NorthWestern Energy Group, Inc.

Third Quarter 2026 Earnings Call

Presentation

Operator

Hello, everyone. Thank you for joining us, and welcome to the NorthWestern Energy Third Quarter 2026 Financial Results Webinar. After today's prepared remarks, we will host a question-and-answer session. [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, Eleni. Good morning, and thank you for joining NorthWestern Energy Group's financial results webcast for the quarter ending September 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 you through our financial results and provide an overall update on the progress we've made this quarter before handing it 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 this 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 in the second slide of this presentation. Also note that this presentation includes non-GAAP financial measures and information regarding the pending merger transaction. Please see the non-GAAP disclosures, definitions and reconciliations and merger-related disclosures included in the appendix of today's presentation materials.

This webcast is being recorded. The archived replay will be available shortly after the event and 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

Thanks, Travis. The recent highlights, first of all, reported GAAP diluted EPS of $0.50. non-GAAP diluted EPS of $0.58. We're affirming 2026 earnings guidance range of $3.68 to $3.83. we're also affirming our long-term rate base and EPS growth rate targets of 4% to 6%. Also for the quarter, we're declaring a dividend of $0.67 per share payable December 1, 2026. this payment date and the November 17 record date aligned with Black Hills corporate dividend dates and is intended to simplify the closing mechanics in the merger.

Regarding the merger itself, we have received approvals from the Nebraska PSC in the South Dakota PUC and FERC. Our final order expected from the Montana Public Service is November 12, 2026. if final, with the satisfactory approval is received, we anticipate completing the merger with Black Hills Corporation by the year-end of 2026. With that, I'm going to turn it over to Christal for the third quarter financial review.

Crystal Lail
VP & CFO

Thank you, Brian, and good morning, everyone. Thank you again for attending our earnings call for Q3 here today. In my comments, I will take you through details on our third quarter performance I'll let plays into our year-to-date results and an update on our 2026 earnings outlook.

Starting with Brian's overview comments for the third quarter, we reported GAAP earnings of $0.50 and compared with $0.62 in the third quarter of 2025. On a year-to-date basis, we are reporting GAAP earnings of $1.93 as compared to $2.22 in 2025. Moving Slide 8, I'll spend some time on the key drivers for the quarter. notably provide more transparency and visibility into the full impact of our incremental holster ownership, we've provided a detailed breakout in our waterfall sites for the quarter and year-to-date.

You will note margin improved due to slightly favorable weather and the absence of PCAM sharing versus the prior quarter. While volumes were impacted by favorable weather, particularly in July. This was offset by slightly unfavorable weather in August and September and also overall lower usage per customer. The margin improvement overall was offset by higher operating costs,

depreciation and interest. The slide provides detail on the impact of our incremental pulse interest, as I mentioned previously for the quarter.

The detriment for those 2 pieces, both the Avista and PGI piece is $6.1 million or $0.10. Due to weak market prices overall, the PCM tariff wafer provided no recovery of costs for the Aviciportion during the quarter. With that, I'll move to Slide 9 to discuss our adjusted earnings reconciliation for the quarter.

My comments on weather, again, a bit of favorable weather in July, offset in August and September, whether it was overall favorable by $0.01 for the quarter versus what we would expect for normal. The quarter also included $0.04 of merger-related costs. Also note, we are adjusting out $0.05 of deterent related to the existent fortune tied to designated sales contracts. However, as noted in my prior comments, the full impact of both Puget year is around $0.10, and we are only adjusting out here $0.05.

You'll see the reconciliation from left to right, GAAP. With those adjustments, we are reporting $0.58 on an adjusted basis versus in the prior period in 2025 $0.79 on an adjusted basis. Moving to Slide 10 and our year-to-date results. Margin improvement reflects new rates in Montana in the first half of the year compared with 2025 and offset by mild weather, higher operating costs, depreciation and interest.

Again, on this slide, we've broken out in detail as it relates to our incremental interest from Colster used Vista, which represent a $16.4 million detriment or $0.27 on a year-to-date basis. In a similar fashion on the quarter results, the PCAM tariff waiver related to the Avista portion tied to certain designated contracts has not resulted in recovery of costs.

