



Northern Natural Gas Company

**Financial Statements (Unaudited) as of and for the
Quarterly Period Ended March 31, 2022**

Northern Natural Gas Company
Balance Sheets (Unaudited)
(Amounts in thousands, except share data)

	As of	
	March 31, 2022	December 31, 2021
ASSETS		
Current assets:		
Cash and cash equivalents	\$ 40,949	\$ 23
Accounts receivable, net	125,728	131,550
Accounts receivable from affiliate	10,992	11,194
Notes receivable from affiliate	455,000	325,000
Transportation and exchange gas receivables	36,495	22,812
Inventories	65,098	62,222
Income tax receivable	—	26,803
Other current assets	31,734	35,047
Total current assets	<u>765,996</u>	<u>614,651</u>
Property, plant and equipment, net	4,835,236	4,819,898
Regulatory assets	63,579	92,445
Other assets	74,692	73,663
Total assets	<u><u>\$ 5,739,503</u></u>	<u><u>\$ 5,600,657</u></u>
LIABILITIES AND SHAREHOLDER'S EQUITY		
Current liabilities:		
Accounts payable	\$ 55,205	\$ 106,283
Accounts payable to affiliates	2,325	2,599
Accrued interest	16,066	23,116
Accrued property, income and other taxes	104,753	73,463
Transportation and exchange gas payables	35,135	21,377
Other current liabilities	112,071	101,372
Total current liabilities	<u>325,555</u>	<u>328,210</u>
Long-term debt	1,587,603	1,587,534
Regulatory liabilities	374,226	409,438
Deferred income taxes	667,839	656,563
Asset retirement obligations	14,402	14,397
Other long-term liabilities	47,199	52,654
Total liabilities	<u>3,016,824</u>	<u>3,048,796</u>
Commitments and contingencies (Note 5)		
Shareholder's equity:		
Series A preferred stock - 1,000 shares authorized, \$0.01 par value, no shares issued and outstanding	—	—
Common stock - 10,000 shares authorized, \$1.00 par value, 1,002 shares issued and outstanding	1	1
Additional paid-in capital	981,868	981,868
Retained earnings	1,740,810	1,569,992
Total shareholder's equity	<u>2,722,679</u>	<u>2,551,861</u>
Total liabilities and shareholder's equity	<u><u>\$ 5,739,503</u></u>	<u><u>\$ 5,600,657</u></u>

The accompanying notes are an integral part of these financial statements.

Northern Natural Gas Company
Statements of Income (Unaudited)
(Amounts in thousands)

	Three-Month Periods Ended March 31,	
	2022	2021
Operating revenue:		
Transportation	\$ 329,909	\$ 349,988
Storage	13,063	14,629
Gas, liquids and other sales	58,112	104,086
Total operating revenue	<u>401,084</u>	<u>468,703</u>
Operating expenses:		
Operations and maintenance	62,723	62,781
Cost of gas and liquids sales	41,136	19,589
Depreciation and amortization	42,641	40,433
Taxes, other than income taxes	21,204	21,250
Total operating expenses	<u>167,704</u>	<u>144,053</u>
Operating income	<u>233,380</u>	<u>324,650</u>
Other income (expense):		
Interest expense, net	(15,968)	(13,599)
Interest income	738	516
Other, net	3,364	3,539
Total other income (expense)	<u>(11,866)</u>	<u>(9,544)</u>
Income before income tax expense	221,514	315,106
Income tax expense	50,696	74,535
Net income	<u>\$ 170,818</u>	<u>\$ 240,571</u>

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Northern Natural Gas Company
Statements of Comprehensive Income (Unaudited)
(Amounts in thousands)

	Three-Month Periods Ended March 31,	
	2022	2021
Net income	\$ 170,818	\$ 240,571
Other comprehensive income, net of tax-		
Unrealized loss on cash flow hedges, net of tax of \$0 and (\$1,618)	—	(4,451)
Comprehensive income	<u>\$ 170,818</u>	<u>\$ 236,120</u>

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Northern Natural Gas Company
Statements of Changes in Shareholder's Equity (Unaudited)
(Amounts in thousands)

