

variations in the heat content of the gas, and/or storage recall by NW Natural. Gas purchases and hedges entered into for the upcoming PGA year will be included in the Company's PGA filings in Oregon and Washington.

Under the current PGA mechanism in Oregon, there is an incentive sharing provision whereby NW Natural is required to select each year an 80% deferral or a 90% deferral of higher or lower actual gas costs compared to estimated PGA prices, such that the impact on NW Natural's current earnings from the incentive sharing is either 20% or 10% of the difference between actual and estimated gas costs, respectively. For the 2024-25 and 2023-24 gas years, NW Natural selected the 90% deferral option. Under the Washington PGA mechanism, NW Natural defers 100% of the higher or lower actual gas costs, and those gas cost differences are passed on to customers through the annual PGA rate adjustment.

As of May 1, 2024, 0.2 million therms per day of deliverability and 1.15 Bcf of associated non-utility Mist gas storage capacity was recalled to serve core customers. Customer rate increases related to this recall began on November 1, 2024.

**CLIMATE COMMITMENT ACT.** Washington has enacted the Climate Commitment Act (CCA), which establishes a comprehensive program that includes an overall limit for GHG emissions from major sources in the state that declines yearly. The program began January 1, 2023. In December 2024, the WUTC re-authorized a CCA cost recovery mechanism with a rate effective date of January 1, 2025. Under this mechanism, NW Natural recovers CCA costs and will defer any difference between forecasted and actual costs in the following year. Additionally, under the approved tariff, proceeds from the sale of allowances, which is required under the CCA, would be used to offset CCA compliance costs for low-income customers. Any remaining proceeds would benefit other customers through fixed bill credits or use in other carbon reduction programs.

Additionally in December 2023, the WUTC approved a request to modify NW Natural's CCA deferral to allow for the recovery of interest from customers based on the actual cash paid for purchases of allowances, less proceeds received from the sale of allowances.

**EARNINGS TEST REVIEW.** NW Natural is subject to an annual earnings review in Oregon to determine if the NGD business is earning above its authorized ROE threshold. If NGD business earnings exceed a specific ROE level, then 33% of the amount above that level is required to be deferred or refunded to customers. Under this provision, if NW Natural selects the 80% deferral gas cost option, then NW Natural retains all earnings up to 150 basis points above the currently authorized ROE. If NW Natural selects the 90% deferral option, then it retains all earnings up to 100 basis points above the currently authorized ROE. For the 2023-24 and 2024-25 gas years, NW Natural selected the 90% deferral option. The ROE threshold is subject to adjustment annually based on movements in long-term interest rates. For calendar years 2022, 2023, and 2024, the ROE threshold was 10.40% in all periods. There were no refunds required for 2022 and 2023. NW Natural does not expect a refund for 2024 based on results, and anticipates filing its 2024 earnings test in May 2025.

**GAS RESERVES.** In 2011, the OPUC approved the Encana gas reserves transaction to provide long-term gas price protection for NGD business customers and determined costs under the agreement would be recovered on an ongoing basis through the annual PGA mechanism. Gas produced from NW Natural's interests is sold at then prevailing market prices, and revenues from such sales, net of associated operating and production costs and amortization, are included in cost of gas. The cost of gas, including a carrying cost for the rate base investment made under the original agreement, is included in NW Natural's annual Oregon PGA filing, which allows NW Natural to recover these costs through customer rates. The net investment under the original agreement earns a rate of return.

In 2014, NW Natural amended the original gas reserves agreement in response to Encana's sale of its interest in the Jonah field located in Wyoming to Jonah Energy. Under the amended agreement with Jonah Energy, NW Natural has the option to invest in additional wells on a well-by-well basis with drilling costs and resulting gas volumes shared at the amended proportionate working interest for each well in which NW Natural invests. Volumes produced from the additional wells drilled after the amended agreement are included in NW Natural's Oregon PGA at a fixed rate of \$0.4725 per therm. NW Natural has not participated in additional wells since 2014.

**DECOUPLING.** In Oregon, NW Natural has a decoupling mechanism that covers residential and some commercial sales customers. Decoupling is intended to break the link between revenue and the quantity of gas consumed by customers, removing any financial incentive to discourage customers' efforts to conserve energy. This mechanism employs a use-per-customer decoupling calculation, which adjusts margin revenues to account for the difference between actual and expected customer volumes. The margin adjustment resulting from differences between actual and expected volumes under the decoupling component is recorded to a deferral account, which is included in the annual PGA filing. The 2024 Oregon general rate case reset the Oregon decoupling baseline usage per customer.

**WARM.** In Oregon, NW Natural has an approved weather normalization mechanism (WARM), which is applied to residential and small commercial customer bills. This mechanism is designed to help stabilize the collection of fixed costs by adjusting residential and small commercial customer billings based on temperature variances from average weather, with rate decreases when the weather is colder than average and rate increases when the weather is warmer than average. The mechanism is applied to bills from December through mid-May of each heating season. The mechanism adjusts the margin component of customers' rates to reflect average weather, which uses the 25-year average temperature for each day of the billing period. Daily average temperatures and 25-year average temperatures are based on a set point temperature of 59 degrees Fahrenheit for

residential customers and 58 degrees Fahrenheit for commercial customers. The collections of any unbilled WARM amounts due to tariff caps and floors are deferred and earn a carrying charge until collected, or returned, in the PGA the following year. Residential and small commercial customers in Oregon are allowed to opt out of the weather normalization mechanism, and as of December 31, 2024, 7% of total eligible customers had opted out. NW Natural does not have a weather normalization mechanism approved for Washington customers, which account for about 12% of total customers. See "Business Segment—Natural Gas Distribution" below.

**INDUSTRIAL TARIFFS.** The OPUC and WUTC have approved tariffs covering NGD service to major industrial customers, which are intended to give NW Natural certainty in the level of gas supplies needed to serve this customer group. The approved terms include, among other things, an annual election period, special pricing provisions for out-of-cycle changes, and a requirement that industrial customers complete the term of their service election under NW Natural's annual PGA tariff.