I'll take you to Slide 11. to discuss on an adjusted basis, our results for the year. And remind you that we started out 2026 with an extremely mild winter and year-to-date have largely continued that trend. We've added back $0.17 of weather versus normal in our '26 results. Merger-related costs are $0.13 and again, we are adjusting only a portion of the Colstrip impact related to the Avista designated sales contracts related to $0.15.

You'll note that we are adjusting from $1.93 to an adjusted basis of $2.39 as compared to an adjusted results in 2025, up $2.41 to $0.02 lower on a year-to-date basis than last year. Again, we're looking to provide transparency as to the impact of the incremental cost or interest and remain consistent with how we presented our results in prior quarters. if we were fully adjusting the coaster impact, which I'll remind you is $0.27 year-to-date, that would reflect an incremental $0.12 on a year-to-date basis.

With that, I will move to Slide 12 and talk about our guidance. With our performance year-to-date, we are reaffirming NorthWestern's stand-alone 2026 adjusted earnings per share guidance range of $3.68 to $3.83 and with a bias towards the lower half of the range. While the agreement to take additional ownership in the coaster facility provide much needed capacity to serve our customers when they need it most, and provide for a 55% voting share of the facility, near-term market prices that impacted our ability to fully cover our costs.

Our guidance range notes that assumptions include approval of the PKAN waiver note that is only approved on an interim basis and how are prices sufficient to recover operating expenses from the incremental Avista closer interest. The Pacific Northwest has experienced extremely mild weather in both the winter heating season and summer cooling, leading to broadly low market prices.

In working to offset this, we remain focused on cost control and expect to be in the lower half of our guidance range on a stand-alone basis for 2026. Notably as to how we think about those assets going forward, we had discussed in our Q2 earnings call that addressing cost recovery of the Avista portion will require a rate review in Montana. While we are still pending a determination on our motion for reconsideration from our prior phase, we do expect to file a rate review Montana by the end of 2026 to address these costs.

We also look forward to the MPSC schedule period next week and associated implications regarding our Puget interest, which Brian will discuss further. Moving to Slide 13. Our capital plan of $3.2 billion, investing on our customers' behalf to remain reliable and provide good service and then remains on track. We expect to provide a CapEx refresh in early 2027. And with that, I'll turn it back to Brian.

Brian Bird
CEO, President & Director

Thanks, Crystal. Obviously, folks are waiting for November 10, the hearing on the merger with Black Hills, obviously the slide here, Tucco benefiting stakeholders. I think both sets of shareholders from Northwestern and Black Hills understand the benefits to shareholders. If you consider the votes that we had in the high turnout and also the high amount of votes for the merger, obviously, increasing scale, being able to achieve a higher EPS growth rate expanding our opportunities to invest and better finance those opportunities, a strengthened balance sheet and obviously enhanced business diversity certainly is a benefit to shareholders.

Equally important, this is substantial long-term value for customers. Not only are we bringing together 2 complementary teams. We're going to provide reliable service like they have in the past, but even better on a combined basis. but any cost savings achieved from this merger ultimately going to accrue to customers' future rate reviews. And lastly, as we prepare the combination with Black Hills, employees are excited about being part of something bigger, and about the 2 companies being better together as 1 company.

We're very excited about the opportunity. Obviously, we needed 1 last approval. And with that, I'd turn your attention to Slide 16 that last approval is from the Montana Public Service Commission. And as highlighted there by the dotted box, you could see that our final order is expected by November 12 hearing on November 10. And if we do -- if we're fortunate enough to receive an approval with a satisfactory written order, we would plan to close shortly thereafter.

So moving forward, we're also working on data centers. From a data center request perspective, combining the request and assessments, our Q comp has gone from 14% to 16%. We're seeing a bit more interest in South Dakota. On a development agreement, you've noticed the Q account went down from 3% to 2%. I'd mentioned in previous meetings, SEBI had issues with land for its build in and around Butte. Montana and as a result, has since exited from the development agreement. So our Q comp from the development agreement is down to 2.

