for such easements as we intend to utilize these properties indefinitely. In the event we decide to abandon or cease the use of a particular easement, an ARO liability would be recorded at that time. We also identified AROs associated with our hydroelectric generating facilities; however, due to the indeterminate removal date, the fair value of the associated liabilities currently cannot be estimated and no amounts are recognized in the Consolidated Financial Statements.

We collect removal costs in rates for certain transmission and distribution assets that do not have associated AROs. Generally, the accrual of future non-ARO removal obligations is not required; however, long-standing ratemaking practices approved by applicable state and federal regulatory commissions have allowed provisions for such costs in historical depreciation rates. The recorded amounts of costs collected from customers through depreciation rates are classified as a regulatory liability in recognition of the fact that we have collected these amounts that will be used in the future to fund asset retirement costs and do not represent legal retirement obligations. See Note 5 - Regulatory Assets and Liabilities for removal costs recorded as regulatory liabilities on the Consolidated Balance Sheets as of December 31, 2024 and 2023.

(8) Goodwill

We completed our annual goodwill impairment test as of April 1, 2024, and no impairment was identified. We calculate the fair value of our reporting units by considering various factors, including valuation studies based primarily on a discounted cash flow analysis, with published industry valuations and market data as supporting information. Key assumptions in the determination of fair value include the use of an appropriate discount rate and estimated future cash flows. In estimating cash flows, we incorporate expected long-term growth rates in our service territory, regulatory stability, and commodity prices (where appropriate), as well as other factors that affect our revenue, expense and capital expenditure projections.

Goodwill by segment is as follows (in thousands):

	December 31,	
	2024	2023
Electric	$ 179,890	$ 179,890
Natural gas	83,917	83,917
Total Goodwill	$ 263,807	$ 263,807

(9) Risk Management and Hedging Activities

Nature of Our Business and Associated Risks

We are exposed to certain risks related to the ongoing operations of our business, including the impact of market fluctuations in the price of electricity and natural gas commodities and changes in interest rates. We rely on market purchases to fulfill a portion of our electric and natural gas supply requirements. Several factors influence price levels and volatility. These factors include, but are not limited to, seasonal changes in demand, weather conditions, available generating assets within regions, transportation availability and reliability within and between regions, fuel availability, market liquidity, and the nature and extent of current and potential federal and state regulations.

Objectives and Strategies for Using Derivatives

To manage our exposure to fluctuations in commodity prices we routinely enter into derivative contracts. These types of contracts are included in our electric and natural gas supply portfolios and are used to manage price volatility risk by taking advantage of fluctuations in market prices. While individual contracts may be above or below market value, the overall portfolio approach is intended to provide greater price stability for consumers. We do not maintain a trading portfolio, and our derivative transactions are only used for risk management purposes consistent with regulatory guidelines.

In addition, we may use interest rate swaps to manage our interest rate exposures associated with new debt issuances or to manage our exposure to fluctuations in interest rates on variable rate debt.

Accounting for Derivative Instruments

We evaluate new and existing transactions and agreements to determine whether they are derivatives. The permitted accounting treatments include: NPNS; cash flow hedge; fair value hedge; and mark-to-market. Mark-to-market accounting is the default accounting treatment for all derivatives unless they qualify, and we specifically designate them, for one of the other accounting treatments. Derivatives designated for any of the elective accounting treatments must meet specific, restrictive criteria both at the time of designation and on an ongoing basis. The changes in the fair value of recognized derivatives are recorded each period in current earnings or other comprehensive income, depending on whether a derivative is designated as part of a hedge transaction and the type of hedge transaction.

Normal Purchases and Normal Sales

We have applied the NPNS scope exception to our contracts involving the physical purchase and sale of gas and electricity at fixed prices in future periods. During our normal course of business, we enter into full-requirement energy contracts, power purchase agreements and physical capacity contracts, which qualify for NPNS. All of these contracts are accounted for using the accrual method of accounting; therefore, there were no unrealized amounts recorded in the Consolidated Financial Statements at December 31, 2024 and 2023. Revenues and expenses from these contracts are reported on a gross basis in the appropriate revenue and expense categories as the commodities are received or delivered.

Credit Risk

Credit risk is the potential loss resulting from counterparty non-performance under an agreement. We manage credit risk with policies and procedures for, among other things, counterparty analysis and exposure measurement, monitoring and mitigation. We limit credit risk in our commodity and interest rate derivatives activities by assessing the creditworthiness of potential counterparties before entering into transactions with them and continuing to evaluate their creditworthiness on an ongoing basis.

We are exposed to credit risk through buying and selling electricity and natural gas to serve customers. We may request collateral or other security from our counterparties based on the assessment of creditworthiness and expected credit exposure. It is possible that volatility in commodity prices could cause us to have material credit risk exposures with one or more counterparties. We enter into commodity master enabling agreements with our counterparties to mitigate credit exposure, as these agreements reduce the risk of default by allowing us or our counterparty the ability to make net payments. The agreements generally are: (1) Western Systems Power Pool agreements – standardized power purchase and sales contracts in the electric industry; (2) International Swaps and Derivatives Association agreements – standardized financial gas and electric contracts; (3)

North American Energy Standards Board agreements – standardized physical gas contracts; and (4) Edison Electric Institute Master Purchase and Sale Agreements – standardized power sales contracts in the electric industry.

Many of our forward purchase contracts contain provisions that require us to maintain an investment grade credit rating from each of the major credit rating agencies. If our credit rating were to fall below investment grade, the counterparties could require immediate payment or demand immediate and ongoing full overnight collateralization on contracts in net liability positions.

Interest Rate Swaps Designated as Cash Flow Hedges

We have previously used interest rate swaps designated as cash flow hedges to manage our interest rate exposures associated with new debt issuances. We have no interest rate swaps outstanding. These swaps were designated as cash flow hedges with the effective portion of gains and losses, net of associated deferred income tax effects, recorded in AOCL. We reclassify these gains from AOCL into interest expense during the periods in which the hedged interest payments occur. The following table shows the effect of these interest rate swaps previously terminated on the Consolidated Financial Statements (in thousands):

Cash Flow Hedges	Location of Amount Reclassified from AOCL to Income	Amount Reclassified from AOCL into Income during the Year Ended December 31, 2024
Interest rate contracts	Interest Expense	$ 612

A pre-tax loss of approximately $12.1 million is remaining in AOCL as of December 31, 2024, and we expect to reclassify approximately $0.6 million of pre-tax losses from AOCL into interest expense during the next twelve months. These amounts relate to terminated swaps.

(10) Fair Value Measurements

Fair value is defined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date (i.e., an exit price). Measuring fair value requires the use of market data or assumptions that market participants would use in pricing the asset or liability, including assumptions about risk and the risks inherent in the inputs to the valuation technique. These inputs can be readily observable, corroborated by market data, or generally unobservable. Valuation techniques are required to maximize the use of observable inputs and minimize the use of unobservable inputs.

