

NorthWestern Energy Group, Inc.

Second Quarter 2025 Earnings Call

Presentation

Operator

Thank you for standing by. My name is Rebecca, and I will be your conference operator today. At this time, I would like to welcome everyone to the NorthWestern Energy Second Quarter 2025 Financial Results Webinar. [Operator Instructions]. I will now turn the call over to Travis Meyer. Please go ahead.

Travis Meyer

Director of Corporate Finance & Investor Relations Officer

Thank you, Rebecca. Good afternoon, and thank you for joining NorthWestern Energy Group's financial results webcast for the quarter ended June 30, 2025. My name is Travis Meyer, and I'm the Director of Corporate Development and Investor Relations Officer for NorthWestern. Joining us on the call today are Brian Bird, President and Chief Executive Officer; and Crystal Lail, Chief Financial Officer. They'll walk you through our results for the quarter and provide an overall update on our progress.

NorthWestern's results have been released, and the release is available on our website at northwesternenergy.com. We also released our 10-Q premarket this morning. Please note that our company's press release, this presentation, comments by presenters and responses to your questions may contain forward-looking statements. As such, I'll direct you to the disclosures contained within our SEC filings and the safe harbor provisions included on the second slide of this presentation.

Also note that this presentation includes non-GAAP financial measures. Please see the non-GAAP disclosures, definitions and reconciliations included in the presentation. The webcast is being recorded. The archived replay will be available shortly after the event to remain active for 1 year. Please visit the Financial Results section of our website to access the replay.

With that, I'll hand the presentation over to Brian Bird for his opening remarks.

Brian Bird

CEO, President & Director

Thanks, Travis. Recent highlights for the quarter. We have reported GAAP diluted EPS of \$0.35. With some adjustments, the non-GAAP diluted EPS was \$0.40 for the quarter. We're initiating our 2025 earnings guidance range of \$3.53 to \$3.65. We're affirming our long-term rate base and earnings per share growth rate targets of 4% to 6%. We completed our acquisition of the Energy West and Cut Bank gas facilities, adding 33,000 customers and 43 valued employees.

We entered into our third letter of intent with Quantica to a 500-plus megawatt data center developer. And we declared a dividend of \$0.66 per share payable September 30, 2025, to shareholders of record as of September 15, 2025. The NorthWestern value proposition continues. We continue to have a very strong dividend yield right around 5%. That plus with our 4% to 6% EPS growth range based upon a 5-year capital of about \$2.75 billion and arguing about 80% of that is in certainly noncontroversial transmission and distribution investment.

On a combined basis, that gets us to a 9% to 11% total return. We do have some incremental opportunities to invest incremental capital and grow our earnings, things like data centers and new large load opportunities that we'll discuss and plus FERC regional transmission and also any incremental generating capacity or gas transmission, for instance, anything like that could get us over 11% total return.

And with that, I'm going to hand it back over to Crystal for the second quarter financial review.

Crystal Lail

VP & CFO

Thank you, Brian. Coming to you from sunny Bozeman here. In my comments today, I will cover our second quarter 2025 results, update you on some key regulatory proceedings. I think you all know we've been busy here in the second quarter on that front and then also provide you our 2025 outlook, which we had indicated we would provide it following the Montana rate review hearing.

So starting on Slide 7. You will see that our earnings for the second quarter were \$0.35 on a GAAP basis, and that's compared with \$0.52 in the prior period. On an adjusted non-GAAP basis, earnings were \$0.40 as compared with \$0.53 in the prior period.

Obviously, a notable decline there in our second quarter results when you think about and compare them to the prior year, certainly impacted by the lack of interim rates and timing of those decisions. But I would point out that these results are in line with our expectations and start the year where we think we need to be. I'll provide more color on that and our outlook as I get to those slides.

Moving to Slide 8, just to remind you then what does that look like from a year-to-date results perspective. You'll see we're pretty flat against the prior period. Our earning results for the first half with net income and EPS in line with 2024. You'll recall that we started out the year with a solid first quarter and then our year-to-date results reflect that.

Moving to Slide 9 to give you a bit more detail on what happened during the quarter. You'll see the bar charts here of what are the significant drivers. Quarterly earnings were driven primarily by the key topics of rate recovery. You'll see that in the first part of the left here, offset by in the second quarter, a bit of unfavorable weather and certainly pressures at the operating cost, depreciation and interest lines, again, all in line with our expectations of where we thought we'd be here in the second quarter.

