NorthWestern Energy Group, Inc.

Second Quarter 2026 Earnings Call

Presentation

Operator

Hello, everyone. Thank you for joining us, and welcome to the NorthWestern Energy Second Quarter 2026 Financial Results Webinar. [Operator Instructions] I will now hand the conference over to Travis Meyer, Director of Corporate Development and Investor Relations Officer. Travis, please go ahead.

Travis Meyer
Director of Corporate Finance & Investor Relations Officer

Thank you, Kendra. Good afternoon, and thank you for joining NorthWestern Energy Group's financial results webcast for the quarter ended June 30, 2026. Joining us on the call today are Brian Bird, President and Chief Executive Officer; and Crystal Lail, Chief Financial Officer. Brian and Crystal will walk us through the results and provide an overall update on the great progress we've made this quarter.

Before handing the call over, however, a few reminders regarding today's call. 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 the company's press release, this presentation, comments by presenters and responses to your questions may contain forward-looking statements. As such, I will 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 and information regarding the pending merger transaction. See the non-GAAP disclosures, definitions and reconciliations and the merger-related disclosures in the appendix of today's materials. The webcast is being recorded. An archived replay will be available shortly after the event and will remain active for 1 year. Please visit the Financial Results section of our website to access the replay.

With those details behind us, I'll hand the presentation over to Brian Bird for his opening remarks.

Brian Bird
CEO, President & Director

Thank you, Travis. For recent highlights for the quarter, we reported GAAP diluted EPS of $0.40 and non-GAAP diluted EPS of $0.50. We're also affirming our 2026 earnings guidance range of $3.68 to $3.83, and also affirming our long-term rate base and EPS growth rate targets of 4% to 6%.

Regarding the merger, during the quarter, we received approvals from the Nebraska PSC, the South Dakota PUC, and FERC. We also had our Montana hearing and the final briefing is now completed, and we're awaiting the final order.

Lastly, in terms of dividend, we declared $0.67 per share payable September 1, 2026. You might note there's a change in the payment date and the August 17 record date to make sure we align with Black Hills Corporation's dividend dates, which was intended to simplify the closing mechanics in the merger.

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

Crystal Lail
VP & CFO

Thank you, Brian. I will begin my comments on Slide 7. And in my comments today, I will cover our second quarter results, our 2026 earnings outlook and our capital plan.

As Brian mentioned, for the second quarter, we delivered GAAP earnings of $0.40. That $0.40 includes merger-related costs, costs related to incremental Colstrip ownership and weather impacts. On an adjusted basis, we delivered $0.50, which reflects a $0.10 increase from 2025.

Moving to Slide 8. On a year-to-date basis, we have GAAP earnings of $1.43 versus $1.60 in the prior period. On an adjusted basis, that's $1.81 versus $1.62. I'll remind you that we started off the year with an unseasonably warm winter, reflecting a significant adjustment to adjust out that weather impact for Q1 impacting our year-to-date results.

Slide 9 moves to a bit more of the key drivers for the quarter in particular. Key drivers include improved margin, net of weather, offset by higher costs, depreciation and interest expense. Increased operating costs includes $0.12 from incremental full-serve ownership, which we spoke about a lot on our Q1 call as to the impact of us owning those assets and the importance to resource adequacy.

Moving to Slide 10, I'll discuss in more detail our margin impact, including the $0.38 improvement over the prior period. Margin for the second quarter reflects new rates in Montana. We'll remind you that we implemented rates in the rate review from 2024 and May of 2025 towards the end. So you can see the continued improvement from that and impacting the first half of the year for us. It also reflects the sales from the Puget Colstrip interests and growth in transmission revenues.

Moving to Slide 11 to address our adjusted second quarter earnings. Again, as I alluded to, while the first quarter had a very significant weather impact, we returned to a closer to normal impact here. You'll see weather was unfavorable by $0.01 versus normal. The quarter also included $0.04 of merger costs and $0.05 of operating expenses from Colstrip that were not recovered. These adjustments move from a $0.40 on a GAAP basis to $0.50 delivered on a non-GAAP adjusted basis versus $0.40 in the prior quarter of 2025 as compared and again, noting that, that growth was really driven off of improved base rate recovery versus last year.

Moving to Slide 12. As Brian indicated, we are pleased with our start to 2026, and it is in line with our expectations, and we are reaffirming our guidance. We have executed any financing plans for the year and expect that to not have an impact in the back part of the year.