Applicable accounting guidance establishes a hierarchy that prioritizes the inputs used to measure fair value, and requires fair value measurements to be categorized based on the observability of those inputs. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 inputs) and the lowest priority to unobservable inputs (Level 3 inputs). The three levels of the fair value hierarchy are as follows:

- Level 1 – Unadjusted quoted prices available in active markets at the measurement date for identical assets or liabilities;
- Level 2 – Pricing inputs, other than quoted prices included within Level 1, which are either directly or indirectly observable as of the reporting date; and
- Level 3 – Significant inputs that are generally not observable from market activity.

We classify assets and liabilities within the fair value hierarchy based on the lowest level of input that is significant to the fair value measurement of each individual asset and liability taken as a whole. Due to the short-term nature of cash and cash equivalents, accounts receivable, net, accounts payable, and short-term borrowings, the carrying amount of each such item approximates fair value. The table below sets forth by level within the fair value hierarchy the gross components of our assets and liabilities measured at fair value on a recurring basis. NPNS transactions are not included in the fair values by source table as they are not recorded at fair value. See Note 9 - Risk Management and Hedging Activities for further discussion.

We record transfers between levels of the fair value hierarchy, if necessary, at the end of the reporting period. There were no transfers between levels for the periods presented.

December 31, 2024	Quoted Prices in Active Markets for Identical Assets or Liabilities (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Margin Cash Collateral Offset	Total Net Fair Value
			(in thousands)		
Rabbi trust investments	14,136	—	—	—	14,136
Total	**$ 14,136**	**$ —**	**$ —**	**$ —**	**$ 14,136**
December 31, 2023					
Restricted cash equivalents	$ 14,857	$ —	$ —	$ —	$ 14,857
Rabbi trust investments	13,030	—	—	—	13,030
Total	**$ 27,887**	**$ —**	**$ —**	**$ —**	**$ 27,887**

Rabbi trust investments represent assets held for non-qualified deferred compensation plans, which consist of our common stock and actively traded mutual funds with quoted prices in active markets.

Financial Instruments

The estimated fair value of financial instruments is summarized as follows (in thousands):

	December 31, 2024		December 31, 2023	
	Carrying Amount	Fair Value	Carrying Amount	Fair Value
Liabilities:				
Long-term debt	$ 2,406,206	$ 2,104,381	$ 2,223,561	$ 2,000,767

The estimated fair value amounts have been determined using available market information and appropriate valuation methodologies; however, considerable judgment is required in interpreting market data to develop estimates of fair value. Accordingly, the estimates presented herein are not necessarily indicative of the amounts that we would realize in a current market exchange.

We determined fair value for long-term debt based on interest rates that are currently available to us for issuance of debt with similar terms and remaining maturities, except for publicly traded debt, for which fair value is based on market prices for the same or similar issues or upon the quoted market prices of U.S. treasury issues having a similar term to maturity, adjusted for our bond issuance rating and the present value of future cash flows. These are significant other observable inputs, or level 2 inputs, in the fair value hierarchy.

(11) Unsecured Credit Facilities

On November 29, 2023 we amended our existing $425.0 million revolving credit facility (the Amended Facility) to address the holding company reorganization and extended the maturity date of the facility to November 29, 2028. The Amended Facility does not amortize and is unsecured. Borrowings may be made at interest rates equal to (a) SOFR, plus a credit spread adjustment of 10.0 basis points plus a margin of 100.0 to 175.0 basis points, or (b) a base rate, plus a margin of 0.0 to 75.0 basis points. After the completion of the holding company reorganization on January 1, 2024, we own and operate only the Montana regulated utility, and the base capacity of the Amended Facility automatically reduced to $400.0 million. The Amended Facility has uncommitted features that allow us to request one-year extensions to the maturity date and increase the size of the Amended Facility by an additional $100.0 million.

On January 24, 2025, we amended our existing $400.0 million Amended Facility to increase the capacity to $425.0 million. This amendment did not affect the maturity date or borrowing rates.

On January 2, 2024, we terminated our $100.0 million Additional Credit Facility. On January 4, 2024, we terminated our $25.0 Swingline Facility.

Commitment fees for the unsecured revolving lines of credit were $0.4 million and $0.5 million for the years ended December 31, 2024 and 2023.

The availability under the facilities in place for the years ended December 31 is shown in the following table (in millions):

	2024	2023
Unsecured revolving line of credit, expiring November 2028	400.0	425.0
Unsecured revolving line of credit, expiring April 2024	—	100.0
Unsecured revolving line of credit, expiring March 2025	—	25.0
	400.0	**550.0**
Amounts outstanding at December 31:		
SOFR borrowings	342.0	264.0
Letters of credit	—	—
	342.0	**264.0**
Net availability as of December 31(1)	**$ 58.0**	**$ 286.0**

(1) As discussed above, upon the completion of the holding company reorganization and termination of the Additional Credit Facility and Swingline facility in January 2024, our total consolidated capacity decreased to $400.0 million.

Our credit facilities include covenants that require us to meet certain financial tests, including a maximum debt to capitalization ratio not to exceed 65 percent. The facilities also contain covenants which, among other things, limit our ability to engage in any consolidation or merger or otherwise liquidate or dissolve, dispose of property, and enter into transactions with affiliates. A default on the Montana First Mortgage Bonds would trigger a cross default on the Amended Facility; however, a default on the Amended Facility would not trigger a default on the Montana First Mortgage Bonds.

(12) Long-Term Debt and Finance Leases

Long-term debt and finance leases consisted of the following (in thousands):

	Due	December 31, 2024	December 31, 2023
Unsecured Debt:			
Unsecured Revolving Line of Credit	2028	$ 342,000	$ 264,000
Secured Debt:			
Mortgage bonds—			
Montana—1.00%	2024	—	100,000
Montana—5.01%	2025	161,000	161,000
Montana—3.11%	2025	75,000	75,000
Montana—3.99%	2028	35,000	35,000
Montana—3.21%	2030	100,000	100,000
Montana—5.57%	2031	175,000	—
Montana—5.57%	2033	239,000	239,000
Montana—5.71%	2039	55,000	55,000
Montana—4.15%	2042	60,000	60,000
Montana—4.85%	2043	15,000	15,000
Montana—4.176%	2044	450,000	450,000
Montana—4.11%	2045	125,000	125,000
Montana—4.03%	2047	250,000	250,000
Montana—3.98%	2049	150,000	150,000
Montana—4.30%	2052	40,000	40,000
Pollution control obligations—			
Montana—3.88%	2028	144,660	144,660
Other Long Term Debt:			
Discount on Notes and Bonds and Debt Issuance Costs, Net	—	(10,454)	(11,099)
Total Long-Term Debt		$ 2,406,206	$ 2,252,561
Less current maturities (including associated debt issuance costs)		(235,959)	(99,950)
Total Long-Term Debt, Net of Current Maturities		$ 2,170,247	$ 2,152,611
Finance Leases:			
Total Finance Leases	2026	$ 5,461	$ 8,799
Less current maturities		(3,596)	(3,338)
Total Long-Term Finance Leases		$ 1,865	$ 5,461

Secured Debt

First Mortgage Bonds and Pollution Control Obligations

The Montana First Mortgage Bonds are a series of general obligation bonds issued under our Montana indenture. These bonds are secured by our electric and natural gas assets associated with its utility operations.