Speaking about that on '18, we talked about those large look customers -- the 2 remaining with development agreements is Atlas, of course. There's an expectation with a customer, they ultimately could go from 75 megawatts up to 150 starting in late 2027. and then also Quantica is from a studying load at this point, 25 megawatts going up to 1.1 gig, it notes a targeted start there of early 2029. in recent discussions, that could actually occur sometime earlier than that.

So excited about the progress made there with an aside 19, from Northwestern value proposition perspective, had approximately a 4% dividend yield and just yield and take into consideration our base plan EPS growth, you have in and of itself, an 8% to 10% total return. if, in fact, you think about opportunities around data centers, first regional transmission, incremental generating capacity in obviously Montana and South Dakota, those possibilities could show us with a return greater than 10%.
Having said all that, obviously, combining with Black Hills, we think we will be better together and that total return picture would be even better. And with that, we will open it up to Q&A.

Question and Answer

Operator

[Operator Instructions]

Your first question is from the line of Shar Purreza with Wells Fargo Securities.

Whitney Mutalemwa
Wells Fargo Securities, LLC, Research Division

Good morning, team. This is Whitelam on for Shar.

3Q's update states, Montana is served by a portfolio that is long capacity from 2026, while the shortfalls by '27. How much of the 75 megawatts to 1,250 megawatts is in your load forecast -- and does the corrected IRP change what you build or serve to Atlas and Quantico?

Brian Bird
CEO, President & Director

Yes. I think the issue for us is the 200 megawatts is something that we continue to think about in terms of serving a large load of the 370. And that's what we continue to discuss with oats. Ultimately, we'd love to be able to do that on a regulated basis, the full 370 and be able to serve large load customers with that.

And that's ultimately our plan. We ultimately need the commission to approve our large new low tariff in order for that to happen. And so that's our plan as we sit here today. in order to essence help serve not only our existing customers, but having excess capacity to serve large and new loan customers as well.

Whitney Mutalemwa
Wells Fargo Securities, LLC, Research Division

Understood. And then just as a quick follow-up. You had previously pointed to year-end for those ESAs -- with the large load tariff still and scheduled, is that date still realistic? Or could it move by a quarter?

Brian Bird
CEO, President & Director

Yes, I would say this. I think certainly with Quantic, we're still attempting to sign an ESA and the other various agreements by the end of the year. In essence, from a large new low tariff perspective, we have to have those agreements from PGI 370 on a nonregulated basis. But in order for speed to market, we need to be more flexible with these customers and ultimately, they understand that we'd like to ultimately transition them to regulated customers. But in order to meet their needs, we need to move forward on an unregulated basis in the meantime.

Operator

Your next question is from the line of Nicholas Campanella from Barclays.

Nicholas Campanella
Barclays Bank PLC, Research Division

You're doing well. Thanks for the update. Maybe just starting on Colstrip, I think you're kind of calling out like roughly a $0.10 hurt -- on a stand-alone basis, as we think about -- I think you're going to refile or you're going to file a rate case in Montana next year. On a stand-alone basis, should we continue to expect that type of drag in our '27 numbers?

Crystal Lail
VP & CFO

Nick, it's Crystal, and I was in my comments there, giving you the indication that we do need to file a rate case to recover those coulter costs on the Avista side, as Brian was referring to the separate PG piece and what that might enable strategically in the future as to growth in serving others. -- we are pending the Montana direction, I'll call it, next week in the merger outcome, but how you're

thinking about '27. We expect the beta rate case. The commission has outwardly been extremely supportive of that Avista interest and the ability to serve customers with that, we'd be seeking to recover those costs so that you wouldn't continue to see drag on '27.

Obviously, the impact here, we expected to be able to cover some of these costs in '26 with essentially index market sales. We happen to be capacity long at a year when prices have been lower than we've seen in a long time. sometimes timing is everything. But as we continue into '27, we are focused on addressing that drag and filing a rate case to recover those costs in base rates.

Nicholas Campanella
Barclays Bank PLC, Research Division

Okay. That's great. And then maybe just -- I know you highlighted that you submitted this large load tariff in Montana in March '26. you're also kind of talking about still having confidence in getting an ESA done potentially by year-end for some of these customers. Can you just talk about how those 2 interplay and just what the latest status update is on the new large load tariff?