	<u>Common Stock</u>	<u>Additional Paid-In Capital</u>	<u>Retained Earnings</u>	<u>Accumulated Other Comprehensive Income, net</u>	<u>Total</u>
Balance, December 31, 2020	\$ 1	\$ 981,868	\$ 1,369,102	\$ 4,451	\$ 2,355,422
Net income	—	—	240,571	—	240,571
Other comprehensive loss - cash flow hedges	—	—	—	(4,451)	(4,451)
Balance, March 31, 2021	<u>\$ 1</u>	<u>\$ 981,868</u>	<u>\$ 1,609,673</u>	<u>\$ —</u>	<u>\$ 2,591,542</u>
Balance, December 31, 2021	\$ 1	\$ 981,868	\$ 1,569,992	\$ —	\$ 2,551,861
Net income	—	—	170,818	—	170,818
Balance, March 31, 2022	<u>\$ 1</u>	<u>\$ 981,868</u>	<u>\$ 1,740,810</u>	<u>\$ —</u>	<u>\$ 2,722,679</u>

The accompanying notes are an integral part of these financial statements.

Northern Natural Gas Company
Statements of Cash Flows (Unaudited)
(Amounts in thousands)

	Three-Month Periods Ended March 31,	
	2022	2021
Cash flows from operating activities:		
Net income	\$ 170,818	\$ 240,571
Adjustments to reconcile net income to net cash flows from operating activities:		
Depreciation and amortization	42,641	40,433
Amortization of debt issuance costs	211	100
Deferred income taxes	2,378	(16,099)
Other, net	(1,587)	(164)
Changes in other operating assets and liabilities:		
Accounts receivable and other assets	4,440	(1,147)
Inventories	(2,876)	(1,302)
Accounts payable and other accrued liabilities	(21,561)	(500)
Gas balancing activities	18,736	16,985
Accrued property, income and other taxes	58,093	99,528
Net cash flows from operating activities	<u>271,293</u>	<u>378,405</u>
Cash flows from investing activities:		
Capital expenditures	(110,037)	(50,989)
Reimbursement of capital expenditures net of refunds	8,910	23,435
Issuance of affiliate notes receivable	(170,000)	(335,000)
Proceeds from repayment of affiliate notes receivable	40,000	15,000
Purchases of marketable securities	(90)	(2,924)
Proceeds from sales of marketable securities	882	1,413
Net cash flows from investing activities	<u>(230,335)</u>	<u>(349,065)</u>
Cash flows from financing activities:		
Net cash flows from financing activities	<u>—</u>	<u>—</u>
Net change in cash and cash equivalents and restricted cash and cash equivalents	40,958	29,340
Cash and cash equivalents and restricted cash and cash equivalents at beginning of period	14,761	24,081
Cash and cash equivalents and restricted cash and cash equivalents at end of period	<u>\$ 55,719</u>	<u>\$ 53,421</u>

The accompanying notes are an integral part of these financial statements.

Northern Natural Gas Company
Notes to Financial Statements
(Unaudited)

(1) General

Northern Natural Gas Company (the "Company") is an indirect wholly owned and operated subsidiary of Berkshire Hathaway Energy Company ("BHE"), a holding company that owns locally managed businesses principally engaged in the energy industry. BHE is a consolidated subsidiary of Berkshire Hathaway Inc. The Company owns the largest interstate natural gas pipeline system in the United States, as measured by pipeline miles, which reaches from west Texas to Michigan's Upper Peninsula (the "System"). The Company primarily transports and stores natural gas for utilities, municipalities, gas marketing companies and industrial and commercial users. The System consists of two commercial segments. Its traditional end-use and distribution market area in the northern part of its system, referred to as the Market Area, includes points in Iowa, Nebraska, Minnesota, Wisconsin, South Dakota, Michigan and Illinois. Its natural gas supply and delivery service area in the southern part of its system, referred to as the Field Area, includes points in Kansas, Texas, Oklahoma and New Mexico. The Market Area and Field Area are separated at a Demarcation Point. The System consists of 14,300 miles of natural gas pipelines, including 5,800 miles of mainline transmission pipelines and 8,500 miles of branch and lateral pipelines, with a Market Area design capacity of 6.3 billion cubic feet ("Bcf") per day, a Field Area delivery capacity of 1.7 Bcf per day to the Market Area and 1.4 Bcf per day to the West Texas area and over 95.6 Bcf of working gas capacity in five storage facilities. The System is configured with approximately 2,244 active receipt and delivery points which are integrated with the facilities of local distribution companies ("LDC"). Many of the Company's LDC customers are part of combined utilities that also use natural gas as a fuel source for electric generation. The Company delivered over 1.2 trillion cubic feet of natural gas to its customers in 2021.