On March 30, 2023, we issued and sold $239.0 million aggregate principal amount of Montana First Mortgage Bonds (the bonds) at a fixed interest rate of 5.57 percent maturing on March 30, 2033. These bonds were issued in transactions exempt from the registration requirements of the Securities Act of 1933. Proceeds were used to repay a portion of our outstanding borrowings under our revolving credit facilities and for other general corporate purposes.

On June 29, 2023, the City of Forsyth, Rosebud County, Montana issued $144.7 million principal amount of Pollution Control Revenue Refunding Bonds (2023 Pollution Control Bonds) on our behalf. The 2023 Pollution Control Bonds were issued at a fixed interest rate of 3.88 percent maturing on July 1, 2028. The proceeds of the issuance were loaned to us pursuant to a Loan Agreement and were deposited directly with U.S. Bank Trust Company, National Association, as trustee, for the redemption of the 2.00 percent, $144.7 million City of Forsyth Pollution Control Revenue Refunding Bonds due on August 1, 2023 that had previously been issued on our behalf. Pursuant to the Loan Agreement, we are obligated to make payments in such amounts and at such times as will be sufficient to pay, when due, the principal and interest on the 2023 Pollution Control Bonds. Our obligations under the Loan Agreement are secured by delivery of a like amount of our Montana First Mortgage Bonds, which are secured by our Montana electric and natural gas assets. So long as we are making payments under the Loan Agreement, no payments under these mortgage bonds will be due. The 2023 Pollution Control Bonds were issued in a transaction exempt from the registration requirements of the Securities Act of 1933, as amended.

On March 28, 2024, we issued and sold $175.0 million aggregate principal amount of Montana First Mortgage Bonds at a fixed interest rate of 5.56 percent maturing on March 28, 2031. These bonds were issued in transactions exempt from the registration requirements of the Securities Act of 1933. Proceeds were used to redeem the $100.0 million of Montana First Mortgage Bonds due this year and for other general utility purposes. The bonds are secured by our electric and natural gas assets associated with its Montana utility operations.

As of December 31, 2024, we were in compliance with our financial debt covenants.

Maturities of Long-Term Debt

The aggregate minimum principal maturities of long-term debt and finance leases, during the next five years are $239.6 million in 2025, $1.9 million in 2026, and $521.7 million in 2028.

(13) Income Taxes

Income tax expense (benefit) is comprised of the following (in thousands):

	Year Ended December 31, 2024	Year Ended December 31, 2023
Federal		
Current	$ 1,667	$ (3,874)
Deferred	13,602	16,140
Investment tax credits	1,970	(129)
State		
Current	61	(1,590)
Deferred	2,365	3,847
Income Tax Expense	$ 19,665	$ 14,394

Our effective tax rate typically differs from the federal statutory tax rate primarily due to production tax credits and the regulatory impact of flowing through the federal and state tax benefit of repairs deductions, state tax benefit of accelerated tax depreciation deductions (including bonus depreciation when applicable), and production tax credits. The regulatory accounting treatment of these deductions requires immediate income recognition for temporary tax differences of this type, which is referred to as the flow-through method. When the flow-through method of accounting for temporary differences is reflected in regulated revenues, we record deferred income taxes and establish related regulatory assets and liabilities.

The following table reconciles our effective income tax rate to the federal statutory rate:

	Year Ended December 31, 2024	Year Ended December 31, 2023
Federal statutory rate	21.0 %	21.0 %
State income tax, net of federal provisions	0.9	0.9
Flow-through repairs deductions	(9.6)	(11.5)
Gas repairs safe harbor method change	(2.2)	—
Amortization of excess deferred income taxes	(1.2)	(0.8)
Production tax credits	(1.1)	(1.4)
Prior year permanent return to accrual adjustments	(0.3)	—
Plant and depreciation of flow through items	3.3	2.8
Release of unrecognized tax benefits	—	(1.4)
Other, net	(1.0)	(1.8)
Effective tax rate	9.8 %	7.8 %

The table below summarizes the significant differences in income tax expense (benefit) based on the differences between our effective tax rate and the federal statutory rate (in thousands). All of our income from continuing operations is primarily from domestic operations.

	Year Ended December 31,	
	2024	2023
Income Before Income Taxes	$ 199,744	$ 185,168
Income tax calculated at federal statutory rate	41,946	38,885
<u>Permanent or flow through adjustments:</u>		
State income, net of federal provisions	1,719	1,641
Flow-through repairs deductions	(19,274)	(21,379)
Gas repairs safe harbor method change	(4,366)	—
Amortization of excess deferred income taxes	(2,465)	(1,479)
Production tax credits	(2,288)	(2,582)
Prior year permanent return to accrual adjustments	(567)	47
Plant and depreciation of flow through items	6,690	5,167
Release of unrecognized tax benefits	—	(2,680)
Other, net	(1,730)	(3,226)
	(22,281)	(24,491)
Income Tax Expense	$ 19,665	$ 14,394

We and our subsidiaries are included in NorthWestern Energy Group, Inc.'s consolidated federal and state income tax returns. In accordance with our tax sharing agreement with NorthWestern Energy Group, Inc., we compute our income taxes based upon the separate return method, where we are assumed to file a separate return with the taxing authority, thereby reporting our taxable income and paying the applicable tax to or receiving the appropriate refund from NorthWestern Energy Group, Inc.

In 2023, the Internal Revenue Service (IRS) issued a safe harbor method of accounting for the repair and maintenance of natural gas transmission and distribution property. For the year ending December 31, 2024, after completion of our impact analysis of the gas repairs safe harbor method change, we recorded an income tax benefit of approximately $4.4 million related to tax deductions for repair costs that were previously capitalized in the 2022 and prior tax years.

The components of the net deferred income tax liability recognized in our Consolidated Balance Sheets are related to the following temporary differences (in thousands):

	December 31,	
	2024	2023
NOL carryforward	$ 89,816	82,351
Production tax credit	35,602	$ 33,279
Customer advances	32,455	28,300
Pension / postretirement benefits	10,369	16,352
Compensation accruals	9,857	8,319
Interest rate hedges	3,205	3,367
Unbilled revenue	3,126	7,222
Reserves and accruals	2,133	2,952
Environmental liability	2,131	2,222
Other, net	4,334	3,407
Deferred Tax Asset	**193,028**	**187,771**
Excess tax depreciation	(599,893)	(552,815)
Flow through depreciation	(119,674)	(108,413)
Goodwill amortization	(89,687)	(88,183)
Regulatory assets and other	(23,721)	(18,572)
Deferred Tax Liability	**(832,975)**	**(767,983)**
Deferred Tax Liability, net	**$ (639,947)**	**$ (580,212)**

As of December 31, 2024, our total federal net operation loss (NOL) carryforward was approximately $342.6 million. Our federal NOL carryforward does not expire. Our state NOL carryforward as of December 31, 2024 was approximately $335.3 million. If unused, our state NOL carryforwards will expire in 2033. We believe it is more likely than not that sufficient taxable income will be generated to utilize these NOL carryforwards.