Crystal Lail
VP & CFO

Nick, I'll start and Brian will back clean up on this one. One, on the largely low tariff, we are -- the commission did take quite some time to notice and start a procedural on that. obviously, complex issues that I think you see in the election this week, lots of folks have thoughts on them.

We are in discovery and discovery has been very significant, lots of data request in that docket as to how you should think about the context of serving these large new load customers. So that docket is progressing. We will work together with staff and the commission. Obviously, they have a few other dockets of consequence in front of them that we would like them to consider first Obviously, the merger being top of that, we've been also a far motion for reconsideration of PCAM other things.

So the docket is progressing. That will set the context as to how we would serve customers on a fully regulated approach. As a reminder, and I think Brian was touching on this, Montana deregulated in the past is reregulated and there's customer choice. So we do have the option to continue negotiating with customers toward an ESA, where we could serve them as a choice customer and eventually hopefully bring them into a fully regulated customer at the Montana Commission wanted or they prefer to keep them separate as a choice we could do that.

So the 2 definitely interplay, but we are continuing to have conversations with customers to get to while the Montana Commission takes its time to address, I think, appropriately the large and low tariff and how they may want us to serve those customers in the future.

Brian Bird
CEO, President & Director

Ran? Yes, I would just add, I think people may recall what the thought was to file the large new low tariff with a customer and an ESA. And this has taken longer than we initially thought. So we decided to let's be transparent with that large new low tariff would look like. We made the filing in March, as you pointed out.

And the hope is, by the time we ultimately or going down the path in terms of approval, we'll have an ESA. We'll have someone actually make a filing a large load customer to make a filing, and put that in front of the commission. So it can be fully observed at that point in time.

Nicholas Campanella
Barclays Bank PLC, Research Division

That's great. And if I could just sneak 1 more in and I appreciate all the comments on that. How are you kind of thinking about as you get approval in Montana for the merger, would the unveil for the pro forma company beyond the fourth quarter update? Or would there be kind of an Analyst Day update shortly thereafter, just given you would plan to close this year, it seems.

Brian Bird
CEO, President & Director

Yes. Thanks, Nick. I would say, first of all, we need to get approval first, make sure we remind everybody of that. But assuming if we did get approval, the plan would be at our February earnings call, to not only talk about what our long-term EPS growth rate would be, but to get guidance for '27 at that time.

Operator

Your next question is from James Ward with Jefferies.

Unknown Analyst

Hi, guys. building on, and I think just the data center, Bill, that Montana's Interim Committee moved forward in September said that it would apply retroactively, right, the proceedings begun it was up to the start of '25. If it passes with that language, how should we think about the potential impact on your large new load rule in any agreement you signed before it's enacted?

Brian Bird
CEO, President & Director

I think from what I understand from the legislative perspective, a large new , it's relatively in line with what we're doing from a large new low tariff perspective. So I'm not too concerned about that, James.

Unknown Analyst

Okay. Terrific. And you now expect a PCAM decision in the first half of next year. Your DUC shows 910 sharing. It was pretax, $8.2 million in 2025. And -- but if sharing comes back, how should we think about the annual pretax exposure that you might expect now that you're long capacity?

Crystal Lail
VP & CFO

Yes. It's a great question. And so 1 is sharing coming back. I think if you look at a memo on the topic, they're suggesting that hearing ends. And obviously, we're reflecting that in our numbers effective, I think, February 1 in 2026. So I would like to think sharing is a bad idea that shouldn't have never been there. And Boocoquite candidly.

If it did come back, you still have a similar exposure in the sense of before we were short and the Mercy market prices on a decimal basis. Now that we're long, you continue to be -- we -- obviously, if I said I would, but I don't control broader power prices. So you would continue to have exposure there. But I do think SAP has made a strong case in their meal as to why sharing should go away and why it doesn't make sense, in my view has never made sense.