The Company has no subsidiaries and does not hold a controlling financial interest in any other entity. The unaudited Financial Statements are prepared in accordance with accounting principles generally accepted in the United States of America ("GAAP") for interim financial information. Accordingly, they do not include all of the disclosures required by GAAP for annual financial statements. Management believes the unaudited Financial Statements contain all adjustments (consisting only of normal recurring adjustments) considered necessary for the fair presentation of the unaudited Financial Statements as of March 31, 2022 and for the three-month periods ended March 31, 2022 and 2021. The results of operations for the three-month period ended March 31, 2022 are not necessarily indicative of the results to be expected for the full year. The Company has evaluated subsequent events through May 26, 2022, which is the date the unaudited Financial Statements were available to be issued.

The preparation of the unaudited Financial Statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the unaudited Financial Statements and the reported amounts of revenue and expenses during the period. Actual results may differ from the estimates used in preparing the unaudited Financial Statements. Note 2 of Notes to Financial Statements included in the Company's audited Financial Statements for the year ended December 31, 2021 describes the most significant accounting policies used in the preparation of the unaudited Financial Statements. There have been no significant changes in the Company's assumptions regarding significant accounting estimates and policies during the three-month period ended March 31, 2022.

(2) Cash and Cash Equivalents and Restricted Cash and Cash Equivalents

Cash equivalents consist of funds invested in money market mutual funds, United States Treasury Bills, and other investments with a maturity of three months or less when purchased. Cash and cash equivalents exclude amounts where availability is restricted by legal requirements, loan agreements, or other contractual provisions. Restricted cash and cash equivalents as of March 31, 2022 and December 31, 2021, consist substantially of escrow funds held to provide the Company with protection against customer credit risk. A reconciliation of cash and cash equivalents and restricted cash and cash equivalents as of March 31, 2022 and December 31, 2021, as presented in the Statements of Cash Flows is outlined below and disaggregated by the line items in which they appear on the Balance Sheets (in thousands):

	As of	
	March 31, 2022	December 31, 2021
Cash and cash equivalents	\$ 40,949	\$ 23
Restricted cash and cash equivalents in other current assets	2,277	2,277
Restricted cash and cash equivalents in other assets	12,493	12,461
Total cash and cash equivalents and restricted cash and cash equivalents	<u>\$ 55,719</u>	<u>\$ 14,761</u>

(3) Employee Benefit Plans

The Company is a participant in benefit plans sponsored by MidAmerican Energy Company ("MEC"), an indirect wholly owned subsidiary of BHE. The MidAmerican Energy Company Retirement Plan provides pension benefits for eligible employees ("pension plan") and the MidAmerican Energy Company Welfare Benefit Plan provides certain postretirement health care and life insurance benefits for eligible retirees ("other postretirement plan") on behalf of the Company. The Company's contributions to the pension plan and other postretirement plan totaled \$0.2 million for each of the three-month periods ended March 31, 2022 and 2021. As of March 31, 2022, the Company recorded in other long-term liabilities its portion of the under funded status of the pension plan and in other assets its portion of the over funded status of the other postretirement plan of \$18.8 million and \$40.0 million, respectively. As of December 31, 2021, the Company recorded in other long-term liabilities its portion of the under funded status of the pension plan and in other assets its portion of the over funded status of the other postretirement plan of \$18.8 million and \$39.3 million, respectively. Amounts attributable to the Company were allocated from MEC to the Company in accordance with the intercompany administrative service agreement. Offsetting regulatory assets and liabilities have been recorded related to the amounts not yet recognized as a component of net periodic benefit costs that will be included in regulated rates.