**ENVIRONMENTAL COST DEFERRAL AND RECOVERY.** NW Natural has authorizations in Oregon and Washington to defer costs related to remediation of properties that are owned or were previously owned by NW Natural. In Oregon, a Site Remediation and Recovery Mechanism (SRRM) is currently in place to recover prudently incurred costs allocable to Oregon customers, subject to an earnings test. Effective beginning November 1, 2019, the WUTC authorized an Environmental Cost Recovery Mechanism (ECRM) for recovery of prudently incurred costs allocable to Washington customers.

Oregon SRRM

Under the Oregon SRRM collection process, there are three types of deferred environmental remediation expense:

- Pre-review - This class of costs represents remediation spend that has not yet been deemed prudent by the OPUC. Carrying costs on these remediation expenses are recorded at NW Natural's authorized cost of capital. NW Natural anticipates the prudence review for annual costs and approval of the earnings test prescribed by the OPUC to occur by the third quarter of the following year.
- Post-review - This class of costs represents remediation spend that has been deemed prudent and allowed after applying the earnings test, but is not yet included in amortization. NW Natural earns a carrying cost on these amounts at a rate equal to the five-year treasury rate plus 100 basis points.
- Amortization - This class of costs represents amounts included in current customer rates for collection and is calculated as one-fifth of the post-review deferred balance. NW Natural earns a carrying cost equal to the amortization rate determined annually by the OPUC, which approximates a short-term borrowing rate. NW Natural included \$8.8 million and \$9.6 million of deferred remediation expense approved by the OPUC for collection during the 2024-25 and 2023-24 PGA years, respectively.

In addition, the SRRM also provides for the annual collection of \$5.0 million from Oregon customers through a tariff rider. As it collects amounts from customers, NW Natural recognizes these collections as revenue net of any earnings test adjustments and separately amortizes an equal and offsetting amount of the deferred regulatory asset balance through the environmental remediation operating expense line shown separately in the operating expenses section of the Consolidated Statements of Comprehensive Income (Loss). See Note 17 for more information on our environmental matters.

The SRRM earnings test is an annual review of adjusted NGD ROE compared to authorized NGD ROE. To apply the earnings test NW Natural must first determine what if any costs are subject to the test through the following calculation:

Annual spend
Less: \$5.0 million base rate rider
Prior year carry-over <sup>(1)</sup>
\$5.0 million insurance + interest on insurance
Total deferred annual spend subject to earnings test
Less: over-earnings adjustment, if any
Add: deferred interest on annual spend <sup>(2)</sup>
Total amount transferred to post-review

<sup>(1)</sup> Prior year carry-over results when the prior year amount transferred to post-review is negative. The negative amount is carried over to offset annual spend in the following year.

<sup>(2)</sup> Deferred interest is added to annual spend to the extent the spend is recoverable.

To the extent the NGD business earns at or below its authorized ROE as defined in the SRRM, the total amount transferred to post-review is recoverable through the SRRM. To the extent more than authorized ROE is earned in a year, the amount transferred to post-review would be reduced by those earnings that exceed its authorized ROE. For 2024, NW Natural has performed this test, which is anticipated to be submitted to the OPUC in May 2025. No earnings test adjustment is expected for 2024.

Washington ECRM

The ECRM established by the WUTC order effective November 1, 2019 permits NW Natural's recovery of environmental remediation expenses allocable to Washington customers. These expenses represent 3.32% of costs associated with



remediation of sites that historically served both Oregon and Washington customers. The order allows for recovery of past deferred and future prudently incurred remediation costs allocable to Washington through application of insurance proceeds and collections from customers. Prudently incurred costs that were deferred from the initial deferral authorization in February 2011 through June 2019 were fully offset with insurance proceeds, with any remaining insurance proceeds to be amortized over a 10.5 year period. On an annual basis, NW Natural will file for a prudence determination and a request to recover remediation expenditures in excess of insurance amortizations in the following year's customer rates. After insurance proceeds are fully amortized, if in a particular year the request to collect deferred amounts exceeds one percent of Washington normalized revenues, then the excess will be collected over three years with interest.

**INTERSTATE STORAGE AND ASSET MANAGEMENT SHARING.** On an annual basis, NW Natural credits amounts to Oregon and Washington customers as part of a regulatory incentive sharing mechanism related to net revenues earned from Mist gas storage for assets developed in advance of utility customer needs, and asset management revenues. In January 2025, the OPUC approved the annual 2025 bill credit for Oregon customers' share of interstate storage and asset management activities totaling approximately \$15.5 million, which was credited to customers' bills in February 2025. This includes revenue generated for the November 2023 through October 2024 PGA year. Credits are given to customers in Washington as reductions in rates through the annual PGA filing in November.

The following table presents the credits to NGD customers:

<i>In millions</i>	2024		2023		2022	
Oregon	\$	28.9	\$	23.5	\$	41.1
Washington		2.4		2.9		1.5

**LOW INCOME DISCOUNT TARIFFS.**

Oregon

In July 2022, NW Natural received approval from the OPUC for an income-qualifying residential bill discount program. The income threshold for program participation is at or below 60 percent of Oregon state median income (SMI). The program provides a bill discount for income-qualifying residential customers at four discount tier levels based on household income compared to SMI, with higher discounts given for lower income levels. The bill discount percentages were modified effective November 1, 2024 and they are presented in the table below. Participating customers can self-certify their income and household size to qualify for the program directly with NW Natural or their local Community Action Agency. The program was available for qualifying customers starting November 1, 2022. Costs for the bill discount program include simultaneous recovery from all customers. Costs for the bill discount program, inclusive of start-up and administrative costs of the program, are recoverable in rates. The amount deferred to a regulatory asset as of December 31, 2024 was \$2.8 million.

