



**Northern Natural Gas Company**

**Financial Statements (Unaudited) as of and for the  
Quarterly Period Ended September 30, 2023**

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

	<b>As of</b>	
	<b>September 30, 2023</b>	<b>December 31, 2022</b>
<b>ASSETS</b>		
<b>Current assets:</b>		
Cash and cash equivalents	\$ 101,498	\$ 16,597
Accounts receivable, net	15,156	172,890
Notes receivable from affiliate	285,000	225,000
Transportation and exchange gas receivables	8,448	22,674
Inventories	76,074	76,398
Income tax receivable	65,434	—
Other current assets	47,931	55,863
Total current assets	<u>599,541</u>	<u>569,422</u>
Property, plant and equipment, net	5,327,875	5,127,698
Regulatory assets	191,755	182,033
Other assets	49,159	53,448
<b>Total assets</b>	<u><u>\$ 6,168,330</u></u>	<u><u>\$ 5,932,601</u></u>
<b>LIABILITIES AND SHAREHOLDER'S EQUITY</b>		
<b>Current liabilities:</b>		
Accounts payable	\$ 91,163	\$ 111,576
Accrued interest	16,066	23,116
Accrued property, income and other taxes	80,460	84,167
Accrued employee expenses	25,054	17,913
Transportation and exchange gas payables	8,279	20,254
Regulatory liabilities	7,278	9,769
Other current liabilities	83,004	60,432
Total current liabilities	<u>311,304</u>	<u>327,227</u>
Long-term debt	1,588,036	1,587,817
Regulatory liabilities	389,138	389,130
Deferred income taxes, net	679,882	681,469
Asset retirement obligations	14,683	14,256
Other long-term liabilities	52,716	61,628
Total liabilities	<u>3,035,759</u>	<u>3,061,527</u>
Commitments and contingencies (Note 6)		
<b>Shareholder's equity:</b>		
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	2,150,702	1,889,205
Total shareholder's equity	<u>3,132,571</u>	<u>2,871,074</u>
<b>Total liabilities and shareholder's equity</b>	<u><u>\$ 6,168,330</u></u>	<u><u>\$ 5,932,601</u></u>

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

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

	<b>Nine-Month Periods Ended September 30,</b>	
	<b>2023</b>	<b>2022</b>
<b>Operating revenue:</b>		
Transportation	\$ 736,639	\$ 602,449
Storage	84,454	69,077
Gas, liquids and other sales	46,023	97,751
Total operating revenue	<u>867,116</u>	<u>769,277</u>
<b>Operating expenses:</b>		
Operations and maintenance	266,557	240,360
Cost of gas and liquids sales	36,208	78,653
Depreciation and amortization	145,793	128,213
Taxes, other than income taxes	60,940	60,785
Total operating expenses	<u>509,498</u>	<u>508,011</u>
<b>Operating income</b>	<u>357,618</u>	<u>261,266</u>
<b>Other income (expense):</b>		
Interest expense, net	(52,107)	(46,882)
Interest income	21,742	5,949
Other, net	16,042	19,135
Total other income (expense)	<u>(14,323)</u>	<u>(21,798)</u>
<b>Income before income tax expense (benefit)</b>	343,295	239,468
Income tax expense (benefit)	81,798	56,154
<b>Net income</b>	<u>\$ 261,497</u>	<u>\$ 183,314</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>
<b>Balance, December 31, 2021</b>	\$ 1	\$ 981,868	\$ 1,569,992	\$ 2,551,861
Net income	—	—	183,314	183,314
<b>Balance, September 30, 2022</b>	<u>\$ 1</u>	<u>\$ 981,868</u>	<u>\$ 1,753,306</u>	<u>\$ 2,735,175</u>
<b>Balance, December 31, 2022</b>	\$ 1	\$ 981,868	\$ 1,889,205	\$ 2,871,074
Net income	—	—	261,497	261,497
<b>Balance, September 30, 2023</b>	<u>\$ 1</u>	<u>\$ 981,868</u>	<u>\$ 2,150,702</u>	<u>\$ 3,132,571</u>

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

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

	<b>Nine-Month Periods Ended September 30,</b>	
	<b>2023</b>	<b>2022</b>
<b>Cash flows from operating activities:</b>		
Net income	\$ 261,497	\$ 183,314
Adjustments to reconcile net income to net cash flows from operating activities:		
Depreciation and amortization	145,793	128,213
Amortization of debt issuance costs	255	—
Deferred income taxes	5,861	9,682
Other, net	(6,723)	(9,018)
Changes in other operating assets and liabilities:		
Accounts receivable, net and other assets	152,663	41,198
Inventories	(507)	(9,197)
Accounts payable and other accrued liabilities	970	29,325
Accrued property, income and other taxes	(69,142)	22,100
Gas balancing activities	53,219	63,366
Net cash flows from operating activities	<u>543,886</u>	<u>458,983</u>
<b>Cash flows from investing activities:</b>		
Capital expenditures	(458,737)	(462,363)
Reimbursement of capital expenditures net of refunds	55,049	35,304
Issuance of affiliate notes receivable	(440,000)	(215,000)
Proceeds from repayment of affiliate notes receivable	380,000	190,000
Other, net	(1,297)	681
Net cash flows from investing activities	<u>(464,985)</u>	<u>(451,378)</u>
<b>Cash flows from financing activities:</b>		
Net cash flows from financing activities	<u>—</u>	<u>—</u>
<b>Net change in cash and cash equivalents and restricted cash and cash equivalents</b>	<b>78,901</b>	<b>7,605</b>
<b>Cash and cash equivalents and restricted cash and cash equivalents at beginning of period</b>	<b>37,804</b>	<b>14,761</b>
<b>Cash and cash equivalents and restricted cash and cash equivalents at end of period</b>	<b><u>\$ 116,705</u></b>	<b><u>\$ 22,366</u></b>