Moving to Slide 13 and concluding my comments. Our capital plan of $3.2 billion from '26 through 2030 remains on track and unchanged and is driven by the essential investments we need to meet our customers' needs. This plan does not include any incremental investment that may be driven by additional opportunities related to regional transmission growth or serving large loads, and we're excited to continue pursuing those opportunities.

With that, I will turn it back to Brian for a further business update.

Brian Bird
CEO, President & Director

Thanks, Crystal. My comments on Page 15, specific to the merger with Black Hills and the benefits to stakeholders. We certainly have talked quite a bit about the benefits to shareholders and certainly want to thank all of those who voted on the approval from a shareholder perspective of the transaction and acknowledge the overwhelming support. That also took place in the second quarter.

And also opportunity on this page, in the center of the page, also remind folks that there's also substantial long-term value for customers. Not only are we bringing together 2 strong teams from a service perspective, we're going to continue to provide great service on a going-forward basis on a combined basis. And not only that, any benefits that are accrued for putting these 2 companies together from a cost savings perspective that will ultimately accrue to customers in future rate reviews.

Moving forward to Page 16. If you think about the time line, we now have all the necessary approvals other than the MPSC commission's approval. As you note on this page, you see a lot of green checks. As a matter of fact, like we said earlier, shareholder approval, FERC, Nebraska, South Dakota. If you think about what was all done in the second quarter, it was a pretty busy quarter from a merger perspective.

We also -- as we sit here today, we're working extremely hard with our friends at Black Hills from an integration planning perspective. And so we're prepared. We will be prepared if, in fact, we do get approval from the Montana Commission to close and actually start providing the benefits of the merger to our customers and other stakeholders.

Speaking of the decision and waiting on a decision from the Montana Public Service Commission, we note on this slide that that's in the fourth quarter. I think people understand from the timing that is in front of the commission that we believe that upon our filing our briefing in mid-July that we would see a decision sometime in 90 days to -- it can extend another 30 days. So 90 to 120 days, we should see a decision. That should mean a decision sometime between mid-October and mid-November. And so we are certainly cautiously optimistic about that decision and working really hard that we're prepared to provide benefits to stakeholders on a going-forward basis if, in fact, we get that approval.

Moving forward to data centers. We continue to work hard on the data center process on Page 17. I think you can see some change in the high-level assessments. We're still very active in terms of folks looking at primarily in Montana and South Dakota from a data center perspective. More importantly, we continue to work with those folks that we have development agreements with and striving to get to ESAs with those parties. And as I mentioned on the prior quarter's call, I noted no guarantees, but I mentioned on that call, and I do it again, no guarantees here. We still expect to have ESAs within 2 of those 3 parties. And reason 2 of those 3 -- 3 of the last quarter, 2 parties, Quantica and Atlas, we still believe by year-end.

The issue where we sit here today with SEBI is they still are dealing with land procurement items. And so until that happens, it's difficult to say we would have an ESA done with them by the end of the year as we sit here today. But we continue to work with all 3 parties and those parties in the -- both the data center request and high-level assessment to continue to move forward to ultimately have data center load that we can provide in Montana and South Dakota.

Moving forward, just a little bit more on large-load customers. I think you're also aware in March of this year, we did submit our Large New Load tariff. The hope at that time when we filed it, we'd be filing it with an ESA. We did not. We wanted to make sure that people were aware that we're trying to protect customers with this large load tariffs, and we wanted to get that in front of the commission. It's there for people to see. In addition, we'd like to, when we do sign an ESA, file that ESA with the large load tariff and ultimately have a decision on that ESA as well.

In South Dakota, any New Large Load customers we require incremental capacity, but we do have an infrastructure rider there to help us with generation cost recovery. And the South Dakota PUC already has an established large load tariff that we can serve large-load customers with. The one issue in South Dakota continues to be the sales tax issue on equipment purchase, and we're hopeful in the upcoming legislative session, that issue will be dealt with.

On the right-hand side of the slide here, I continue to show from a megawatt perspective, each of those 3 entities in the development stage, nothing has necessarily changed there. So we continue to forge ahead with them on their current plans.