To give you a bit more detail on the margin portion of that, Slide 10, you'll see that the impact of rates, both think interim rates and final rates drove \$0.24 of margin improvement in the quarter. Again, that reflects the impact of the Montana rate review moving from the amount of interim results that were in there from, I think, up until late May to the adjusted interim rates that were put in at that point and then also gas rates in both South Dakota and Nebraska, again, \$0.24 from the impacts of those 2 buckets.

In addition, I think Brian mentioned lots around transmission, but you'll see both electric and gas transmission show improved results for us. That's \$0.07 on the electric transmission side and \$0.02 on the gas transportation side, respectively. Those were offset by unfavorable weather and usage of \$0.09 for the quarter. And then also impacts of Montana property tax legislation. You'll see that's a \$0.05 detriment for the quarter. We do expect that detriment to have some continuance throughout the back part of the year.

Again, there was new property tax legislation enacted in the state of Montana, adjusting the amount that is collected through our bills.

In addition, the PCAM (sic) [PCCAM] was a detriment of \$0.02 in the quarter. We talked about that last quarter that we would expect to see some continued headwinds there throughout 2025.

Moving to Slide 11 to discuss our adjusted items. So I've already just mentioned on the margin slide that weather unfavorably impacted us. You'll see here that was \$0.03 in the second quarter, and that compares to a \$0.01 unfavorable add-back in the second quarter of 2024. So you can see a \$0.02 swing there versus the prior period. In addition, we have adjusted out the impact of a CREP penalty, and that is consistent with prior treatment of that item that when we recorded amounts related to that, we have adjusted that out.

That results in adjusted earnings, as I reflected earlier, of \$0.40 for the second quarter compared to \$0.53 in the second quarter of 2024.

Moving to Slide 12. We talked about on our first quarter call, our financing plans remain unchanged from that. We'd also discussed that we had already executed upon any financing needs through the year. So our debt financing needs are taken care of.

So no changes to our view on financing for the year. And you'll see from a credit and cash flow perspective, a little bit of a dip in our cash flows for the quarter, again, reflecting the timing of that rate recovery and relief, but we expect to conclude the year above our downside threshold and are making good progress there.

Moving to Slide 13 to discuss regulatory updates. I'll comment on our Montana rate review proceedings. We have previously announced a full settlement on our gas case and a partial settlement in the electric case. The remaining contested items are primarily related to the recovery of our Yellowstone generating facility and the PCAM (sic) [PCCAM] base. We were pleased to be able to -- the tremendous work it took to narrow the focus of that proceeding and having a solid hearing where, I would say, largely a really impressive group of about 30 employees who represented the company and how we serve our customers very well in front of the commission.

With that hearing concluded, we moved on and filed opening briefs, and we expect an outcome in the ultimate proceeding sometime in the fourth quarter.

So with that hearing concluded, moving to Slide 15, I'll discuss our outlook for 2025. We are pleased with our start to the year and introducing our 2025, as Brian alluded to, our non-GAAP guidance of \$3.53 to \$3.65. I would note that this includes some significant assumptions, and one of those is with regard to the outcome in our Montana rate review. While we await an outcome, we are reporting revenue consistent with our settlement position, and we expect to record ultimately a final adjustment to whatever, if that's applicable, whatever the outcome in the proceeding, but I would note that, that final decision when received and again, likely in the fourth quarter of this year will be retroactive back to May 23.

This guidance is consistent with our commitment to deliver on a 4% to 6% long-term earnings growth off of our base of 2024, which is \$3.40. Additional key and important details are available on Slide 16 for your review.

Moving to Slide 17 and concluding my comments, you'll see our 5-year regulated capital investment expectations remain unchanged, and our execution in the first half of the year is on track.

And with that, I will turn it back to Brian.

Brian Bird
CEO, President & Director

Thanks, Crystal. On Page 19, I mentioned the Montana wildfire bill. I should say -- we should now call that Montana Wildfire Law, 490 has now been passed, as you probably all well aware, had nearly unanimous support in the state. I would argue, and I think ChatGPT would agree with me, I think the Montana and Utah bills are seen as the best protection for utilities in the industry.

The nice thing about the law itself, the very half the battle is the fact we no longer have to deal with strict liability in the state for any utility operations related to wildfire, strict liability cannot be applied to utility operations related to wildfire. Incrementally, we do need to get our wildfire mitigation plan ultimately approved. But with that approval, we will receive a negligence standard that's based on Montana-specific circumstances, not California, for instance.

