



Northern Natural Gas Company

**Financial Statements (Unaudited) as of and for the
Quarterly Period Ended March 31, 2024**

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

	As of	
	March 31, 2024	December 31, 2023
ASSETS		
Current assets:		
Cash and cash equivalents	\$ 7,107	\$ 10,540
Accounts receivable, net	181,225	168,761
Notes receivable from affiliate	995,000	200,000
Transportation and exchange gas receivables	9,727	14,031
Inventories	87,118	85,919
Income tax receivable from affiliate	—	34,149
Other current assets	<u>56,184</u>	<u>46,748</u>
Total current assets	1,336,361	560,148
Property, plant and equipment, net	5,480,149	5,468,266
Regulatory assets	221,380	220,884
Other assets	<u>48,588</u>	<u>55,111</u>
Total assets	<u><u>\$ 7,086,478</u></u>	<u><u>\$ 6,304,409</u></u>
LIABILITIES AND SHAREHOLDER'S EQUITY		
Current liabilities:		
Accounts payable	\$ 59,184	\$ 73,999
Accrued interest	20,754	23,116
Accrued property, income and other taxes	135,820	80,584
Accrued employee expenses	16,194	18,328
Transportation and exchange gas payables	9,441	13,338
Other current liabilities	<u>76,117</u>	<u>63,370</u>
Total current liabilities	317,510	272,735
Long-term debt	2,083,128	1,588,111
Regulatory liabilities	384,682	393,043
Deferred income taxes, net	721,027	714,395
Asset retirement obligations	14,901	14,603
Other long-term liabilities	<u>51,308</u>	<u>57,235</u>
Total liabilities	<u><u>3,572,556</u></u>	<u><u>3,040,122</u></u>
Commitments and contingencies (Note 7)		
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	<u>2,532,053</u>	<u>2,282,418</u>
Total shareholder's equity	<u><u>3,513,922</u></u>	<u><u>3,264,287</u></u>
Total liabilities and shareholder's equity	<u><u>\$ 7,086,478</u></u>	<u><u>\$ 6,304,409</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,	
	2024	2023
Operating revenue:		
Transportation	\$ 430,634	\$ 424,667
Storage	17,133	15,536
Gas, liquids and other sales	31,114	31,901
Total operating revenue	<u>478,881</u>	<u>472,104</u>
Operating expenses:		
Operations and maintenance	71,696	80,494
Cost of gas and liquids sales	2,292	16,266
Depreciation and amortization	51,194	86,928
Taxes, other than income taxes	23,585	21,858
Total operating expenses	<u>148,767</u>	<u>205,546</u>
Operating income	<u>330,114</u>	<u>266,558</u>
Other income (expense):		
Interest expense, net	(21,054)	(16,653)
Interest income	10,933	5,154
Other, net	3,747	3,473
Total other income (expense)	<u>(6,374)</u>	<u>(8,026)</u>
Income before income tax expense (benefit)	323,740	258,532
Income tax expense (benefit)	74,105	60,147
Net income	<u>\$ 249,635</u>	<u>\$ 198,385</u>