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 14,400 miles of natural gas pipelines, including 5,900 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 2,215 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 2022.

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 September 30, 2023 and for the nine-month periods ended September 30, 2023 and 2022. The results of operations for the nine-month period ended September 30, 2023 are not necessarily indicative of the results to be expected for the full year. The Company has evaluated subsequent events through November 29, 2023, 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, 2022 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 nine-month period ended September 30, 2023.

## (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 September 30, 2023 and December 31, 2022, 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	
	September 30, 2023	December 31, 2022
Cash and cash equivalents	\$ 101,498	\$ 16,597
Restricted cash and cash equivalents in other current assets	1,805	510
Restricted cash and cash equivalents in other assets	13,402	20,697
Total cash and cash equivalents and restricted cash and cash equivalents	<u>\$ 116,705</u>	<u>\$ 37,804</u>

## (3) Regulatory Matters

In July 2022, the Company filed a general rate case that proposed an overall annual cost-of-service of \$1.3 billion. This was an increase of \$323 million above the cost of service filed in the Company's 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. The Company requested increases in various rates, including transportation and storage reservation rates. In January 2023, the FERC approved the Company's filing to implement its interim rates effective January 1, 2023, subject to refund and the outcome of hearing procedures. 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 for onshore transmission plant from 2.30% to 2.49%. 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 provides for a Section 4 and Section 5 rate action moratorium through June 30, 2024, subject to certain exceptions. The settlement rates were implemented May 1, 2023, and the Company's provision for rate refunds for January 2023 through April 2023, including accrued interest totaled \$92 million. In September 2023, the FERC approved the settlement agreement and the rate refunds to customers were processed in October 2023.

#### **(4) 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 \$0.5 million and \$0.4 million for the nine-month periods ended September 30, 2023 and 2022 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 September 30, 2023 and December 31, 2022. The Company recorded in other assets its portion of the over funded status of the other postretirement plan of \$14.5 million and \$14.1 million as of September 30, 2023 and December 31, 2022, 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.

#### **(5) 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 <sup>(1)</sup>	Total
<b><u>As of September 30, 2023:</u></b>					
<b>Assets:</b>					
Commodity derivatives	\$ —	\$ —	\$ —	\$ —	\$ —
Money market mutual funds	124,326	—	—	—	124,326
Investment funds	20,692	—	—	—	20,692
	<u>\$ 145,018</u>	<u>\$ —</u>	<u>\$ —</u>	<u>\$ —</u>	<u>\$ 145,018</u>
<b>Liabilities - commodity derivatives</b>	<u>\$ —</u>	<u>\$ (42)</u>	<u>\$ —</u>	<u>\$ —</u>	<u>\$ (42)</u>
<b><u>As of December 31, 2022:</u></b>					
<b>Assets:</b>					
Commodity derivatives	\$ —	\$ 13,726	\$ —	\$ (2,812)	\$ 10,914
Money market mutual funds	45,697	—	—	—	45,697
Investment funds	14,860	—	—	—	14,860
	<u>\$ 60,557</u>	<u>\$ 13,726</u>	<u>\$ —</u>	<u>\$ (2,812)</u>	<u>\$ 71,471</u>
<b>Liabilities - commodity derivatives</b>	<u>\$ —</u>	<u>\$ (3,181)</u>	<u>\$ —</u>	<u>\$ 2,812</u>	<u>\$ (369)</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.

## (6) 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 for the settlement amount paid by the co-defendant. Northern Natural Gas filed a motion seeking a new trial and other relief. Northern Natural Gas does not believe the awarded damages are reasonable or representative of any impact Northern Natural Gas' pipeline system caused to the dairy farm. Northern Natural Gas filed an appeal of the damage award on March 31, 2023.

## (7) 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):

	<b>Nine-Month Periods Ended September 30,</b>	
	<b>2023</b>	<b>2022</b>
Customer Revenue:		
Transportation service	\$ 736,639	\$ 602,449
Storage service	90,013	76,858
Gas, liquids and other sales	38,407	100,195
Total Customer Revenue	865,059	779,502
Other Revenue <sup>(1)</sup>	2,057	(10,225)
Total	<u>\$ 867,116</u>	<u>\$ 769,277</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 September 30, 2023 (in thousands):

Less than 12 months	\$ 1,044,824
More than 12 months	3,950,236
Total	<u>\$ 4,995,060</u>

### **(8) Subsequent Events**

In the period October-November 2023, BHE repaid demand promissory notes totaling \$125.million.