Lastly, on Slide 19 is our stand-alone value proposition. With an approximate 4% dividend yield with our base capital plan, we can achieve a 4% to 6% EPS growth, ultimately today provide an 8% to 10% total return. If we're able to take an opportunity and execute on data center and other large load opportunities for regional transmission and any incremental generating capacity, we should be able to grow at a faster rate in that above the 6% range, that plus that dividend yield I talked about earlier, around 4%, we could see total returns greater than 10%.

Obviously, that's our stand-alone proposition. As we sit here today, we think we could be able to deliver a 5% to 7% EPS growth on a combined basis in the merger with Black Hills. That's ultimately what we believe is the best thing we can do from a shareholder perspective. But as I mentioned earlier, another thing we really want to do for customers in particularly this day and age where affordability is a key issue, we want to make sure we continue to be as efficient as we can and even more so on a merged basis to provide those cost-saving benefits to customers on a going-forward basis.
And with that, I'll turn it back over to Kendra to conduct the Q&A session.

Question and Answer

Operator

[Operator Instructions] Your first question from the line of Aidan Kelly with JPMorgan Securities.

Aidan Kelly
JPMorgan Chase & Co, Research Division

Yes. I just want to hone in on the Quantica project first. I think many are focused on the quoted 7.2 gigawatt interconnection request laid out there, which is clearly a substantial number. And I understand when you capacity adjust, it could be closer to like the 3 gigawatt range, but still clearly implies some upside beyond Phase 1, what you've disclosed. So I would just be curious to hear your take on the probability of realizing the full 7 gigawatts and any physical considerations that come to mind here?

Brian Bird
CEO, President & Director

I put in this context, Aidan, I don't want to speak for Quantica here. I think as you noted on the document we shared here, 1.1 gig is what we're talking about from a Quantica perspective. I think we all need to have success at these lower gigawatt levels. And if we're ultimately in an ESA perspective, and we're moving forward with Quantica, we'll let them talk about their relative success and how to ultimately build up to that level. But as we sit here today, we're focused on the 1.1 gig.

Aidan Kelly
JPMorgan Chase & Co, Research Division

Understood. Understood. And then just maybe wanted to ask a high-level question on the Colstrip ownership pieces. In the 10-Q, you guys laid out that the PCCAM tariff waiver was insufficient to contribute to the recovery of the O&M for the Avista share. Could you just remind us on the action plan for getting better protection on these costs and how are you thinking about the timing there?

Crystal Lail
VP & CFO

Aidan, I'll take that one. It's a fair question. We've laid out the impact year-to-date, and we do have a tariff waiver currently for how that -- the impact of those sales flows through PCCAM. If you listen to the merger hearing, you would have heard a lot of commentary from the commission on their overall support for Colstrip and their view on what that asset means to Montana and keeping costs low. So our action plan eventually is to file a rate review and put that asset into base rates where it should be.

The thing that I would mention and remind you all of is we are waiting for a motion for reconsideration on our 2024 rate review. And by my clock here, we're close to the last day of July of 2026. So we need to see that order. We're continuing to invest significantly in Montana. And to your point, on action plan for ultimately adjudicating that piece of Colstrip with the commission. I think we'll need to file a rate review to address that, and that is something that we're considering timing of. And meanwhile, the PCCAM docket where that tariff waiver progresses that was granted on an interim basis, and we expect that docket to move through probably time line of Q4 of this year and maybe into early of 2027.

Operator

Your next question is from the line of Shahriar Pourreza from Wells Fargo Securities.

Whitney Mutalemwa
Wells Fargo Securities, LLC, Research Division

This is Whitney Mutalemwa on for Shahriar. So I'm looking through the IRP materials, and they show available import capacity on your transmission path declining through 2028, even before accounting for the large load pipeline. Obviously, there's the North Plains Connector and the utility has 10% stake that's still contingent on permits. Is that 300 megawatts enough to matter given how much load you're now discussing? Or does the real transmission answer have to be a bigger Bright Horizon's led project rather than a minority position in someone else's line?

Brian Bird
CEO, President & Director

I would -- I feel bad that I didn't include our regional transmission materials in the presentation, which we've certainly spoken about in the past. North Plains Connector is certainly something that we think is necessary.

Our Montana to Idaho line that we're working with, we think is also crucial to provide capacity on a going-forward basis. Those are in addition to some other opportunities on Path 8, which is our current Colstrip line that we share with other partners that serve the West, there are opportunities to expand the capacity on that line. And that, as you would expect, is a little easier to do than other greenfield projects and even reconductoring. So there's some work on that line that we think is extremely easy to do on a relative basis to other opportunities, but we're going to pursue those.