You're looking to regulated utilities to earn a return on invested capital, not to make money in the market on power sales or purchases. So as to sensitivity there, I'd like to think that's a dumb topic, and we won't see that going forward. If for some reason, that CAM docket sharing does not go away then we have more clarity on sense to be there. Again, we are many times now long in the market.

So it's still the price of market now sales instead of purchases -- but I'd like to think, certainly also if we combine into Black Hills, hopefully soon, that the sensitivity of that around the earnings would be minimal as well.

Brian Bird
CEO, President & Director

I think the only thing I'd add to the only thing I'd add is if you think about when sharing was instituted. We were still very, very short from a capacity standpoint. So even our argument could be had in terms of how we go about filling that portfolio with park and sales. Obviously, we're in a much different place today I think the commission is to acknowledge at least through the staff comments that we're in a different position, and there's no reason to have sharing on a going forward basis.

Operator

Your next question is from Adan Kelly with JPMorgan Securities LLC.

Aidan Kelly
JPMorgan Chase & Co, Research Division

I guess on the data center, like request and assessment stage, it looks like there was some slight uptick there, I guess, despite the Savitermination on the development agreement side. could you just help us understand the underlying momentum in customer interest and whether you're seeing improving conversion prospects among these early stage requests, I know, Brian, in your opening remarks, you kind of said South Dakota was a bright spot there.

So just curious how we should think about the potential for additional development agreements beyond Atlas and Quanica heading into the New Year.

Brian Bird
CEO, President & Director

Yes. I think there's 2 things going on, Madan. I think, first and foremost, I think you know that there's certainly the there's a move from data centers they kind of saturated urban areas. They're starting to move into rural areas, obviously, if we're getting more attention from that perspective. We're also seeing, secondly, in the United States, a lot of pushback in certain states that may have been deemed pro data center states in the past. no longer being in that case.

And so I think there's just been more interest. I think we're also getting closer to legislative sessions. And so I think there's and I think South Dakota is doing some more things to be helpful on some fronts. So I just see a bit more positive momentum in density.

Operator

Your next question is from Paul Fremont with Ladenburg Thalman.

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

With -- with Sebi sort of being eliminated from the development agreement, are they included in the other bucket? Or are they eliminated entirely?

Brian Bird
CEO, President & Director

Yes, they're eliminated entirely. The C count, yes, they don't jump back in the data center request an assessment. They come out of the development agreement so there help completely off of Slide 17.

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

Okay. And then you used to have sort of 2 buckets data center requests and high-level assessment. Can you sort of just walk us through the logic of -- it looks like combining those 2 buckets?

Brian Bird
CEO, President & Director

Yes. I think we were getting a lot of specific questions about various buckets themselves. And obviously, we're -- until you get to a development agreement where you're actually putting money down towards studies. I think that's where people should be focusing their attention. I think it's appropriate to see how much demand is people looking in our states, but until you see folks in the development agreement bucket.

I don't think anyone should be counting their chickens before they hatch, if you will.

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

Great. And then last question for me. I guess previously, you had commented about the potential of having both Quantico and Atlas signed by the end of the year. Is that still the case?

Brian Bird
CEO, President & Director

I think Atlas is less have to be done by the end of the year. I still feel really good about Quanta -- but as Paul as we found out, I think others sign off these things do take a little longer than you initially expected. But we're certainly targeting with Monica to be done by the end of the year.

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

Well, first of all, I want to just thank everyone patience through this process. It's been a long time since we announced the merger. Investors have patiently waited. And as we have, and I think about all the 400-plus employees of the combined entity, patiently waiting and anxious about this. But everyone has worked extremely hard to ultimately get to an approval.

And as you know, we've gotten approvals from everyone 1 else that we need approvals from hopefully Montana Commission will also understand the benefits associated with the merger, and we'll get that approval as well. And I think they can demonstrate to all of you to get the chance that we will be better together as we move forward as brighter Eye.

But as CEO of Northwestern today, I just want to thank you for your continued support as you continue to evaluate us as an independent entity up until that time that you no longer have to do that. So hopefully, we'll talk the next time from an earnings call perspective from a different spot, if you will. But in the meantime, thank you for your support. Appreciate it.

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