At December 31, 2024, our total production tax credit carryforward was approximately $35.6 million. If unused, our production tax credit carryforwards will expire as follows: $1.2 million in 2035, $3.4 million in 2036, $3.5 million in 2037, $3.9 million in 2038, $4.4 million in 2039, $5.4 million in 2040, $4.4 million in 2041, $4.5 million in 2042, $2.6 million in 2043, and $2.3 million in 2044 . We believe it is more likely than not that sufficient taxable income will be generated to utilize these production tax credit carryforwards.

Uncertain Tax Positions

We recognize tax positions that meet the more-likely-than-not threshold as the largest amount of tax benefit that is greater than 50 percent likely of being realized upon ultimate settlement with a taxing authority that has full knowledge of all relevant information. The change in unrecognized tax benefits is as follows (in thousands):

	2024	2023
Unrecognized Tax Benefits at January 1	$ 5,179	$ 7,310
Gross increases - tax positions in prior period	—	—
Gross increases - tax positions in current period	—	—
Gross decreases - tax positions in current period	(1,569)	(2,131)
Lapse of statute of limitations	—	—
Unrecognized Tax Benefits at December 31	$ 3,610	$ 5,179

Our unrecognized tax benefits include approximately $1.4 million related to tax positions as of December 31, 2024 and 2023, that if recognized, would impact our annual effective tax rate. On April 14, 2023, the Internal Revenue Service (IRS) issued Revenue Procedure 2023-15, which provides a safe harbor method of accounting for gas repairs expenditures. During the year ended December 31, 2023, we adopted this method and decreased our total unrecognized tax benefits by $0.4 million and recognized an income tax benefit of approximately $2.7 million for previously unrecognized tax benefits. We do not anticipate that total unrecognized tax benefits will significantly change due to the settlement of audits or the expiration of statutes of limitation within the next twelve months.

Our policy is to recognize interest and penalties related to uncertain tax positions in income tax expense. As of December 31, 2024, we have accrued $1.7 million for the payment of interest and penalties in the Consolidated Balance Sheets. As of December 31, 2023, we had $1.0 million accrued for the payment of interest and penalties.

Tax years 2021 and forward remain subject to examination by the IRS and state taxing authorities. During the first quarter of 2023 the IRS commenced and concluded a limited scope examination of our 2019 amended federal income tax return.

(14) Comprehensive Income (Loss)

The following tables display the components of Other Comprehensive Income (Loss), after-tax, and the related tax effects (in thousands):

	December 31,					
	2024			2023		
	Before-Tax Amount	Tax Expense (Benefit)	Net-of-Tax Amount	Before-Tax Amount	Tax Expense	Net-of-Tax Amount
Foreign currency translation adjustment	$ (4)	$ —	$ (4)	$ 2	$ —	$ 2
Reclassification of net income (loss) on derivative instruments	612	(160)	452	612	(160)	452
Postretirement medical liability adjustment	—	—	—	(331)	69	(262)
Other comprehensive income (loss)	$ 608	$ (160)	$ 448	$ 283	$ (91)	$ 192

Balances by classification included within AOCL on the Consolidated Balance Sheets are as follows, net of tax (in thousands):

	December 31,	
	2024	2023
Foreign currency translation	$ 1,433	$ 1,437
Derivative instruments designated as cash flow hedges	(8,921)	(9,373)
Postretirement medical plans	(45)	280
Accumulated other comprehensive loss	$ (7,533)	$ (7,656)

The following table displays the changes in AOCL by component, net of tax (in thousands):

	Affected Line Item in the Consolidated Statements of Income	December 31, 2024 Year Ended Interest Rate Derivative Instruments Designated as Cash Flow Hedges	Postretirement Medical Plans	Foreign Currency Translation	Total
Beginning balance		$ (9,373)	$ 280	$ 1,437	$ (7,656)
Other comprehensive income before reclassifications		—	—	(4)	(4)
Amounts reclassified from AOCL	Interest Expense	452	—	—	452
Net current-period other comprehensive income (loss)		452	—	(4)	448
Distribution to Parent		$ —	$ (325)	$ —	$ (325)
Ending Balance		$ (8,921)	$ (45)	$ 1,433	$ (7,533)

	Affected Line Item in the Consolidated Statements of Income	December 31, 2023 Year Ended Interest Rate Derivative Instruments Designated as Cash Flow Hedges	Postretirement Medical Plans	Foreign Currency Translation	Total
Beginning balance		$ (9,825)	$ 542	$ 1,435	$ (7,848)
Other comprehensive loss before reclassifications		—	—	2	2
Amounts reclassified from AOCL	Interest Expense	452	—	—	452
Amounts reclassified from AOCL		—	(262)	—	(262)
Net current-period other comprehensive income (loss)		452	(262)	2	192
Ending Balance		$ (9,373)	$ 280	$ 1,437	$ (7,656)

(15) Employee Benefit Plans

Pension and Other Postretirement Benefit Plans

We sponsor and/or contribute to pension, postretirement health care and life insurance benefit plans for eligible employees. The pension plan for our Montana employees is referred to as the NorthWestern Energy MT Plan (formerly known as the NorthWestern Energy Plan). We utilize a number of accounting mechanisms that reduce the volatility of reported pension costs. Differences between actuarial assumptions and actual plan results are deferred and are recognized into earnings only when the accumulated differences exceed 10 percent of the greater of the projected benefit obligation or the market-related value of plan assets. If necessary, the excess is amortized over the average remaining service period of active employees. The Plans' funded status is recognized as a liability in our Consolidated Financial Statements. See Note 5 - Regulatory Assets and Liabilities, for further discussion on how these costs are recovered through rates charged to our customers.

Benefit Obligation and Funded Status

Following is a reconciliation of the changes in plan benefit obligations and fair value of plan assets, and a statement of the funded status (in thousands):