	Total Household Income	Bill Discount Percentage
Tier 0	At or below 15% SMI	85%
Tier 1	16% - 30% of SMI	50%
Tier 2	31% - 45% of SMI	30%
Tier 3	46% - 60% of SMI	15%

Washington

In December 2023, NW Natural received approval from the WUTC for an income-qualifying residential bill discount program. The program was available for qualifying customers starting January 1, 2024. The Washington program is similar to the Oregon program, with the exception of the discount tier levels shown below. The income threshold for the Washington program participation is based on the greater of area median income (AMI) or federal poverty level (FPL). The amount deferred to a regulatory asset as of December 31, 2024 was \$0.3 million.

	Total Household Income	Bill Discount Percentage
Tier 0	At or below 60% FPL	80%
Tier 1	61% - 120% of FPL	40%
Tier 2	121% - 150% of FPL	20%
Tier 3	Greater of 80% AMI or 151% - 200% of FPL	15%

**RENEWABLE NATURAL GAS AND AUTOMATIC ADJUSTMENT CLAUSE.** Oregon Senate Bill 98 (SB 98) enables natural gas utilities to procure or develop RNG on behalf of their Oregon customers. SB 98 and the rules outline the following parameters for the RNG program including: setting voluntary goals for adding as much as 30% renewable natural gas into the state's pipeline system by 2050; enabling gas utilities to invest in and own the cleaning and conditioning equipment required to bring raw biogas and landfill gas up to pipeline quality, as well as the facilities to connect to the local gas distribution system; and allowing up to 5% of a utility's revenue requirement to be used to cover the incremental cost or investment in renewable natural gas infrastructure.

Further, the law supports all forms of renewable natural gas including renewable hydrogen, which is made from excess wind, solar and hydro power. Renewable hydrogen can be used for the transportation system, industrial use, or blended into the natural gas pipeline system.

NW Natural has two investments in RNG facilities the OPUC has approved for recovery in rates. The first investment is in Lexington Renewables Energy, LLC where the OPUC approved recovery through an automatic adjustment clause that allows for NW Natural's investments in RNG projects, including operating costs, to be added to rates annually on November 1st, following a prudence review. The RNG recovery mechanism allows NW Natural to defer for recovery or credit the differences between the forecasted and actual costs of the RNG projects, subject to an earnings test that includes deadbands at 50 basis points below and above NW Natural's authorized ROE. For 2024, NW Natural has performed this test, which is anticipated to be submitted to the OPUC in May 2025. No earnings test adjustment is expected for 2024.

The second investment is in Dakota City Renewable Energy LLC where the OPUC also approved the investment through an automatic adjustment clause that allows NW Natural to begin recovering the investment costs and expenses of the facility. The Dakota City investment is subject to the earnings test requirements under the RNG recovery mechanism discussed above and is subject to a production risk-sharing mechanism based on the expected per unit of production. NW Natural is required to share 25% of the costs above this threshold.

For RNG procurement contracts, NW Natural seeks recovery of the costs in the PGA and other filings, subject to a prudence review.

**METER MODERNIZATION PROGRAM.** In January 2024, NW Natural filed a request with the OPUC and WUTC to defer the incremental costs to replace approximately 600,000 meters over four years. The deferral was granted by the WUTC in the first quarter of 2024. The filing is pending with the OPUC. The amount deferred to a regulatory asset as of December 31, 2024 was approximately \$1.4 million.

**INTEGRATED RESOURCE PLAN (IRP).** NW Natural generally files a full IRP biennially for Oregon and Washington with the OPUC and WUTC, respectively. NW Natural jointly filed its 2022 IRP for both Oregon and Washington on September 23, 2022. The 2022 IRP evaluates several varying scenarios based on a range of inputs and outlines the least-cost resources required to meet future demand and environmental compliance obligations. With respect to IRPs generally, the WUTC issues letters of compliance and Oregon acknowledges the IRP Action Plan. In August 2023, NW Natural received a letter of compliance from the WUTC acknowledging compliance of the 2022 IRP. The OPUC issued their order on NW Natural's 2022 IRP in August 2023.

The development of an IRP filing is an extensive and complex process that engages multiple stakeholders in an effort to build a robust and commonly understood analysis. The final product is intended to provide a long-term outlook of the supply-side and demand-side resource requirements for reliable and low-cost natural gas service while also meeting NW Natural's environmental compliance requirements. The IRP examines and analyzes uncertainties in the planning process to evaluate risk, including potential changes in governmental and regulatory policies. The CCA that was passed in Washington is an example of a new policy that resulted in compliance requirements that need to be included in the planning process. We currently expect to file our next full IRP with Oregon and Washington in 2025.

**PIPELINE SECURITY.** In May and July 2021, the Department of Homeland Security's (DHS) Transportation Security Administration (TSA) released two security directives applicable to certain owners and operators of natural gas pipeline facilities (including local distribution companies). The first directive require owners and operators to implement cybersecurity incident reporting to the DHS, designate a cybersecurity coordinator, and perform a gap assessment of current entity cybersecurity practices against certain voluntary TSA security guidelines and report relevant results and proposed mitigation to applicable DHS agencies. The second directive requires entities to implement a significant number of specified cybersecurity controls and processes. The TSA updated the second directive as well as clarifying Operational Technology (OT) scope and providing a risk- and outcome-based framework. The TSA continues to renew both directives and is in the process of formulating regulations with the aim of rendering the security directives permanent. NW Natural is currently evaluating and implementing the security directives and related deliverables. NW Natural frequently updates the TSA on its progress on achieving the security directives.

NW Natural received approval from the OPUC and WUTC to defer the costs associated with complying with the TSA's security directives. As of December 31, 2024, NW Natural has invested approximately \$46.9 million in information and operational technology. A majority of the capital investment was included in rate base starting November 1, 2022 in Oregon.

NW Natural continues to evaluate the potential effect of these directives on our operations and facilities and will continue to monitor for any clarifications or amendments to these directives. We may seek to request recovery from customers of any additional costs incurred to the extent that incremental expenses and capital expenditures are incurred in the future.