(4) Fair Value Measurements

The carrying value of the Company's cash, certain cash equivalents, receivables, payables and accrued liabilities approximates fair value because of the short-term maturity of these instruments. The Company has various financial assets and liabilities that are measured at fair value on the Financial Statements using inputs from the three levels of the fair value hierarchy. A financial asset or liability classification within the hierarchy is determined based on the lowest level input that is significant to the fair value measurement. The three levels are as follows:

- Level 1 - Inputs are unadjusted quoted prices in active markets for identical assets or liabilities that the Company has the ability to access at the measurement date.
- Level 2 - Inputs include quoted prices for similar assets or liabilities in active markets, quoted prices for identical or similar assets or liabilities in markets that are not active, inputs other than quoted prices that are observable for the asset or liability and inputs that are derived principally from or corroborated by observable market data by correlation or other means (market corroborated inputs).
- Level 3 - Unobservable inputs reflect the Company's judgments about the assumptions market participants would use in pricing the asset or liability since limited market data exists. The Company develops these inputs based on the best information available, including its own data.

The following table presents the Company's financial assets and liabilities recognized on the Balance Sheets and measured at fair value on a recurring basis (in thousands):

	Input Levels for Fair Value Measurements				
	Level 1	Level 2	Level 3	Other ⁽¹⁾	Total
<u>As of March 31, 2022</u>					
Assets:					
Commodity derivatives	\$ —	\$ 23,028	\$ —	\$ (16,768)	\$ 6,260
Money market mutual funds ⁽²⁾	59,770	—	—	—	59,770
Investment funds	20,195	—	—	—	20,195
	<u>\$ 79,965</u>	<u>\$ 23,028</u>	<u>\$ —</u>	<u>\$ (16,768)</u>	<u>\$ 86,225</u>
Liabilities - commodity derivatives	<u>\$ —</u>	<u>\$ (25,410)</u>	<u>\$ —</u>	<u>\$ 16,768</u>	<u>\$ (8,642)</u>
<u>As of December 31, 2021</u>					
Assets:					
Commodity derivatives	\$ —	\$ 14,413	\$ —	\$ (13,329)	\$ 1,084
Money market mutual funds ⁽²⁾	14,738	—	—	—	14,738
Investment funds	15,999	—	—	—	15,999
	<u>\$ 30,737</u>	<u>\$ 14,413</u>	<u>\$ —</u>	<u>\$ (13,329)</u>	<u>\$ 31,821</u>
Liabilities - commodity derivatives	<u>\$ —</u>	<u>\$ (21,231)</u>	<u>\$ —</u>	<u>\$ 13,329</u>	<u>\$ (7,902)</u>

(1) Represents netting under master netting arrangements.

(2) Amounts are included in cash and cash equivalents, other current assets and other assets on the Balance Sheets. The fair value of these money market mutual funds approximates cost.

Derivative contracts are recorded on the Balance Sheets as either assets or liabilities and are stated at estimated fair value unless they are designated as normal purchases or normal sales and qualify for the exception afforded by GAAP. When available, the fair value of derivative contracts is estimated using unadjusted quoted prices for identical contracts in the market in which the Company transacts. When quoted prices for identical contracts are not available, the Company uses forward price curves. Forward price curves represent the Company's estimates of the prices at which a buyer or seller could contract today for delivery or settlement at future dates. The Company bases its forward price curves upon market price quotations, when available, or internally developed and commercial models, with internal and external fundamental data inputs. Market price quotations are obtained from independent energy brokers, exchanges, direct communication with market participants and actual transactions executed by the Company. Market price quotations for certain major natural gas trading hubs are generally readily obtainable for the applicable term of the Company's outstanding derivative contracts; therefore, the Company's forward price curves for those locations and periods reflect observable market quotes. The estimated fair value of these derivative contracts is a function of underlying forward commodity prices, related volatility, counterparty creditworthiness and duration of contracts.

The Company's investments in money market mutual funds and investment funds are stated at fair value. A readily observable quoted market price or net asset value of an identical security in an active market is used to record the fair value.