	Pension Benefits		Other Postretirement Benefits	
	December 31,		December 31,	
	2024	2023	2024	2023
Change in benefit obligation:				
Obligation at beginning of period	$ 427,326	$ 474,947	$ 10,598	$ 12,070
Service cost	5,099	5,105	252	272
Interest cost	20,725	23,535	456	554
Actuarial (gain) loss	(26,780)	2,235	(1,804)	(820)
Settlements[(1)]	(848)	(51,942)	—	—
Benefits paid	(20,719)	(26,554)	(1,163)	(1,478)
Benefit Obligation at End of Period	$ 404,803	$ 427,326	$ 8,339	$ 10,598
Change in Fair Value of Plan Assets:				
Fair value of plan assets at beginning of period	$ 348,134	$ 388,693	$ 22,309	$ 20,055
Return on plan assets	8,026	29,937	3,177	3,334
Employer contributions	8,122	8,000	449	398
Settlements[(1)]	(848)	(51,942)	—	—
Benefits paid	(20,719)	(26,554)	(1,163)	(1,478)
Fair value of plan assets at end of period	$ 342,715	$ 348,134	$ 24,772	$ 22,309
Funded Status	$ (62,088)	$ (79,192)	$ 16,433	$ 11,711
Amounts Recognized in the Balance Sheet Consist of:				
Noncurrent asset	—	—	16,943	12,378
Total Assets	—	—	16,943	12,378
Current liability	(10,000)	(10,000)	(510)	(667)
Noncurrent liability	(52,088)	(69,192)	—	—
Total Liabilities	(62,088)	(79,192)	(510)	(667)
Net amount recognized	$ (62,088)	$ (79,192)	$ 16,433	$ 11,711
Amounts Recognized in Regulatory Assets Consist of:				
Prior service credit	—	—	—	—
Net actuarial (loss) gain	(30,843)	(43,097)	3,716	15
Total	$ (30,843)	$ (43,097)	$ 3,716	$ 15

(1) In October 2023, we entered into a group annuity contract from an insurance company to provide for the payment of pension benefits to select NorthWestern Energy MT Pension Plan participants. We purchased the contract with $51.9 million of plan assets in 2023. A trailing premium of $0.8 million related to final data reconciliation was paid from plan assets in 2024, reflecting a final annuitized participant count of 276. The insurance company took over the payments of these benefits starting January 1, 2024. This transaction settled $51.9 million of our NorthWestern Energy MT Pension Plan obligation. As a result of this transaction, during the twelve months ended December 31, 2023, we recorded a non-cash, non-operating settlement charge of $4.4 million. This charge is recorded within other income, net on the Consolidated Statements of Income. As discussed within Note 5 – Regulatory Assets and Liabilities, the MPSC allows recovery of pension costs on a cash funding basis. As such, this charge was deferred as a regulatory asset on the Consolidated Balance Sheets, with a corresponding decrease to operating and maintenance expense on the Consolidated Statements of Income.

The actuarial gain/loss is primarily due to the change in discount rate assumption and actual asset returns compared with expected amounts.

Net Periodic Cost (Credit)

The components of the net costs (credits) for our pension and other postretirement plans are as follows (in thousands):

	Pension Benefits		Other Postretirement Benefits	
	December 31,		December 31,	
	2024	2023	2024	2023
Components of Net Periodic Benefit Cost				
Service cost	$ 5,099	$ 5,105	$ 252	$ 272
Interest cost	20,725	23,535	456	554
Expected return on plan assets	(22,585)	(23,448)	(1,280)	(1,096)
Amortization of prior service cost (credit)	—	—	—	116
Recognized actuarial loss (gain)	33	228	—	79
Settlement loss recognized(1)	—	4,395	—	—
Net Periodic Benefit Cost (Credit)	$ 3,272	$ 9,815	$ (572)	$ (75)
Regulatory deferral of net periodic benefit cost(2)	4,850	(1,814)	—	—
Previously deferred costs recognized(2)	—	—	181	550
Net Periodic Benefit Cost Recognized	$ 8,122	$ 8,001	$ (391)	$ 475

(1) Settlement losses are related to partial annuitization of the NorthWestern Energy MT Pension Plan effective October 24, 2023.
(2) Net periodic benefit costs for pension and postretirement benefit plans are recognized for financial reporting based on the authorization of each regulatory jurisdiction in which we operate. A portion of these costs are recorded in regulatory assets and recognized in the Consolidated Statements of Income as those costs are recovered through customer rates.

For the years ended December 31, 2024 and 2023 Service costs were recorded in Operating, general, and administrative expense while non-service costs were recorded in Other income, net on the Consolidated Statements of Income.

For purposes of calculating the expected return on pension plan assets, the market-related value of assets is used, which is based upon fair value. The difference between actual plan asset returns and estimated plan asset returns are amortized equally over a period not to exceed five years.

Actuarial Assumptions

The measurement dates used to determine pension and other postretirement benefit measurements for the plans are December 31, 2024 and 2023. The actuarial assumptions used to compute net periodic pension cost and postretirement benefit cost are based upon information available as of the beginning of the year, specifically, market interest rates, past experience and management's best estimate of future economic conditions. Changes in these assumptions may impact future benefit costs and obligations. In computing future costs and obligations, we must make assumptions about such things as employee mortality and turnover, expected salary and wage increases, discount rate, expected return on plan assets, and expected future cost increases. Two of these assumptions have the most impact on the level of cost: (1) discount rate and (2) expected rate of return on plan assets. During 2022, the plan's actuary conducted an experience study to review five years of plan experience and update these assumptions.

On an annual basis, we set the discount rate using a yield curve analysis. This analysis includes constructing a hypothetical bond portfolio whose cash flow from coupons and maturities matches the year-by-year, projected benefit cash flow from our plans. The increase in the discount rate during 2024 decreased our projected benefit obligation by approximately $27.6 million.

In determining the expected long-term rate of return on plan assets, we review historical returns, the future expectations for returns for each asset class weighted by the target asset allocation of the pension and postretirement portfolios, and long-term inflation assumptions. Based on the target asset allocation for our pension assets and future expectations for asset returns, we decreased our long term rate of return on assets assumption for NorthWestern Energy MT Pension Plan to 6.17 percent for 2025.

The weighted-average assumptions used in calculating the preceding information are as follows:

	Pension Benefits		Benefits	
	December 31,		December 31,	
	2024	2023	2024	2023
Discount rate	5.60	5.00	5.45	4.90
Expected rate of return on assets	6.65	6.44	5.84	5.62
Long-term rate of increase in compensation levels (non-union)	4.00	4.00	4.00	4.00
Long-term rate of increase in compensation levels (union)	4.00	4.00	4.00	4.00
Interest crediting rate	6.00	6.00	N/A	N/A

The postretirement benefit obligation is calculated assuming that health care costs increase by a 5.00 percent fixed rate. The company contribution toward the premium cost is capped, therefore future health care cost trend rates are expected to have a minimal impact on company costs and the accumulated postretirement benefit obligation.

Investment Strategy

Our investment goals with respect to managing the pension and other postretirement assets are to meet current and future benefit payment needs while maximizing total investment returns (income and appreciation) after inflation within the constraints of diversification, prudent risk taking, Prudent Man Rule of the Employee Retirement Income Security Act of 1974 and liability-based considerations. Each plan is diversified across asset classes to achieve optimal balance between risk and return and between income and growth through capital appreciation. Our investment philosophy is based on the following:

- Each plan should be substantially invested as long-term cash holdings reduce long-term rates of return;
- Pension Plan portfolio risk is described by volatility in the funded status of the Plans;
- It is prudent to diversify each plan across the major asset classes;
- Equity investments provide greater long-term returns than fixed income investments, although with greater short-term volatility;
- Fixed income investments of the plans should strongly correlate with the interest rate sensitivity of the plan’s aggregate liabilities in order to hedge the risk of change in interest rates negatively impacting the pension plans overall funded status, (such assets will be described as Liability Hedging Fixed Income assets);
- Allocation to foreign equities increases the portfolio diversification and thereby decreases portfolio risk while providing for the potential for enhanced long-term returns;
- Private real estate and broad global opportunistic fixed income asset classes can provide diversification to both equity and liability hedging fixed income investments and that a moderate allocation to each can potentially improve the expected risk-adjusted return for the NorthWestern Energy Pension Plan investments over full market cycles;

- Active management can reduce portfolio risk and potentially add value through security selection strategies;
- A portion of plan assets should be allocated to passive, indexed management funds to provide for greater diversification and lower cost; and
- It is appropriate to retain more than one investment manager, provided that such managers offer asset class or style diversification.