And more importantly to me, there would be a rebuttable presumption that the utility acted reasonably if it substantially followed the approved wildfire plan.

In other words, that burden of proof, we now would rest on the plaintiffs, not on the utility. And damages associated with that, as we'd expect, we should be responsible for economic damages to property, always have been. But the protections we receive on noneconomic damages would only be a bodily injury or death occurs. And from a punitive perspective, only would come into play with clear and convincing evidence of gross negligent or intent.

So we feel very, very good about this. Obviously, we like to get our wildfire plan approved in front of the commission, and we will be making that filing here shortly sometime in August. That was our #1 priority from a bill perspective during the legislative session. And so that was a great outcome. Our second most important bill was Senate Bill 301, which is the transmission bill that's also law and effectively has given us a CPCN associated with our regional transmission investment.

In essence, giving us better certainty or greater certainty, we can prudently invest in our utilities and get fair treatment upon receiving our CPCN.

In essence, once the project is done, we could argue if we spent more than we invested more than we initially planned, obviously, that prudence comes into place. But this gives us much greater certainty as we continue to think about how we invest from a regional transmission perspective in large projects. I'll talk more about those projects in a moment. So great legislative outcome. I know we talked about it in the first quarter, but the second quarter is when these things became law.

So I want to reiterate those 2 great outcomes in 2025. Large load customers on Slide 21, those are primarily data centers. And as you saw the announcement today regarding Quantica, we now have our third letter of intent in Montana. And I think what I would say here on Montana is on 1/1/26, we will go from a short position to a long position with the 592 megawatts associated with Colstrip, and I'll speak to Colstrip specifically in a moment.

But being in that long position has given us an opportunity to serve large load customers. And what we need to do ultimately is go arm in arm with these large load customers to go into the MPSC with a tariff that protects customers, but also certainly something that they want to, they can live with as a data center.

We intend to do just that. We have some time. And these large load data centers aren't really coming into play really until 2027. So we have some time, and we plan to file in probably '26 tariffs with them to get service as a state-regulated resource, if you will. But if, in fact, we are turned down from the commission for whatever reason, we intend to serve these customers on a FERC-regulated basis. So we intend to serve these customers regardless.

But we certainly intend and would like to, with the support of the Montana Public Service Commission, serve them in a state-regulated basis.

In South Dakota, we continue to have significant interest there as well. I'll acknowledge that the lack of a sales tax certainly helps prospects or hurts prospects in South Dakota, but we still have quite a bit of interest and continue to work with hyperscalers and others

there. And so we're excited about the opportunities that we're seeing in front of us on data centers. We need to capture those. And from a letter of intent perspective, I think by the time we have this next call in October, we expect to have at least one of these LOIs in place at that point in time.

Moving forward, on the data center process on Page 22, a matter of fact, I'd argue we have increasing interest in data center requests and high-level assessments, continue moving through those processes. Letter of intent, we mentioned our third, and I'm sure you saw the press release separately on Quantica and excited we're -- and working with them. These are folks that have worked in Montana in the past with talent and at the Colstrip plant and many of their employees.

So we know them well, and we're excited to work with them to move their projects forward. And I mentioned energy service agreements. We'd like the next time we talk, at least I want to see 1 or 2 in that queue count in that particular item. I mentioned regional transmission opportunities on Slide 23, continue to stay very active with Grid United on North Plains Connector and our own project we're working with them on, I call the Montana, the Idaho project through Southwest Montana into Idaho and elsewhere from there, of course.

We continue to look at other opportunities on our paths and also with the Colstrip transmission line itself to increase capacity. So excited about transmission opportunities, and I'd argue even more so now that we have our CPCN.

Regarding incremental Colstrip capacity, a little bit of history on Colstrip for a second. And you might recall when we acquired the Avista piece, we were definitely short from a resource adequacy perspective and that incremental 222 megawatts fits perfectly into our portfolio to serve our existing customers and actually helped us achieve resource adequacy on 1/1/26. In addition, we bought the 370 megawatts from Puget, we will be buying on 1/1/26. That incremental 370 really helped us achieve a 55% ownership at Colstrip as a whole.