**WATER AND WASTEWATER UTILITIES.** NWN Water currently serves an estimated 190,000 people through approximately 76,000 connections across six states. NWN Water continues to pursue acquisitions of regulated water and wastewater utilities.

- In the first quarter of 2023, NWN Water signed a purchase agreement for a water utility with approximately 700 connections in Texas. After completing a fair market valuation process through the Public Utility Commission of Texas (PUCT), NWN Water filed the application with the PUCT in the first quarter of 2024. The acquisition is expected to close in the first quarter of 2025.
- In the second quarter of 2024, NWN Water signed a purchase agreement for three water utilities with approximately 200 connections in Oregon. The OPUC approved the application in August 2024 and the acquisition closed in November 2024.
- In the fourth quarter of 2024, NWN Water signed a purchase agreement for a water utility with approximately 1,500 connections in Texas. NWN Water filed its notice of intent to seek fair market valuation with the PUCT in October 2024.

For our regulated water and wastewater utilities, we have been executing general rate cases.

- In October 2023, Foothills water and sewer utilities filed general rate cases with the ACC. The parties filed a settlement agreement in July 2024 and amended agreement in September 2024, which were approved by the ACC in October 2024. Rates were effective on November 1, 2024.
- In February 2024, Cascadia Water filed a general rate case with the WUTC. Cascadia Water and the WUTC filed a settlement agreement in January 2025 and rates are expected to be effective by May 1, 2025.
- In March 2024, Sunriver Water filed a general rate case with the OPUC and rates were effective on November 1, 2024.
- In June 2024, Avion Water filed a general rate case with the OPUC and rates were effective on February 1, 2025.
- In December 2024, Gem State Water filed a general rate case with the IPUC. The IPUC suspended the effective date of rates pending further review.
- In January 2025, Falls Water filed a general rate case with the IPUC.

#### **Environmental Regulation and Legislation Matters**

In recent years, there has been an international and domestic focus on climate change and the contribution of GHG emissions, most notably methane and carbon dioxide, to climate change. In response, there have been increasing efforts at the international, federal, state, and local level to regulate GHG emissions. Legislation or other forms of regulation have taken, and could continue to take, a variety of forms including, but not limited to, GHG emissions limits, reporting requirements, carbon taxes, requirements to purchase carbon credits, building codes, increased efficiency standards, additional charges to fund energy efficiency activities or other regulatory actions, incentives or mandates to conserve energy or use renewable energy sources, tax advantages and other subsidies to support alternative energy sources, a reduction in rate recovery for construction costs related to the installation of new customer services or other new infrastructure investments, mandates for the use of specific fuels or technologies, bans on specific fuels or technologies, or promotion of research into new technologies to reduce the cost and increase the scalability of alternative energy sources. These efforts have included, and could continue to include, legislation, legislative proposals, directed government funding, new regulations at the federal, state, and local level, and penalties for noncompliance, as well as private and other third-party litigation related to GHG emissions or regulation thereof. We recognize certain of our businesses, including our natural gas business, are likely to be affected by current or future regulation seeking to regulate GHG emissions.

#### **Federal**

A number of federal agencies currently regulate GHG emissions. For example, the EPA regulates GHG emissions pursuant to the Clean Air Act and requires the annual reporting of GHG emissions from certain industries, specified emission sources, and facilities. Under this reporting rule, local natural gas distribution companies like NW Natural are required to report system throughput to the EPA on an annual basis. The EPA also has required additional GHG reporting regulations to which NW Natural is subject, requiring the annual reporting of fugitive emissions from operations.

During his administration, former President Biden issued a number of executive orders directing agencies to conduct a general review of regulations and executive actions related to the environment and reestablished a framework for considering the social cost of carbon as part of certain agency cost-benefit analyses for new regulations. Federal legislation passed under the Biden administration, such as the Inflation Reduction Act of 2022 (IRA), included several climate and energy provisions. In addition, under the Biden administration, a number of federal agencies including the Securities and Exchange Commission (SEC), the Federal Trade Commission, the Federal Energy and Regulatory Commission, PHMSA, and the Commodities Futures Trading Commission (CFTC), had taken or were expected to take, actions related to climate change. Other federal regulatory agencies, including the U.S. Department of Energy, were additionally beginning to address matters related to GHG emissions that may include changes in their regulatory oversight approach, policies and rules.

Upon taking office in January 2025, President Trump issued executive orders directing the U.S. Ambassador to the United Nations to withdraw from the Paris Agreement on Climate and declaring a "national energy emergency" in the United States. He issued other executive orders described as seeking to promote energy exploration and production in the United States, reducing permitting and other regulatory requirements related to energy exploration and production, freezing certain funding and regulatory rulemaking related to climate-related regulation, and revoking Biden administration executive orders that are related to climate policy. We expect there to be a number of additional changes related to climate policy under the Trump Administration, including additional executive orders, federal regulations, programs and other federal actions. We are currently evaluating the effect of various changes in federal climate policy, regulation and law, and cannot currently predict when or if the Trump Administration or Congress will act, the form of the action, or the impact of those actions on our business.

#### Washington State

In 2024, Washington comprised approximately 10% of NW Natural's revenues, as well as 2% and 13% of new meters from commercial and residential customers, respectively. Effective February, 2021, building codes in Washington state require new residential homes to achieve higher levels of energy efficiency based on specified carbon emissions assumptions, which calculate electric appliances to have lower on-site GHG emissions than comparable gas appliances. This increases the cost of new home construction incorporating natural gas depending on a number of factors including home size, equipment configurations, and building envelope measures. Additionally, in March, 2024, the Washington State Building Code Council (SBCC) implemented rules that would have the effect of restricting or eliminating the use of gas space and water heating in new commercial and residential construction, with certain exceptions in residential construction for natural gas-fired heat pumps and hybrid fuel systems.