Investment risk is measured and monitored on an ongoing basis through quarterly investment portfolio reviews, annual liability measurements, and periodic asset/liability studies.

The most important component of an investment strategy is the portfolio asset mix, or the allocation between the various classes of securities available. The mix of assets is based on an optimization study that identifies asset allocation targets in order to achieve the maximum return for an acceptable level of risk, while minimizing the expected contributions and pension and postretirement expense. In the optimization study, assumptions are formulated about characteristics, such as expected asset class investment returns, volatility (risk), and correlation coefficients among the various asset classes, and making adjustments to reflect future conditions expected to prevail over the study period. Based on this, the target asset allocation established, within an allowable range of plus or minus 5 percent, is as follows:

	NorthWestern Energy MT Pension		NorthWestern Energy Health and Welfare	
	December 31,		December 31,	
	2024	2023	2024	2023
Fixed income securities	45.0 %	45.0 %	40.0 %	40.0 %
Non-U.S. fixed income securities	—	—	—	—
Opportunistic fixed income	11.0	11.0	—	—
Global equities	38.5	38.5	60.0	60.0
Private real estate	5.5	5.5	—	—

The actual allocation by plan is as follows:

	NorthWestern Energy MT Pension		NorthWestern Energy Health and Welfare	
	December 31,		December 31,	
	2024	2023	2024	2023
Cash and cash equivalents	— %	— %	0.3 %	0.2 %
Fixed income securities(1)	43.7	45.3	32.2	35.1
Non-U.S. fixed income securities	—	—	—	—
Opportunistic fixed income	11.1	10.6	—	—
Global equities(1)	39.0	37.6	67.5	64.7
Private real estate	6.2	6.5	—	—
	100.0 %	100.0 %	100.0 %	100.0 %

(1) While the NorthWestern Energy Health and Welfare plan allocation of assets as of December 31, 2024, between Fixed income securities and Global equities is greater than 5 percent different from the target allocation, the plan Investment Manager has 60 days to correct this deviation from the plan.

Generally, the asset mix will be rebalanced to the target mix as individual portfolios approach their minimum or maximum levels. The guidelines allow for a transition to targets over time as assets are reallocated to newly-approved asset classes of opportunistic fixed income and private real estate. Debt securities consist of U.S. and international instruments including emerging markets and high yield instruments, as well as government, corporate, asset backed and mortgage backed securities. While the portfolio may invest in high yield securities, the average quality must be rated at least “investment grade" by rating agencies. Equity, real estate and fixed income portfolios may be comprised of both active and passive management strategies. Performance of fixed income investments is measured by both traditional investment benchmarks as well as relative changes in the present value of the plan's liabilities. Equity investments consist primarily of U.S. stocks including large, mid and small cap stocks. We also invest in global equities with exposure to developing and emerging markets. Equity investments may also be diversified across investment styles such as growth and value. Derivatives, options and futures are permitted for the purpose of reducing risk but may not be used for speculative purposes. Real estate investments will consist of global equity or debt interests in tangible property consisting of land, buildings, and other improvements in commercial and residential sectors.

Our plan assets are primarily invested in common collective trusts (CCTs), which are invested in equity and fixed income securities. In accordance with our investment policy, these pooled investment funds must have an adequate asset base relative to their asset class and be invested in a diversified manner and have a minimum of three years of verified investment performance experience or verified portfolio manager investment experience in a particular investment strategy and have management and oversight by an investment advisor registered with the SEC. Investments in a collective investment vehicle are valued by multiplying the investee company's net asset value per share with the number of units or shares owned at the valuation date. Net asset value per share is determined by the trustee. Investments held by the CCT, including collateral invested for securities on loan, are valued on the basis of valuations furnished by a pricing service approved by the CCT's investment manager, which determines valuations using methods based on quoted closing market prices on national securities exchanges, or at fair value as determined in good faith by the CCT's investment manager if applicable. The funds do not contain any redemption restrictions. The direct holding of NorthWestern Corporation or any affiliate's stock is not permitted; however, any holding in a diversified mutual fund or collective investment fund is permitted.

Cash Flows

In accordance with the Pension Protection Act of 2006 (PPA), and the relief provisions of the Worker, Retiree, and Employer Recovery Act of 2008 (WRERA), we are required to meet minimum funding levels in order to avoid required contributions and benefit restrictions. We have elected to use asset smoothing provided by the WRERA, which allows the use of asset averaging, including expected returns (subject to certain limitations), for a 24-month period in the determination of funding requirements. Additional funding relief was passed in the American Rescue Plan Act of 2021, providing for longer amortization and interest rate smoothing, which we elected to use. We expect to continue to make contributions to the pension plans in 2024 and future years that reflect the minimum requirements and discretionary amounts consistent with the amounts recovered in rates. Additional legislative or regulatory measures, as well as fluctuations in financial market conditions, may impact our funding requirements.

Due to the regulatory treatment of pension costs in Montana, pension costs for 2024 and 2023 were based on actual contributions to the plan. Annual contributions to each of the pension plans are as follows (in thousands):

	2024	2023
NorthWestern Energy Pension Plan	$ 8,122	$ 8,000

We estimate the plans will make future benefit payments to participants as follows (in thousands):

	Pension Benefits	Other Postretirement Benefits
2025	24,575	1,120
2026	25,611	986
2027	26,608	845
2028	27,326	841
2029	28,027	755
2030-2034	147,401	3,400

Defined Contribution Plan

Our defined contribution plan permits employees to defer receipt of compensation as provided in Section 401(k) of the Internal Revenue Code. Under the plan, employees may elect to direct a percentage of their gross compensation to the plan. We also contribute various percentages of employees' gross compensation to the plan. Company contributions for the years ended December 31, 2024 and 2023 were $11.6 million, $10.3 million, respectively.

(16) Stock-Based Compensation

Our employees participate in the NorthWestern Energy Group, Inc. Amended and Restated Equity Compensation Plan (ECP), which includes restricted stock awards and performance share awards. Stock-based compensation expense is allocated to us based on the outstanding awards held by our employees and our allocation of labor costs. We account for our share-based compensation arrangements by recognizing compensation costs for all share-based awards over the respective service period for employee services received in exchange for an award of equity or equity-based compensation. The compensation cost is based on the fair value of the grant on the date it was awarded.

