



Northern Natural Gas Company

**Financial Statements (Unaudited) as of and for the
Quarterly Period Ended September 30, 2024**

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

	As of	
	September 30, 2024	December 31, 2023
ASSETS		
Current assets:		
Cash and cash equivalents	\$ 22,613	\$ 10,540
Accounts receivable, net	98,016	168,761
Notes receivable from affiliate	375,000	200,000
Transportation and exchange gas receivables	11,141	14,031
Inventories	111,651	85,919
Income tax receivable from affiliate	34,311	34,149
Other current assets	59,261	46,748
Total current assets	711,993	560,148
Property, plant and equipment, net	5,641,593	5,468,266
Regulatory assets	208,153	220,884
Other assets	53,200	55,111
Total assets	\$ 6,614,939	\$ 6,304,409
LIABILITIES AND SHAREHOLDER'S EQUITY		
Current liabilities:		
Accounts payable	\$ 89,557	\$ 73,999
Accrued interest	20,670	23,116
Accrued property, income and other taxes	79,984	80,584
Accrued employee expenses	26,268	18,328
Transportation and exchange gas payables	9,960	13,338
Other current liabilities	61,855	63,370
Total current liabilities	288,294	272,735
Long-term debt	2,083,377	1,588,111
Regulatory liabilities	373,873	393,043
Deferred income taxes, net	734,023	714,395
Asset retirement obligations	14,901	14,603
Other long-term liabilities	46,871	57,235
Total liabilities	3,541,339	3,040,122
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	2,091,731	2,282,418
Total shareholder's equity	3,073,600	3,264,287
Total liabilities and shareholder's equity	\$ 6,614,939	\$ 6,304,409

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

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

	Nine-Month Periods	
	Ended September 30,	
	<u>2024</u>	<u>2023</u>
Operating revenue:		
Transportation	\$ 776,393	\$ 736,639
Storage	86,021	84,454
Gas, liquids and other sales	62,360	46,023
Total operating revenue	<u>924,774</u>	<u>867,116</u>
Operating expenses:		
Operations and maintenance	279,335	266,557
Cost of gas and liquids sales	18,057	36,208
Depreciation and amortization	155,477	145,793
Taxes, other than income taxes	59,180	60,940
Total operating expenses	<u>512,049</u>	<u>509,498</u>
Operating income	<u>412,725</u>	<u>357,618</u>
Other income (expense):		
Interest expense, net	(66,697)	(52,107)
Interest income	39,714	21,742
Other, net	17,354	16,042
Total other income (expense)	<u>(9,629)</u>	<u>(14,323)</u>
Income before income tax expense (benefit)	403,096	343,295
Income tax expense (benefit)	93,783	81,798
Net income	<u>\$ 309,313</u>	<u>\$ 261,497</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	—	—	261,497	261,497
Balance, September 30, 2023	<u>\$ 1</u>	<u>\$ 981,868</u>	<u>\$ 2,150,702</u>	<u>\$ 3,132,571</u>
Balance, December 31, 2023	\$ 1	\$ 981,868	\$ 2,282,418	\$ 3,264,287
Net income	—	—	309,313	309,313
Common stock dividends	—	—	(500,000)	(500,000)
Balance, September 30, 2024	<u>\$ 1</u>	<u>\$ 981,868</u>	<u>\$ 2,091,731</u>	<u>\$ 3,073,600</u>

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

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

	Nine-Month Periods Ended September 30,	
	2024	2023
Cash flows from operating activities:		
Net income	\$ 309,313	\$ 261,497
Adjustments to reconcile net income to net cash flows from operating activities:		
Depreciation and amortization	155,477	145,793
Amortization of debt issuance costs	301	255
Deferred income taxes	7,448	5,861
Other, net	(15,965)	(6,723)
Changes in other operating assets and liabilities:		
Accounts receivable, net and other assets	68,161	152,663
Inventories	(25,732)	(507)
Derivative collateral, net	5,463	—
Accounts payable and other accrued liabilities	(40,518)	970
Accrued property, income and other taxes	(763)	(69,142)
Gas balancing activities	12,082	53,219
Net cash flows from operating activities	<u>475,267</u>	<u>543,886</u>
Cash flows from investing activities:		
Capital expenditures	(301,635)	(458,737)
Reimbursement of capital expenditures, net of refunds	11,536	55,049
Issuance of affiliate notes receivable	(885,000)	(440,000)
Proceeds from repayment of affiliate notes receivable	710,000	380,000
Other, net	405	(1,297)
Net cash flows from investing activities	<u>(464,694)</u>	<u>(464,985)</u>
Cash flows from financing activities:		
Proceeds from long-term debt	494,977	—
Common stock dividends	(500,000)	—
Net cash flows from financing activities	<u>(5,023)</u>	<u>—</u>
Net change in cash and cash equivalents and restricted cash and cash equivalents	5,550	78,901
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>\$ 37,068</u>	<u>\$ 116,705</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 September 30, 2024 and for the nine-month periods ended September 30, 2024 and 2023. The results of operations for the nine-month period ended September 30, 2024 are not necessarily indicative of the results to be expected for the full year. The Company has evaluated subsequent events through November 27, 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 nine-month period ended September 30, 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 September 30, 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	
	September 30, 2024	December 31, 2023
Cash and cash equivalents	22,613	10,540
Restricted cash and cash equivalents in other current assets	5,290	7,303
Restricted cash and cash equivalents in other assets	9,165	13,675
Total cash and cash equivalents and restricted cash and cash equivalents	<u>37,068</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.

(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 \$0.1 million and \$0.5 million for the nine-month periods ended September 30, 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 September 30, 2024 and December 31, 2023. The Company recorded in other assets its portion of the over funded status of the other postretirement plan of \$20.5 million and \$19.8 million as of September 30, 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.

(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 ⁽¹⁾	Total
<u>As of September 30, 2024:</u>					
Assets:					
Commodity derivatives	\$ —	\$ —	\$ —	\$ —	\$ —
Money market mutual funds	50,341	—	—	—	50,341
Investment funds	23,339	—	—	—	23,339
	<u>\$ 73,680</u>	<u>\$ —</u>	<u>\$ —</u>	<u>\$ —</u>	<u>\$ 73,680</u>
Liabilities - commodity derivatives	<u>\$ —</u>	<u>\$ (569)</u>	<u>\$ —</u>	<u>\$ —</u>	<u>\$ (569)</u>
<u>As of December 31, 2023:</u>					
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.

(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 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. The Iowa Supreme Court issued its opinion on June 21, 2024, affirming the judgement of the Iowa District Court. On June 28, 2024, the Company paid \$5.24 million to satisfy the judgment of \$4.25 million, plus accrued interest and certain court costs awarded the plaintiffs.

(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):

	Nine-Month Periods	
	Ended September 30,	
	2024	2023
Customer Revenue:		
Transportation service	\$ 776,393	\$ 736,639
Storage service	86,079	90,013
Gas, liquids and other sales	30,920	38,407
Total Customer Revenue	893,392	865,059
Other Revenue ⁽¹⁾	31,382	2,057
Total	<u>\$ 924,774</u>	<u>\$ 867,116</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, 2024 (in thousands):

Less than 12 months	\$ 1,029,043
More than 12 months	3,779,581
Total	<u>\$ 4,808,624</u>

(8) Subsequent Events

In October and November 2024, BHE repaid promissory notes totaling \$50.0 million.