We're also looking at Path 80 as an opportunity. But I'd argue that there's a lot of transmission capacity that we're going to need, particularly if there's going to be growth in the Pacific Northwest and certainly in Montana. So we're excited about that opportunity and our ability to invest in transmission on a going-forward basis.

Whitney Mutalemwa
Wells Fargo Securities, LLC, Research Division

Sounds good. Well said. And then just to squeeze in a tiny question. There have been a run of local pushback this quarter. There were the moratorium discussions and a couple of counties, a couple of ballot petitions. Just zooming out, is that changing how you and developers approach siting, more pre-engagement, more flexibility on location, that kind of thing? Or do you see it as pretty contained to a handful of communities? That will be all.

Brian Bird
CEO, President & Director

Yes. I could spend half an hour talking on this topic. I would say it this way. We as an industry and certainly the data centers themselves and the developers that may be between the utilities and the data centers, we all need to do a better job in terms of communicating and working with communities to find out what the communities want, not necessarily what we think they want.

And I think there is a lot of misinformation about data centers. We believe data centers are going to be great thing for our service territory, and we think it's going to help our communities. In so many ways, we're going to continue to be supportive of their efforts. But we have to work collectively as a group and demonstrate benefits in a more concise way so they understand that these are actually good projects that are going to help their communities.

And so there's work to be done. I'd argue that's something that needs to be done in all states, not just the 2 states that we operate in from an electric perspective. I think it's more of an industry issue than just a NorthWestern Energy issue. There are certain states, of course, that support this, support data centers, and we can certainly name those states. But even those are running into some public pushback.

I think as we continue to educate folks around energy use and around water use, I think what has been recently done here in terms of an acknowledgment by utilities and data centers that we're not going to pass on higher cost to customers that data centers are going to pay their own way. Those commitments are going to help deal with some of these issues. But this is going to be a continuing issue for the industry for some time.

Operator

Your next question is from the line of Chris Ellinghaus with Siebert Williams Shank.

Christopher Ellinghaus
Siebert Williams Shank & Co., L.L.C., Research Division

Crystal, can you give us a breakdown of the weather adjustment by segment?

Crystal Lail
VP & CFO

Chris, I think that's in our appendix, but I'd remind you for Q2, it's only $0.01. So it's pretty small as it relates to the quarter. Obviously, a much bigger impact for Q1 as we saw really mild weather there. [indiscernible] of this.

Brian Bird
CEO, President & Director

Yes. And we haven't disclosed that, Chris, by segment. So I assume you're looking between electric gas, South Dakota and Montana. We don't disclose that. That's something we can consider in the future, but...

Christopher Ellinghaus
Siebert Williams Shank & Co., L.L.C., Research Division

Okay. That would be helpful. The weather seems like it was pretty warm for July, certainly across Montana anyway I saw. Crystal, can you give us any sense of how you see the progression of the 2 Puget and Avista Colstrip pieces through the rest of the year, particularly with what the third quarter weather looks like so far?

Crystal Lail
VP & CFO

Sure, Chris. And by the way, I will comment that I did see that you come around to our way of thinking on the weather. So I don't know if that's been a 10- or 15-year running conversation, but glad to see we finally got to there.

The next question is after a super mild kind of winter weather in the whole Pacific Northwest and a normal, call it, Q2 shoulder, what that had done, and we had talked a lot about market prices and the impact of finally being resource adequate in Montana, having assets where we could sell into the market and seeing really low market prices that obviously continued through the first and second quarters.

I will tell you here in July that we have seen -- I think we set a new balancing area record again. So we've seen warmer temps and demand on our system. I will tell you the market prices for a variety of reasons that our supply folks can get into haven't necessarily -- there haven't been kind of those big peaking events that you sometimes see in the market, but certainly an improvement as you're about through July here as to what we've seen for prices and the ability to cover our costs of those assets.

What that continues into late summer and fall, I don't know that I'll be on record for predicting the weather since meteorologists can't see to do it for the next day or so. But I will say we did see some improvement here in July based off that demand and being higher across the West and hope to see that continue as we go through the year. Obviously, we'd like to see those markets that will impact our ability to cover those costs and Colstrip and hopefully earn back a bit of what happened in the first half of the year, but I won't give you any predictions as to where that might be.