We recognized total stock-based compensation expense of $2.8 million and $3.0 million for the years ended December 31, 2024 and 2023, respectively, and related income tax benefit of $(0.6) million, $(0.8) million for the years ended December 31, 2024 and 2023, respectively.

(17) Common Stock

We have 250,000,000 shares authorized consisting of 200,000,000 shares of common stock with a $0.01 par value and 50,000,000 shares of preferred stock with a $0.01 par value. We have 100 shares of common stock issued and outstanding.

Dividend Restrictions

Under various state regulatory agreements, debt agreements and the Federal Power Act, we have restrictions, including minimum equity ratios, that limit the amount of dividend distributions that can be made.

Pursuant to the MPSC regulatory agreement, if our secured credit ratings are above BBB- for S&P Global Ratings and Baa3 for Moody's Investor Services, we may declare or pay dividends as long as our common equity ratio is 40 percent or above. If our secured credit ratings are BBB- for S&P Global Ratings or Baa3 for Moody's Investor Services, we may declare or pay dividends as long as our common equity ratio is 43 percent or above. If our secured credit ratings fall below BBB- with S&P Global Ratings or Baa3 with Moody's Investor Services, we may not declare or pay dividends.

Our ability to pay dividends is also limited by the terms of various debt agreements, pursuant to which, we are required to maintain a debt to capitalization ratio of no more than 0.65 to 1.00.

As of December 31, 2024, approximately $784.6 million of our net assets were available for the payment of dividends under our most restrictive dividend restriction.

(18) Commitments and Contingencies

Qualifying Facilities Liability

Our QF liability primarily consists of unrecoverable costs associated with three contracts covered under the PURPA. These contracts require us to purchase minimum amounts of energy at prices ranging from $118 to $130 per MWH through 2029. As of December 31, 2024, our estimated gross contractual obligation related to these contracts was approximately $229.0 million through 2029. A portion of the costs incurred to purchase this energy is recoverable through rates, totaling approximately $205.8 million through 2029. As contractual obligations are settled, the related purchases and sales are recorded within Fuel, purchased power and direct transmission expense and Electric revenues in our Consolidated Statements of Income. The present value of the remaining liability is recorded in Other noncurrent liabilities in our Consolidated Balance Sheets. The following summarizes the change in the liability (in thousands):

	December 31,	
	2024	2023
Beginning QF liability	$ 28,670	$ 49,728
Settlements[(1)]	(7,606)	(24,707)
Interest expense	2,434	3,649
Ending QF liability	$ 23,498	$ 28,670

The following summarizes the estimated gross contractual obligation less amounts recoverable through rates (in thousands):

	Gross Obligation	Recoverable Amounts	Net
2025	$ 60,360	$ 52,950	$ 7,410
2026	55,393	46,274	9,119
2027	56,665	46,668	9,997
2028	42,400	41,664	736
2029	14,134	18,231	(4,097)
Total[(1)]	$ 228,952	$ 205,787	$ 23,165

(1) This net unrecoverable amount represents the undiscounted difference between the total gross obligations and recoverable amounts. The ending QF liability in the table above represents the present value of this net unrecoverable amount.

Long Term Supply and Capacity Purchase Obligations

We have entered into various commitments, largely purchased power, electric transmission, coal and natural gas supply and natural gas transportation contracts. These commitments range from one to 24 years. Costs incurred under these contracts are included in Fuel, purchased power and direct transmission expense in the Consolidated Statements of Income and were approximately $189.5 million and $217.9 million for the years ended December 31, 2024 and 2023, respectively. As of December 31, 2024, our commitments under these contracts were $264.3 million in 2025, $312.2 million in 2026, $300.2 million in 2027, $298.9 million in 2028, $302.6 million in 2029, and $2.3 billion thereafter. These commitments are not reflected in our Consolidated Financial Statements.

Hydroelectric License Commitments

With the 2014 purchase of hydroelectric generating facilities and associated assets located in Montana, we assumed two Memoranda of Understanding (MOUs) existing with state, federal and private entities. The MOUs are periodically updated and renewed and require us to implement plans to mitigate the impact of the projects on fish, wildlife and their habitats, and to increase recreational opportunities. The MOUs were created to maximize collaboration between the parties and enhance the possibility to receive matching funds from relevant federal agencies. Under these MOUs, we have a remaining commitment to spend approximately $19.1 million between 2024 and 2040. These commitments are not reflected in our Consolidated Financial Statements.

ENVIRONMENTAL LIABILITIES AND REGULATION

Environmental Matters

The operation of electric generating, transmission and distribution facilities, and gas gathering, storage, transportation and distribution facilities, along with the development (involving site selection, environmental assessments, and permitting) and construction of these assets, are subject to extensive federal, state, and local environmental and land use laws and regulations. Our activities involve compliance with diverse laws and regulations that address emissions and impacts to the environment, including air and water, protection of natural resources, avian and wildlife. We monitor federal, state, and local environmental initiatives to determine potential impacts on our financial results. As new laws or regulations are implemented, our policy is to assess their applicability and implement the necessary modifications to our facilities or their operation to maintain ongoing compliance.

Our environmental exposure includes a number of components, including remediation expenses related to the cleanup of current or former properties, and costs to comply with changing environmental regulations related to our operations. At present, our environmental reserve is estimated to range between $6.2 million to $10.8 million. As of December 31, 2024, we had a reserve of approximately $8.1 million, which has not been discounted. Environmental costs are recorded when it is probable we are liable for the remediation and we can reasonably estimate the liability. We use a combination of site investigations and monitoring to formulate an estimate of environmental remediation costs for specific sites. Our monitoring procedures and development of actual remediation plans depend not only on site specific information but also on coordination with the different environmental regulatory agencies in our respective jurisdictions; therefore, while remediation exposure exists, it may be many years before costs are incurred.

The following summarizes the change in our environmental liability (in thousands):

	December 31,	
	2024	2023
Liability at January 1,	$ 8,438	$ 8,858
Deductions	(416)	(1,084)
Charged to costs and expense	71	664
Liability at December 31,	$ 8,093	$ 8,438

We are permitted to recover the remediation costs related to certain environmental liabilities within rates. Over time, as costs become determinable, we may seek authorization to recover such costs in rates or seek insurance reimbursement as available and applicable; therefore, although we cannot guarantee regulatory recovery for all remediation costs, we do not expect these costs to have a material effect on our consolidated financial position or results of operations.

Global Climate Change - National and international actions have been initiated to address global climate change and the contribution of greenhouse gas (GHG) including, most significantly, carbon dioxide (CO_2) and methane emissions from natural gas. These actions include legislative proposals, Executive, Congressional and EPA actions at the federal level, state level activity, investor activism and private party litigation relating to emissions. Coal-fired plants have come under particular scrutiny due to their level of emissions. We have joint ownership interests in one coal-fired electric generating plants, which is operated by Talen. We are responsible for our proportionate share of the capital and operating costs while being entitled to our proportionate share of the power generated.