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

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>Total</u>
Balance, December 31, 2022	\$ 1	\$ 981,868	\$ 1,889,205	\$ 2,871,074
Net income	—	—	198,385	198,385
Balance, March 31, 2023	<u>\$ 1</u>	<u>\$ 981,868</u>	<u>\$ 2,087,590</u>	<u>\$ 3,069,459</u>
Balance, December 31, 2023	\$ 1	\$ 981,868	\$ 2,282,418	\$ 3,264,287
Net income	—	—	249,635	249,635
Balance, March 31, 2024	<u>\$ 1</u>	<u>\$ 981,868</u>	<u>\$ 2,532,053</u>	<u>\$ 3,513,922</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,	
	2024	2023
Cash flows from operating activities:		
Net income	\$ 249,635	\$ 198,385
Adjustments to reconcile net income to net cash flows from operating activities:		
Depreciation and amortization	51,194	86,928
Amortization of debt issuance costs	96	82
Deferred income taxes	(4,848)	(34,871)
Other, net	(6,155)	(1,821)
Changes in other operating assets and liabilities:		
Accounts receivable, net and other assets	(8,291)	(8,046)
Inventories	(1,199)	(2,799)
Accounts payable and other accrued liabilities	23,002	41,056
Accrued property, income and other taxes	89,384	100,316
Gas balancing activities	12,339	31,926
Net cash flows from operating activities	<u>405,157</u>	<u>411,156</u>
Cash flows from investing activities:		
Capital expenditures	(118,254)	(109,783)
Reimbursement of capital expenditures, net of refunds	8,042	44,002
Issuance of affiliate notes receivable	(810,000)	(320,000)
Proceeds from repayment of affiliate notes receivable	15,000	—
Other, net	713	(923)
Net cash flows from investing activities	<u>(904,499)</u>	<u>(386,704)</u>
Cash flows from financing activities:		
Proceeds from long-term debt	494,927	—
Net cash flows from financing activities	<u>494,927</u>	<u>—</u>
Net change in cash and cash equivalents and restricted cash and cash equivalents	(4,415)	24,452
Cash and cash equivalents and restricted cash and cash equivalents at beginning of period	31,518	37,804
Cash and cash equivalents and restricted cash and cash equivalents at end of period	<u>\$ 27,103</u>	<u>\$ 62,256</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 subsidiary of Berkshire Hathaway Energy Company ("BHE"), a holding company that owns locally managed and operated 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 U.S., 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 14,200 miles of natural gas pipelines, including 5,800 miles of mainline transmission pipelines and 8,400 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 1.5 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 2,362 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 1.4 trillion cubic feet of natural gas to its customers in 2023.

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, 2024 and for the three-month periods ended March 31, 2024 and 2023. The results of operations for the three-month period ended March 31, 2024 are not necessarily indicative of the results to be expected for the full year. The Company has evaluated subsequent events through May 30, 2024, 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, 2023 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, 2024.

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

Cash equivalents consist of funds invested in money market mutual funds, U.S. 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 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, 2024 and December 31, 2023, as presented on 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, 2024	December 31, 2023
Cash and cash equivalents	\$ 7,107	\$ 10,540
Restricted cash and cash equivalents in other current assets	13,499	7,303
Restricted cash and cash equivalents in other assets	6,497	13,675
Total cash and cash equivalents and restricted cash and cash equivalents	<u>\$ 27,103</u>	<u>\$ 31,518</u>

(3) Recent Financing Transactions

In January 2024, the Company issued \$500 million of its 5.625% Senior Bonds due February 2054. The Company intends to use the net proceeds from the sale of the bonds for general corporate purposes, including to fund capital expenditures.

(4) Regulatory Matters

In July 2022, the Company filed a general rate case that proposed increases in various rates, including transportation and storage reservation rates, and various tariff changes. The Company proposed an overall annual cost-of-service of \$1.3 billion, an increase of \$323 million above the cost of service filed in its 2019 rate case of \$1.0 billion. Depreciation on increased rate base and an increase in depreciation and negative