Subsequently, Washington Ballot initiative I-2066 passed in November 2024. I-2066 was described on the ballot as prohibiting state and local governments from restricting access to natural gas, prohibiting the SBCC from discouraging or penalizing the use of natural gas in any building, requiring providers of natural gas to provide energy services regardless of the other energy sources available, and prohibiting the WUTC from approving any multiyear rate plan requiring or incentivizing a natural gas company to terminate natural gas service or make such natural gas service cost-prohibitive. The SBCC rules, as well as the effect of I-2066 on the validity of the March 2024 SBCC's rules and the February 2021 Washington buildings codes, are currently subject to legal challenge by a number of companies, organizations and utilities, including NW Natural.

In 2022, the state of Washington enacted the Climate Commitment Act (CCA), which establishes a comprehensive program that includes an overall limit for GHG emissions from major sources in the state that declines yearly beginning January 1, 2023, resulting in an overall reduction of GHG emissions to 95% below 1990 levels by 2050. The Washington Department of Ecology has adopted rules to create a cap-and-invest program, under which entities, including natural gas and electric utilities, large manufacturing facilities, and transportation and other fuel providers, which are subject to the CCA must either reduce their emissions, purchase qualifying offsets (including RNG) or obtain allowances to cover any remaining emissions. NW Natural is subject to the CCA, has received an order authorizing deferral of CCA costs from the WUTC, and is currently recovering CCA compliance costs in rates.

#### Oregon

In November 2024, the ODEQ issued final cap and reduce rules for its Climate Protection Program (CPP), which became effective in January 1, 2025. The CPP establishes a program to limit GHG emissions from covered entities, including natural gas utilities, by 50% by 2035 and 90% by 2050 from a 2017-2019 baseline. The first compliance period for the CPP concludes December 31, 2027. ODEQ previously promulgated CPP rules in December 2021 (former CPP rules invalidated by the Court of Appeals in December 2023 (Prior CPP)). NW Natural received an order from the OPUC authorizing deferral of Prior CPP compliance costs, and we also expect to pursue inclusion in rates of current CPP compliance costs. The CPP rules are subject to legal challenge.

#### Local Jurisdictions and Other Advocacy

In addition to legislative activities at the state level, advocacy groups have indicated a willingness to pursue municipal ordinances and ballot measures or other local activities. A number of cities across the country, and several in our service territory are taking action or currently considering actions such as limitations or bans on the use of natural gas in new construction or otherwise. For example, the Eugene City Council directed its City Manager to develop a plan to address GHG emissions and align incentives around GHG emissions and to engage in a number of actions, including identifying potential revenue sources as well as potential consequences of implementing the prior directive. Similarly, some jurisdictions and advocates are seeking to ban the use of natural gas and certain natural gas appliances inside homes contending that there are detrimental indoor health effects associated with the use of natural gas.

NW Natural is actively engaged with federal, state and local policymakers, consumers, customers, small businesses and other business coalitions, economic development practitioners, and other advocates in our service territory and is working with these communities to communicate the role that direct use natural gas, and in the coming years, RNG and hydrogen, can play in pursuing more effective policies to reduce GHGs while supporting reliability, resiliency, energy choice, equity, and energy affordability.

#### NW Natural Decarbonization Initiatives and Compliance Actions

Our residential customers are currently paying less for their natural gas today than they did 20 years ago. We expect that compliance with any form of regulation of GHG emissions will require additional resources and legislative or regulatory tools, and will increase costs. The developing and changing guidance to implement the CCA and CPP, evolving carbon credit markets and other regulatory tool options, decades-long timeframes for compliance, likely changing and evolving laws and energy policy, and evolving technological advancements, all make it difficult to accurately predict long-term tools for and costs of compliance. We are currently including costs of compliance with the CCA in rates. Compliance costs represent a 4.6% increase on a residential bill, which represents a 7.5% decrease from the prior year. Low income customers do not participate in these compliance costs and are not impacted.

We are not currently able to quantify the extent to which limitations on natural gas use, or declining line extension allowances provided in rates to cover construction costs for new services, will affect new meter additions, or to what extent carbon

compliance costs included in rates will affect the competitiveness of our business and the demand for natural gas service. All of these developments could negatively affect our gas utility customer growth. However, at the same time natural gas utilities will be subject to GHG emissions regulation, we expect that other energy source providers will be subject to similar, or in some cases stricter or more rapid, compliance requirements that are likely to affect their cost and competitiveness relative to natural gas as well. For example, in June 2021, the State of Oregon enacted HB 2021, a clean electricity bill that requires the state's two largest investor-owned electric utilities and retail electricity service suppliers to reduce GHG emissions associated with electricity sold to Oregon customers to 100 percent below baseline levels by 2040 with interim steps, including an 80 percent reduction by 2030 and 90 percent reduction by 2035. This bill does not replace the separate renewable portfolio standards previously established in Oregon, which sets requirements for how much of the electricity used in Oregon must come from renewable resources. In Washington, SB 5116, the Clean Energy Transformation Act, requires all electric utilities in Washington to transition to carbon-neutral electricity by 2030 and to 100 percent carbon-free electricity by 2045. We expect compliance with these and other laws will increase the cost of energy for electric customers in our service territory. We are not able to determine at this time whether increased electricity costs will make natural gas use more or less competitive on a relative basis.

We expect these and other trends to drive innovation of, and demand for, technological developments and innovative new products that reduce GHG emissions. Research and development are occurring across the energy sector, including in the gas sector with work being conducted on gas heat pumps, higher efficiency water and space heating appliances including hybrid systems, carbon capture utilization and storage developments, continued development of technologies related to RNG, and various forms of hydrogen for different applications, among others.