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 April 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). In particular, the GHG Rules will (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). The MATS Rules will strengthen emission limits for acid gases, mercury, and other hazardous air pollutants from new and existing electric generating units. 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 unless the EPA reconsiders the underlying rules. 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.

Regional Haze Rules - In January 2017, the EPA published amendments to the requirements under the CAA for state plans for protection of visibility - regional haze rules. Among other things, these amendments revised the process and requirements for the state implementation plans and extended the due date for the next periodic comprehensive regional haze state implementation plan revisions from 2018 to 2021.

The state of Montana has developed and submitted to the EPA, for its approval, their respective State Implementation Plan (SIP) for Regional Haze compliance. While the state of Montana did not meet the EPA's July 31, 2021 submission deadline, it was submitted in 2022. The Montana SIP as drafted and submitted to EPA does not call for additional controls for our interest in Colstrip Unit 4. Until the SIP is finalized and approved by EPA, the potential remains that installation of additional emissions controls might be required at the Colstrip facility

Jointly Owned Plants - We have joint ownership in a generation plant located in Montana that is or may become subject to the various regulations discussed above that have been or may be issued or proposed.

Other - We continue to manage equipment containing polychlorinated biphenyl (PCB) oil in accordance with the EPA's Toxic Substance Control Act regulations. We will continue to use certain PCB-contaminated equipment for its remaining useful life and will, thereafter, dispose of the equipment according to pertinent regulations that govern the use and disposal of such equipment.

We routinely engage the services of a third-party environmental consulting firm to assist in performing a comprehensive evaluation of our environmental reserve. Based upon information available at this time, we believe that the current environmental reserve properly reflects our remediation exposure for the sites currently and previously owned by us. The portion of our environmental reserve applicable to site remediation may be subject to change as a result of the following uncertainties:

- We may not know all sites for which we are alleged or will be found to be responsible for remediation; and
- Absent performance of certain testing at sites where we have been identified as responsible for remediation, we cannot estimate with a reasonable degree of certainty the total costs of remediation.

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 2012, the United States Supreme Court issued a decision holding that the Montana Supreme Court erred in not considering a segment-by-segment approach to determine navigability and relying on present day recreational use of the rivers. It also held that what it referred to as the Great Falls Reach "at least from the head of the first waterfall to the foot of the last" was not navigable for title purposes, and thus the State did not own the riverbeds in that segment. The United States Supreme Court remanded the case to the Montana Supreme Court for further proceedings not inconsistent with its opinion. Following the 2012 remand, the case laid dormant for four years until the State's Complaint was filed with the State District 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. The appeal was argued on January 15, 2025, and we await the court's disposition. 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.

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 YCGS 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 YCGS 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. We recommenced YCGS construction in June 2023 and placed the plant in service in October 2024. On January 3, 2025, the Montana Supreme Court ordered that the YCGS air quality permit be reinstated. The Court remanded the matter back to MDEQ for supplemental analysis regarding lighting and greenhouse gas emissions in Montana. YCGS is commercially operable with the reinstated air quality permit.

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.

(19) Revenue from Contracts with Customers

Accounting Policy

Our revenues are primarily from tariff based sales. We provide gas and/or electricity to customers under these tariffs without a defined contractual term (at-will). As the revenue from these arrangements is equivalent to the electricity or gas supplied and billed in that period (including estimated billings), there will not be a shift in the timing or pattern of revenue recognition for such sales. We have also completed the evaluation of our other revenue streams, including those tied to longer term contractual commitments. These revenue streams have performance obligations that are satisfied at a point in time, and do not have a shift in the timing or pattern of revenue recognition.

Customers are billed monthly on a cycle basis. To match revenues with associated expenses, we accrue unbilled revenues for electric and natural gas services delivered to customers, but not yet billed at month-end.

Nature of Goods and Services

We currently provide retail electric and natural gas services to three primary customer classes. Our largest customer class consists of residential customers, which include single private dwellings and individual apartments. Our commercial customers consist primarily of main street businesses, and our industrial customers consist primarily of manufacturing and processing businesses that turn raw materials into products.

Electric Segment - Our regulated electric utility business primarily provides generation, transmission, and distribution services to our customers. We recognize revenue when electricity is delivered to the customer. Payments on our tariff based sales are generally due in 20-30 days after the billing date.

Natural Gas Segment - Our regulated natural gas utility business primarily provides production, storage, transmission, and distribution services to our customers. We recognize revenue when natural gas is delivered to the customer. Payments on our tariff based sales are generally due in 20-30 days after the billing date.

Disaggregation of Revenue

The following tables disaggregate our revenue for the twelve months ended by major source and customer class (in millions):

December 31, 2024	Electric	Natural Gas	Total
Residential	$ 398.8	$ 110.2	$ 509.0
Commercial	409.0	59.9	468.9
Industrial	46.6	1.0	47.6
Lighting, governmental, irrigation, and interdepartmental	29.5	1.4	30.9
Total Retail Revenues	**883.9**	**172.5**	**1,056.4**
Regulatory Amortization	21.1	14.6	35.7
Transmission	97.0	—	97.0
Wholesale and other	8.2	37.1	45.3
Total Revenues	**$ 1,010.2**	**$ 224.2**	**$ 1,234.4**

December 31, 2023	Electric	Natural Gas	Total
Residential	$ 408.3	$ 136.1	$ 544.4
Commercial	431.4	73.7	505.1
Industrial	46.0	1.4	47.4
Lighting, governmental, irrigation, and interdepartmental	30.0	1.7	31.7
Total Retail Revenues	**915.7**	**212.9**	**1,128.6**
Regulatory Amortization	(103.8)	(15.2)	(119.0)
Transmission	78.4	—	78.4
Wholesale and other	8.0	40.2	48.2
Total Revenues	**$ 898.3**	**$ 237.9**	**$ 1,136.2**

(20) Related Party Transactions and Shared Services

Our parent, NorthWestern Energy Group, Inc., is organized as a holding company. As part of a holding company we receive services and share costs with Northwestern Energy Group, Inc., and its other subsidiaries pursuant to an Intercompany Services Agreement (ISA) that became effective in 2023. The ISA was approved by the MPSC. We employ all or substantially all of the employees of NorthWestern Energy Group, Inc. and its subsidiaries and, in accordance with the ISA, will provide all employment related services to the parties to the ISA. Pursuant to the ISA, all rendered services are at cost. For the year ended December 31, 2024, the total amount of payroll related services provided to NorthWestern Energy Public Service Corporation, a direct wholly-owned subsidiary of NorthWestern Energy Group, Inc., was $39.3 million.

Additionally, pursuant to the ISA, when utility-related operating, administrative, and general costs are attributable to more than one entity within the holding company structure and are unable to be direct charged (Shared OA&G Costs), these costs will be allocated amongst the entities pursuant to a Cost Allocation Manual. The nature of these Shared OA&G Costs includes operations supervision and engineering, energy supply marketing, networking communications, information technology, human resources, accounting, legal, and other such administrative costs.

The services provided under the ISA are settled in cash amongst the parties each month.