Christopher Ellinghaus
Siebert Williams Shank & Co., L.L.C., Research Division

Okay. That's helpful. That's helpful. Brian, one more thing. Now that Baltimore is gone from the MPSD (sic) [MPSC], do you still stick to the sort of 90- to 120-day expectation? Does that sort of slow or speed the process of the merger approval? And how does that affect the large tariff docket also?

Brian Bird
CEO, President & Director

Yes. Chris, I assume you're talking about Commissioner Molnar. I don't think that has bearing on the timing here. But I think the 90 to 120 days still should hold. And my expectation is, as folks know, there are many times when commissioners aren't present to vote. And as long as there's a quorum, they can continue to vote on any matters. And I expect that to be the case here as we move forward.

Operator

Your next question from the line of Paul Fremont from Ladenburg.

Paul Fremont
Ladenburg Thalmann & Co. Inc., Research Division

I guess I'd like to start with the high-level assessment pool, which seemed to have doubled to 8 customers. Can we get a sense of sort of the megawatt size of demand that's in that queue?

Brian Bird
CEO, President & Director

Paul, no, we haven't shared nor do we share who's in that queue nor do we share the megawatts that folks are talking about at this point in time.

Paul Fremont

Ladenburg Thalmann & Co. Inc., Research Division

Well, how about in terms of -- with the customers doubling, should we assume that, that also represents a doubling of the megawatt demand in that bucket?

Brian Bird
CEO, President & Director

I'd say it this way. I wouldn't concern yourself too much with megawatts until you see development agreements.

Paul Fremont
Ladenburg Thalmann & Co. Inc., Research Division

And then it looks like 2 may have come from the data center request bucket and that 2 of those customers are -- would have come from somewhere else. Like is that a fair way to look at it?

Brian Bird
CEO, President & Director

Yes. I'd say what happens many times when you get to assessment, some people fall away because they find out they've got a preliminary idea of what the costs are going to be, and so they may fall away. So I can't speak to how the bucket shifted from requests to the high-level assessment. But typically, what happens when you get to a certain point, you actually know your cost. You do see some folks fall away. You also see some folks that work pretty quickly through that process.

Paul Fremont
Ladenburg Thalmann & Co. Inc., Research Division

And then maybe last question for me, is there sort of anything you can tell us about the geography of where those new high-level assessment customers are looking? Is it South Dakota? Or is it Montana?

Brian Bird
CEO, President & Director

I mean I will say it this way. I think in those 2 earlier buckets, we're seeing interest in both states.

Operator

Your final question comes from the line of Rex Savage with Clear Street.

Unknown Analyst

I wanted to ask a version of a prior question on the commissioner status and so forth. It appears that commissioner is challenging his removal in Lewis and Clark State Court. I was wondering if you have any thoughts about that, plus it appears the governor is maybe moving to replace him after this 1-year period. Does that potentially change the 90 to 120 days?

And then a related question is on Quantica, which was brought up, I believe, on the first question, that 7.2 in the filing did seem to activate one of the opposers on the merger docket to ask to reopen the record. Are we past that point? Do you believe that the commission is going to look at it as is?

Brian Bird
CEO, President & Director

From my understanding, I think the commission is forging ahead here. I don't think -- I think they've done a good enough job through this process to say that this transaction is not about data centers. I think that conversation was had frequently during the hearing. And so I do not believe we're going to see a delay as a result of anything that's happening with Commissioner Molnar at this point in time or any incremental information that may have happened since the hearing.

Operator

There are no further questions at this time. I will now turn the call back to Brian Bird for closing remarks.

Brian Bird
CEO, President & Director

From a closing remarks perspective, I just want to say this again. I think we think about what we need to do as a company to grow and what's changing in the energy space. This merger is really important, not only, obviously, to the folks listening to this call today, but our customers and ultimately, our employees. We need to be bigger. We need -- it's more of a competitive environment we sit in today than utilities have seen and certainly in their first 100 years of existence. And so it's critical that we move forward, we become bigger. It allows us to better serve our customers and all of you. We continue to be very, very focused on that as do our friends at Black Hills. And we hope to be talking about that with you, if not in October, sometime shortly thereafter. And until that next time, I want to continue to thank you for your support of both NorthWestern Energy and obviously, our friends at Black Hills. Thank you very much.

Operator
This concludes today's call. Thank you for attending. You may now disconnect.