(5) Commitments and Contingencies

Legal Matters

The Company is party to a variety of legal actions arising out of the normal course of business. Plaintiffs occasionally seek punitive or exemplary damages. The Company does not believe that such normal and routine litigation will have a material impact on its financial results.

(6) Revenue from Contracts with Customers

The following table summarizes the Company's revenue from contracts with customers ("Customer Revenue") and revenue not considered Customer Revenue ("Other Revenue") (in thousands):

	Three-Month Periods Ended March 31,	
	2022	2021
Customer Revenue:		
Transportation service	\$ 329,909	\$ 365,044
Storage service	16,586	13,463
Gas, liquids and other sales	56,708	98,804
Total Customer Revenue	403,203	477,311
Other Revenue ⁽¹⁾	(2,119)	(8,608)
Total	<u>\$ 401,084</u>	<u>\$ 468,703</u>

(1) Other Revenue consists of revenue recognized in accordance with Accounting Standards Codification 815, "Derivative and Hedging" and includes net payments to counterparties for the financial settlement of certain derivative contracts.

During February 2021, the south central United States experienced a significant weather event, which disrupted natural gas and electric production in the Company's field area and created extraordinary pricing dislocation throughout the Company's system. Net income for the three month period ended March 31, 2021 included one-time pre-tax gains for margins on gas sales and higher transportation revenue of \$111 million.

Remaining Performance Obligations

The following table summarizes the Company's revenue it expects to recognize in future periods related to significant unsatisfied performance obligations for fixed contracts with expected durations in excess of one year as of March 31, 2022 (in thousands):

Less than 12 months	\$ 812,148
More than 12 months	3,607,743
Total	<u>\$ 4,419,891</u>

(7) Other Related Party Transactions

The Company provided gas transportation, storage and other services to MEC totaling \$27.5 million and \$25.7 million for the three-month periods ended March 31, 2022 and 2021, respectively. MEC provides certain administrative and management services, including executive, financial, legal, human resources, payroll and tax, to the Company. Expenses incurred by MEC and billed to the Company are based on the individual services and expense items provided and were \$2.2 million and \$1.8 million for the three-month periods ended March 31, 2022 and 2021, respectively. MEC also provided electricity and other services to the Company of \$0.2 million for each of the three-month periods ended March 31, 2022 and 2021. The Company reimbursed MEC \$21.3 million and \$19.5 million for the three-month periods ended March 31, 2022 and 2021, respectively, for payroll, healthcare benefits and other benefit payments that MEC processed on behalf of the Company.

BHE provides certain administrative and management services, including executive, financial, legal and tax, to the Company. Expenses incurred by BHE and billed to the Company are based on the individual services and expense items provided and were \$4.6 million and \$0.4 million for the three-month periods ended March 31, 2022 and 2021, respectively. Income tax transactions with BHE resulted in net receipts of (\$0.1) million and net payments of \$0.2 million for the three-month periods ended March 31, 2022 and 2021.

As of March 31, 2022 and December 31, 2021, the Company had net accounts payable to BHE and certain subsidiaries for intercompany transactions totaling \$2.3 million and \$2.6 million, respectively. The Company also had accounts receivable from affiliates of \$10.9 million and \$11.2 million as of March 31, 2022 and December 31, 2021, respectively.

The Company provides certain administrative and management services, including executive, financial, regulatory, legal, information technology, human resources and procurement, to Kern River Gas Transmission Company ("Kern River"), an indirect wholly owned subsidiary of BHE. The Company billed Kern River \$0.3 million for each of the three-month periods ended March 31, 2022 and 2021, respectively, for these services.

The Company possesses demand promissory notes from BHE. The balance of the demand promissory notes as of March 31, 2022 and December 31, 2021 was \$455.0 million and \$325.0 million, respectively. The notes contain variable interest rates based on 30-day LIBOR plus a fixed spread per annum. Interest income of \$0.5 million and \$0.4 million was recorded for the three-month periods ended March 31, 2022 and 2021, respectively.

(8) Subsequent Events

In April 2022, BHE issued promissory notes to the Company totaling \$45.0 million.