#### **Business Segment - Natural Gas Distribution (NGD)**

NGD margin results are primarily affected by customer growth, revenues from rate-base additions, and, to a certain extent, by changes in delivered volumes due to weather and customers' gas usage patterns. In Oregon, NW Natural has a conservation tariff (also called the decoupling mechanism), which adjusts margin up or down each month through a deferred regulatory accounting adjustment designed to offset changes resulting from increases or decreases in average use by residential and commercial customers. NW Natural also has a weather normalization tariff in Oregon, WARM, which adjusts customer bills up or down to offset changes in margin resulting from above- or below-average temperatures during the winter heating season. Residential and commercial customers in Oregon are allowed to opt out of the weather normalization mechanism, and as of December 31, 2024, approximately 7% of total eligible customers had opted out. NW Natural does not have a weather normalization mechanism approved for Washington customers, which account for about 12% of total customers. The decoupling and WARM mechanisms are designed to reduce, but not eliminate, the volatility of customer bills and natural gas distribution revenue. See "Regulatory Matters—Rate Mechanisms" above. In addition to NW Natural's local gas distribution business, the NGD segment also includes the portion of the Mist underground storage facility used to serve NGD customers, the North Mist gas storage expansion, NWN Gas Reserves, which is a wholly owned subsidiary of Energy Corp., and NW Natural RNG Holding Company, LLC.

The NGD business is primarily seasonal in nature due to higher gas usage by residential and commercial customers during the cold winter heating months. Other categories of customers experience seasonality in their usage but to a lesser extent. Seasonality affects the comparability of the results of operations of the NGD business across quarters but not across years.

NGD segment highlights include:

<i>Dollars and therms in millions, except EPS data</i>	2024		2023		2022	
NGD net income	\$	77.1	\$	94.0	\$	79.7
Diluted EPS - NGD segment	\$	1.98	\$	2.59	\$	2.34
Gas sold and delivered (in therms)		1,171		1,207		1,252
NGD margin <sup>(1)</sup>	\$	601.3	\$	575.0	\$	505.9

<sup>(1)</sup> See Natural Gas Distribution Margin Table below for additional detail.

**2024 COMPARED TO 2023.** NGD net income was \$77.1 million in 2024 compared to \$94.0 million in 2023. The primary factors contributing to the decrease in NGD net income were as follows:

- \$18.2 million decrease in other income, net driven by higher pension non-service costs, lower interest income from invested cash, lower regulatory interest income and a decline in the equity portion of AFUDC;
- \$13.7 million decrease due to the disallowance of undepreciated line extension costs as ordered in the 2024 Oregon general rate case;
- \$10.1 million increase in depreciation expense from continued capital investments in our system for safety and reliability;
- \$2.8 million increase in interest expense primarily due to higher short and long-term debt balances; and
- \$2.0 million increase in general taxes primarily driven by higher regulatory commission fees; partially offset by
- \$26.3 million increase in NGD margin primarily due to:
  - \$25.8 million increase due to new customer rates in Oregon that went into effect November 1, 2024;
  - \$3.7 million increase due to the amortization of deferred balances primarily related to COVID-19, cybersecurity, and ERP upgrades; and
  - \$2.2 million increase driven by customer growth; partially offset by



- \$4.3 million decrease due to lower usage from warmer comparative weather for customers not covered under the weather normalization mechanism; and
- \$1.8 million decline in gains on the Oregon gas cost incentive sharing mechanism due to market prices more closely approximating prices embedded in the PGA and higher than estimated gas costs during the cold weather event in January 2024; and
- \$2.1 million decrease in NGD operations and maintenance expenses (excluding the regulatory disallowance) due to lower contract labor costs and lower bad debt expense, partially offset by higher amortization expense related to cloud computing arrangements.

Total natural gas sold and delivered in 2024 decreased 3% over 2023 primarily due to 17% warmer than average weather in 2024 compared to 8% warmer than average weather in 2023.

**2023 COMPARED TO 2022.** NGD net income was \$94.0 million in 2023 compared to \$79.7 million in 2022. The primary factors contributing to the increase in NGD net income were as follows:

- \$69.1 million increase in NGD margin primarily due to:
  - \$47.5 million increase due to new customer rates in Oregon and Washington that went into effect November 1, 2022;
  - \$9.4 million increase due to actual gas prices that were lower than what was estimated in the 2022-2023 PGA;
  - \$9.2 million increase due to the amortization of deferred balances primarily related to COVID-19, cybersecurity, and ERP upgrades (which is mostly offset in operations and maintenance expenses and interest expense; and
  - \$4.6 million increase driven by customer growth; partially offset by
  - \$2.4 million decrease due to warmer than average weather for customers not covered under the weather normalization mechanism.
- \$15.8 million increase in other income, net driven by interest income from invested cash and the equity portion of AFUDC, and lower pension costs; partially offset by
- \$40.0 million increase in NGD operations and maintenance expenses due to higher payroll costs, higher contract labor, the amortization of deferred balances (which is mostly offset in revenues), information technology costs and amortization expense related to cloud computing arrangements;
- \$14.3 million increase in interest expense primarily due to higher long-term debt balances;
- \$6.5 million increase in depreciation expense due to additional capital investments in the distribution system, including several significant information technology projects that were placed into service in September 2022; and
- \$4.9 million higher income tax expense reflecting higher pre-tax income.

Total natural gas sold and delivered in 2023 increased 4% over 2022 primarily due to 8% warmer than average weather in 2023 compared to 1% colder than average weather in 2022.