And I think many of you are well aware, many of those owners didn't intend to be in Colstrip long term. And so we believe that 55% ownership actually protected the plant from being shut down. Having said that, when we made those decisions, a couple of things weren't necessarily well known at the time. We didn't know the federal actions that have been taken that have certainly helped Colstrip from a viability standpoint and a cost perspective on a going forward.

That has certainly been a tailwind. And obviously, the ability to serve large load customers at data centers weren't much of a thing when we were negotiating this. So this is just a great opportunity for us to continue to stay engaged in Colstrip.

And ultimately, as we've mentioned before, we see Colstrip as an energy hub. And a great opportunity for us to continue to operate that plant until we can find something that's cleaner and provides the same dispatch characteristics sometime in the future. And we're excited to working with the Colstrip community and the state of Montana to ultimately see that come to fruition.

And with that, from a conclusion standpoint, I mean, I think it's a pretty good quarter. I think we're in pretty good shape on a year-to-date basis and feel good about where we are from a year-end guidance perspective. And I think, as Crystal pointed out, we've been working on a lot of things for the quarter and continue to move the ball in terms of improving shareholder value for our shareholders. Thank you very much.

And I guess we'll go to Mr. Meyer to ask about [questions].

Question and Answer

Travis Meyer

Director of Corporate Finance & Investor Relations Officer

I think we'll open the queue up for questions.

Operator

[Operator Instructions]. Your first question comes from the line of Jeremy Tonet with JPMorgan.

Aidan Kelly

JPMorgan Chase & Co, Research Division

This is actually Aidan Kelly on for Jeremy. Yes. So just on the data center front, could you offer an updated sense on the potential timing to sign ESAs for the 3 data centers that are currently under LOIs?

Are you waiting on a transmission service agreement study to wrap up at this point? Or are there any other gating items here to move these projects forward?

Brian Bird

CEO, President & Director

Yes. We're wrapping up on a transmission service issue side in the first 2. And I'd argue those are certainly in earlier stages from an LOI since we just signed Quantica, if you will, here recently. And so as I mentioned earlier, I think by the time we have this call in October, I'd like to think at least one of the either Atlas or Sabey will be an ESA, haven't signed ESA by that point in time.

I'd like to think both of them will, very confident at least one of them.

Aidan Kelly

JPMorgan Chase & Co, Research Division

Understood. Understood. That's good to hear. And then I guess just with this pipeline kind of expanding today, could you speak to how you are thinking about addressing load requirements like in the scenario that this data center interest develops beyond existing capacity?

I know you mentioned you would also look to work with regulators to kind of structure tariffs in '26. So maybe just curious on that end. And then also like the thoughts on the possibility to integrate more utility-owned generation in the scenario of excess demand in Montana?

Brian Bird

CEO, President & Director

Yes. I think because of the need, obviously, for speed of deliverability here, we're working with these data centers. And in fact, they are planning to build some of their own generation to serve these data centers. We want to work with them on that. And ultimately, from our ability to put those into rates, we talked to -- we have been talking to them potentially about build own transfer -- build transfer capabilities.

That allows us to demonstrate that those resources from a pre-approval perspective gives us time to ultimately get approval from the Montana Commission to actually own them. And again, if for whatever reason, if the MPSC doesn't support that, we will find a means and a FERC-regulated basis to do the same.

Aidan Kelly

JPMorgan Chase & Co, Research Division

Got it. Got it. Understood. And then maybe just one last one, if I could. Just looking at the queue count of 9 customers in the data center like request stage, could you just kind of quantify, if you could, like how many are in Montana versus South Dakota?

Brian Bird

CEO, President & Director

It's a good question. I would say I think it's about the same. You could say, geez, Brian, you can't divide 9.5, you get 4.5, but I'd argue they're relatively the same.

Operator

Your next question comes from the line of Ross Fowler with Bank of America.

Ross Fowler

BofA Securities, Research Division

Congrats on a good quarter and a good update here. So maybe following on Jeremy's question a little bit. Obviously, these data centers coming in by end of the next decade. Obviously, that keeps the tariff under the right tariff would help affordability. When do we flip over to that new generation needed capital being deployed? Like when do we drive to that sort of what you're talking about on Slide 4 there, that 6% or higher growth? And is there a transmission component to that as well?

Brian Bird

CEO, President & Director

Yes. I would say this, in essence, to serve them, there's going to be a necessary investment on our system, I'd argue, from an interconnection standpoint, from a transmission perspective. So that capital being deployed relatively quickly during this process. If, in fact, from a build transfer perspective, we'd like to do that as soon as the generation is available to serve those customers. So that would be relatively soon.