salvage rates accounted for \$115 million of the \$323 million increase in the filed cost of service. In January 2023, the FERC issued an order accepting the Company's proposed interim rates, which were implemented, together with higher proposed depreciation rates, effective January 1, 2023, subject to refund and the outcome of hearing procedures. Higher depreciation rates implemented as of January 1, 2023, increased depreciation expense by \$40 million in the first quarter of 2023 compared to depreciation expense that would have been realized based on rates that were in effect in 2022. In June 2023, a settlement agreement was filed with the FERC resolving all pending issues in the rate case and providing for increased service rates and increased depreciation rates only for onshore transmission plant from 2.30% to 2.49%, with remaining depreciation rates unchanged from rates that were in effect in 2022. Market Area transportation reservation rates increased 32.5%, Field Area transportation reservation rates increased 20.5% and storage reservation rates increased 13.0% from the rates that were in effect in 2022. The settlement also provided for a rate action moratorium through June 30, 2024, subject to certain exceptions. Settlement rates and associated depreciation and negative salvage rates were implemented May 1, 2023, with an effective date of January 1, 2023. In conjunction with implementing settlement rates effective January 1, 2023, the Company reversed the increased depreciation expense resulting from higher interim rates in the first quarter of 2023, resulting in depreciation expense for the remaining quarter to date and year to date 2023 periods being reflective of depreciation rates for comparable periods in 2024. In September 2023, the FERC approved the settlement and rate refunds to customers of \$95 million were processed in October 2023.

(5) 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 \$0.1 million and \$0.2 million for the three-month periods ended March 31, 2024 and 2023, respectively. The Company recorded in other long-term liabilities its portion of the under funded status of the pension plan of \$22.4 million as of March 31, 2024 and December 31, 2023. The Company recorded in other assets its portion of the over funded status of the other postretirement plan of \$20.1 million and \$19.8 million as of March 31, 2024 and December 31, 2023, 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.

(6) 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
As of March 31, 2024:					
Assets:					
Commodity derivatives	\$ —	\$ 8,244	\$ —	\$ (3,001)	\$ 5,243
Money market mutual funds	36,531	—	—	—	36,531
Investment funds	22,027	—	—	—	22,027
	<u>\$ 58,558</u>	<u>\$ 8,244</u>	<u>\$ —</u>	<u>\$ (3,001)</u>	<u>\$ 63,801</u>
Liabilities - commodity derivatives	<u>\$ —</u>	<u>\$ (3,350)</u>	<u>\$ —</u>	<u>\$ 3,001</u>	<u>\$ (349)</u>
As of December 31, 2023:					
Assets:					
Commodity derivatives	\$ —	\$ 4,167	\$ —	\$ (1,711)	\$ 2,456
Money market mutual funds	48,591	—	—	—	48,591
Investment funds	17,981	—	—	—	17,981
	<u>\$ 66,572</u>	<u>\$ 4,167</u>	<u>\$ —</u>	<u>\$ (1,711)</u>	<u>\$ 69,028</u>
Liabilities - commodity derivatives	<u>\$ —</u>	<u>\$ (1,830)</u>	<u>\$ —</u>	<u>\$ 1,711</u>	<u>\$ (119)</u>

(1) Represents netting under master netting arrangements.

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.

(7) 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. The Company is also involved in other kinds of legal actions, some of which assert or may assert claims or seek to impose fines, penalties, and other costs in substantial amounts and are described below.

On March 12, 2021, Vagts Dairy, et al. filed suit against Northern Natural Gas, et al. in Fayette County, Iowa District Court claiming that the cathodic protection system on Northern Natural Gas' pipeline was causing damage to the dairy farm through "stray voltage." The case went to trial on January 18, 2023, and the jury returned a verdict in favor of the plaintiffs in the amount of \$4.75 million, which was subsequently reduced to \$4.25 million by the presiding judge. Northern Natural Gas appealed the damage award to the Iowa Supreme Court. Oral arguments on the appeal were heard on January 23, 2024.

(8) 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,	
	2024	2023
Customer Revenue:		
Transportation service	\$ 430,634	\$ 424,667
Storage service	16,273	20,223
Gas, liquids and other sales	30,505	29,322
Total Customer Revenue	477,412	474,212
Other Revenue ⁽¹⁾	1,469	(2,108)
Total	<u>\$ 478,881</u>	<u>\$ 472,104</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.

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, 2024 (in thousands):

Less than 12 months	\$ 1,009,949
More than 12 months	<u>3,773,801</u>
Total	<u>\$ 4,783,750</u>

(9) Subsequent Events

In April 2024, BHE issued promissory notes totaling \$75.0 million.