**NATURAL GAS DISTRIBUTION MARGIN TABLE.** The following table summarizes the composition of NGD gas volumes, revenues, and cost of sales:

<i>In thousands, except degree day and customer data</i>	2024	2023	2022	Favorable (Unfavorable)	
				2024 vs. 2023	2023 vs. 2022
<b><u>NGD volumes (therms):</u></b>					
Residential and commercial sales	708,873	735,755	766,592	(26,882)	(30,837)
Industrial sales and transportation	461,966	470,919	485,745	(8,953)	(14,826)
Total NGD volumes sold and delivered	1,170,839	1,206,674	1,252,337	(35,835)	(45,663)
<b><u>Operating revenues:</u></b>					
Residential and commercial sales	\$ 968,676	\$ 1,015,072	\$ 881,370	\$ (46,396)	\$ 133,702
Industrial sales and transportation	83,060	97,886	86,810	(14,826)	11,076
Other distribution revenues	4,435	4,540	1,944	(105)	2,596
Other regulated services	19,517	18,902	19,628	615	(726)
Total operating revenues	1,075,688	1,136,400	989,752	(60,712)	146,648
Less: Cost of gas	412,320	500,061	429,861	87,741	(70,200)
Less: Environmental remediation expense	14,053	12,899	12,389	(1,154)	(510)
Less: Revenue taxes	48,037	48,432	41,627	395	(6,805)
NGD margin	\$ 601,278	\$ 575,008	\$ 505,875	\$ 26,270	\$ 69,133
<b><u>NGD margin<sup>(1)</sup></u></b>					
Residential and commercial sales	\$ 540,947	\$ 512,479	\$ 455,686	\$ 28,468	\$ 56,793
Industrial sales and transportation	34,101	34,748	33,543	(647)	1,205
Gain (loss) from gas cost incentive sharing	2,624	4,459	(4,917)	(1,835)	9,376
Other margin	4,096	4,426	1,943	(330)	2,483
Other regulated services	19,510	18,896	19,620	614	(724)
NGD margin	\$ 601,278	\$ 575,008	\$ 505,875	\$ 26,270	\$ 69,133
<b><u>Degree days<sup>(2)</sup></u></b>					
Average <sup>(3)</sup>	2,702	2,686	2,686	16	—
Actual	2,255	2,480	2,712	(9)%	(9)%
Percent (warmer) colder than average weather	(17)%	(8)%	1 %		
<b><u>NGD meters - end of period:</u></b>					
Residential meters	735,117	728,915	724,287	6,202	4,628
Commercial meters	69,362	69,273	69,139	89	134
Industrial meters	1,050	1,062	1,071	(12)	(9)
Total number of meters	805,529	799,250	794,497	6,279	4,753
<b><u>NGD meter growth:</u></b>					
Residential meters	0.9 %	0.6 %			
Commercial meters	0.1 %	0.2 %			
Industrial meters	(1.1)%	(0.8)%			
Total meter growth	0.8 %	0.6 %			

<sup>(1)</sup> Amounts reported as NGD margin for each category of meters are operating revenues less cost of gas, environmental remediation expense and revenue taxes.

<sup>(2)</sup> Heating degree days are units of measure reflecting temperature-sensitive consumption of natural gas, calculated by subtracting the average of a day's high and low temperatures from 59 degrees Fahrenheit.

<sup>(3)</sup> Average weather represents the 25-year average of heating degree days. Beginning November 1, 2024, average weather is calculated over the period June 1, 1998 through May 31, 2023, as determined in NW Natural's 2024 Oregon general rate case. From November 1, 2022 through October 31, 2024, average weather was calculated over the period June 1, 1996 through May 31, 2021, as determined in NW Natural's 2022 Oregon general rate case. From November 1, 2020 through October 31, 2022, average weather was calculated over the period June 1, 1994 through May 31, 2019, as determined in NW Natural's 2020 Oregon general rate case.

### Residential and Commercial Sales

The primary factors that impact results of operations in the residential and commercial markets are customer growth, seasonal weather patterns, energy prices, competition from other energy sources, and economic conditions in our service areas. The impact of weather on margin is significantly reduced through NW Natural's weather normalization mechanism in Oregon; approximately 81% of NW Natural's total customers are covered under this mechanism. The remaining customers either opt out of the mechanism or are located in Washington, which does not have a similar mechanism in place. For more information on the weather mechanism, see "Regulatory Matters—Rate Mechanisms—WARM" above.

NGD residential and commercial sales highlights include:

<i>In millions</i>	2024	2023	2022
<b>Volumes (therms):</b>			
Residential sales	439.3	455.7	478.1
Commercial sales	269.6	280.1	288.5
<b>Total volumes</b>	<b>708.9</b>	<b>735.8</b>	<b>766.6</b>
<b>Operating revenues:</b>			
Residential sales	\$ 663.4	\$ 685.5	\$ 595.0
Commercial sales	305.3	329.6	286.4
<b>Total operating revenues</b>	<b>\$ 968.7</b>	<b>\$ 1,015.1</b>	<b>\$ 881.4</b>
<b>NGD Margin:</b>			
Residential margin	\$ 393.0	\$ 371.3	\$ 328.2
Commercial margin	147.9	141.2	127.5
<b>Total NGD margin</b>	<b>\$ 540.9</b>	<b>\$ 512.5</b>	<b>\$ 455.7</b>

**2024 COMPARED TO 2023.** NGD residential and commercial operating revenue decreased \$46.4 million and NGD margin increased \$28.4 million compared to the prior year. The increase in NGD margin was primarily driven by new customer rates in Oregon that took effect on November 1, 2024 and 0.9% growth in residential customer meters. Sales volumes decreased 26.9 million therms, or 4%, due to lower usage driven by comparatively warmer weather.

**2023 COMPARED TO 2022.** NGD residential and commercial operating revenue increased \$133.7 million and NGD margin increased \$56.8 million compared to the prior year. The increase was primarily driven by new customer rates in Oregon and Washington that took effect on November 1, 2022 and 0.6% growth in residential customer meters. Sales volumes decreased 30.8 million therms, or 4%, due to lower usage driven by comparatively warmer weather.

### Industrial Sales and Transportation

Industrial customers have the option of purchasing sales or transportation services. Under the sales service, the customer buys the gas commodity from NW Natural. Under the transportation service, the customer buys the gas commodity directly from a third-party gas marketer or supplier. The NGD gas commodity cost is primarily a pass-through cost to customers; therefore, NGD profit margins are not materially affected by an industrial customer's decision to purchase gas from third parties. Industrial and large commercial customers may also select between firm and interruptible service options, with firm services generally providing higher profit margins compared to interruptible services. To help manage gas supplies, industrial tariffs are designed to provide some certainty regarding industrial customers' volumes by requiring an annual service election which becomes effective November 1, special charges for changes between elections, and in some cases, a minimum or maximum volume requirement before changing options.