Ross Fowler

BofA Securities, Research Division

Okay. And...

Brian Bird

CEO, President & Director

Sorry, Ross, just to be more clear on that point, you're seeing a 2027 timetable, and that is a bit of a ramp-up. You'll notice that much of the build of -- particularly, I'll pick on Quantica here for a minute to get to that 500 megawatts, it's going to be 2030 for them. So this is going to be, over time, a relatively build. But we want to be and talking particularly with Sabey and Quantica because these are large data center plans.

We've had very, very good conversations about the build transfer aspects here.

Ross Fowler

BofA Securities, Research Division

Yes. And if I understand Quantica correctly, I mean, it was created 3 days ago, but this is backed by private equity, right? It's backed by [MCAP] investments. [Technical Difficulty].

Brian Bird

CEO, President & Director

Yes. Yes, Ross. And I know when they rolled out their plan, but we've been talking to Quantica for some time now. It's been at least 6 months. And we know these folks well from their talent days. We met with all of Quantica and the [MCAP] folks early on in this process. And so we feel good about who they are and what they're going to bring to the table to Montana.

Ross Fowler

BofA Securities, Research Division

Fantastic. And I apologize for the feedback on this end of the line. We're having a thunderstorm role through New York right now, so there you go.

Operator

Your next question comes from the line of Nicholas Campanella with Barclays.

Nicholas Campanella

Barclays Bank PLC, Research Division

So just on the DC ramp, just thanks for clarifying on like when you think you're going to get the ESAs in place. If you do get that by the third quarter, just what is the ramp of the megawatts on the system? Like what year would it hit? Is it more '27 and beyond? Could you see some uptake in '26? Just how are you kind of thinking through that?

Brian Bird
CEO, President & Director

Yes. I would say that the stuff in '26 is going to be relatively small, just in essence, from a construction standpoint, whatever megawatts are needed there. So I would stay focused on '27.

Nicholas Campanella
Barclays Bank PLC, Research Division

Appreciate it. And then just can you kind of anticipate handling the Colstrip cost once you acquire the facility in '26? I know that there's some pending processes, and we have some variability about how that will get kind of captured in the rates. But if you were able to keep that merchant, is that an option? And how do you feel about the growth rate in that scenario?

Crystal Lail
VP & CFO

Yes. Nick, I'll take a stab at it, and Brian will clean up on this one. Your question is excellent as to our -- where we're headed with Colstrip. I would just say 2 things related to that. One, there's -- as you guys know, we've entered into 2 transactions, one to take Avista portion and another to take Puget.

The Avista portion, we believe, is needed to serve existing customers, at least a portion of that and expect to make a filing here sometime in Q3 to propose a process to get us really to the next rate review to recover those costs. The Puget megawatts wouldn't be needed to -- as you look at our load today to serve regulated load, this kind of goes back to what Brian was addressing with our ability to serve large load.

We expect to serve large load, whether it's Montana regulated or FERC regulated, we want to make sure we leave our options open at the Montana Commission well. And I think the comment earlier alluded to a tariff that can help affordability for others. We absolutely believe there's a path for that. But if the commission doesn't want to go down that road, we're certainly keeping and working to have our FERC-regulated approach open to be able to serve out of that what would be the Puget tranche.

So again, to deliver from a data center perspective, whether it be Montana regulated or the Puget piece that might be FERC regulated. All that being said, I say we do expect to make a filing here in this quarter to address recovery of some of those Colstrip costs.

Brian, anything you'd add there?

Brian Bird
CEO, President & Director

No, that's great. Thanks.

Operator

At this time, there are no further questions. I will now turn the call back over to Brian Berg for closing remarks.

Brian Bird
CEO, President & Director

Closing remarks from my perspective, a continued progress on a lot of fronts, what we've done from a wildfire perspective, both operationally and from a legislative standpoint, extremely proud of that, extremely proud of the ability -- the company's ability to address our capacity shortfall and put us in a long position, particularly in the generation front.

Certain good movement on the data center. Ultimately, we need to get a good outcome on the rate review and continue to move forward and provide returns in line with your expectations. So I appreciate your interest today and going forward. Thank you.

Operator
Ladies and gentlemen, that concludes today's call. Thank you all for joining. You may now disconnect.