NGD industrial sales and transportation highlights include:

<i>In millions</i>	2024	2023	2022
<b>Volumes (therms):</b>			
Firm and interruptible sales	94.2	102.3	104.4
Firm and interruptible transportation	367.8	368.6	381.3
<b>Total volumes</b>	<b>462.0</b>	<b>470.9</b>	<b>485.7</b>
<b>NGD Margin:</b>			
Firm and interruptible sales	\$ 13.8	\$ 14.1	\$ 13.6
Firm and interruptible transportation	20.3	20.6	19.9
<b>Total NGD margin</b>	<b>\$ 34.1</b>	<b>\$ 34.7</b>	<b>\$ 33.5</b>

**2024 COMPARED TO 2023.** NGD industrial sales and transportation margin decreased \$0.6 million compared to the prior year primarily driven by lower sales and transportation volumes. Sales volumes decreased 8.9 million therms, or 2%, primarily due to lower usage from multiple customers, most notably in the pulp and paper, forest products, chemical manufacturing and food processing industries.

**2023 COMPARED TO 2022.** NGD industrial sales and transportation margin increased \$1.2 million compared to the prior year primarily driven by new rates in Oregon and Washington that took effect on November 1, 2022, partially offset by lower sales volumes. Sales volumes decreased 14.8 million therms, or 3%, primarily due to lower usage from multiple customers, most notably in the primary metals, pulp and paper, glass, stone and clay, and chemical manufacturing industries.

#### Other Regulated Services Margin

Other Regulated Services primarily consist of lease revenues from NV Natural's North Mist storage facility as well as other lease revenues for compressed natural gas assets. See Note 7 for more information regarding North Mist expansion lease accounting.

Other regulated services margin highlights include:

<i>In millions</i>	2024	2023	2022
North Mist storage services	\$ 19.2	\$ 18.6	\$ 19.4
Other services	0.3	0.3	0.2
Total other regulated services	<u>\$ 19.5</u>	<u>\$ 18.9</u>	<u>\$ 19.6</u>

**2024 COMPARED TO 2023.** Other regulated services margin increased \$0.6 million compared to the prior year primarily due to an increase in storage service revenue from the North Mist facility. North Mist service revenue increased due to an increase in billing rates from higher operating expenses in 2024.

**2023 COMPARED TO 2022.** Other regulated services margin decreased \$0.7 million compared to the prior year due to lower depreciation rates for the North Mist facility beginning November 1, 2022.

#### Cost of Gas

Cost of gas as reported by the NGD segment includes gas purchases, gas storage costs, gas commodity derivatives contracts, pipeline demand costs, seasonal demand cost balancing adjustments, renewable natural gas and its attributes, including renewable thermal certificates, regulatory gas cost deferrals, gas reserves costs, and company gas use. The OPUC and WUTC generally require natural gas commodity costs to be billed to customers at the actual cost incurred, or expected to be incurred. Customer rates are set each year so that if cost estimates were met the NGD business would not earn a profit or incur a loss on gas commodity purchases; however, in Oregon we have the incentive sharing mechanism described under "Regulatory Matters—Rate Mechanisms—Purchased Gas Adjustment" above. In addition to the PGA incentive sharing mechanism, gains and losses from hedge contracts entered into after annual PGA rates are effective for Oregon customers are also required to be shared and therefore may impact net income. Further, NV Natural also has a regulatory agreement whereby it earns a rate of return on its investment in the gas reserves acquired under the original agreement with Encana and includes gas from the amended gas reserves agreement at a fixed rate of \$0.4725 per therm, which are also reflected in NGD margin. See "Application of Critical Accounting Policies and Estimates—Derivative Instruments and Hedging Activities" below.

Cost of gas highlights include:

<i>In millions, except where indicated</i>	2024	2023	2022
Cost of gas	\$ 412.3	\$ 500.1	\$ 429.9
Volumes sold (therms) <sup>(1)</sup>	803.0	838.1	871.0
Average cost of gas (cents per therm)	\$ 0.51	\$ 0.60	\$ 0.49
Gain (loss) from gas cost incentive sharing <sup>(2)</sup>	\$ 2.6	\$ 4.5	\$ (4.9)

<sup>(1)</sup> This calculation excludes volumes delivered to industrial transportation customers.

<sup>(2)</sup> For a discussion of the gas cost incentive sharing mechanism, see "Regulatory Matters—Rate Mechanisms—Purchased Gas Adjustment" above.

**2024 COMPARED TO 2023.** Cost of gas decreased \$87.8 million, or 18%, primarily due to a 16% decrease in the average cost of gas and a 4% decrease in volumes sold. Volumes sold decreased 35.1 million due to lower usage from customers driven by comparatively warmer weather. The gain from the Oregon gas cost incentive sharing mechanism declined \$1.9 million due to market prices more closely approximating prices embedded in the PGA and higher than estimated gas costs during the cold weather event in January 2024.

**2023 COMPARED TO 2022.** Cost of gas increased \$70.2 million, or 16%, primarily due to a 21% increase in the average cost of gas with these higher gas costs embedded in the 2022-2023 PGA. Volumes sold decreased 32.9 million, or 4%, due to lower usage from customers driven by comparatively warmer weather.

### Other

Other activities aggregated and reported as other at NW Holdings include NNG Financial's investment in Kelso-Beaver Pipeline (KB Pipeline); NW Natural Renewables Holdings, LLC and its non-regulated renewable natural gas activities; NWN Water, which owns and continues to pursue investments in the water, wastewater and water services sectors; and NWN Water's investment in Avion Water Company, Inc. (Avion Water). Other activities aggregated and reported as other at NW Natural include the non-NGD storage activity at Mist as well as asset management services and the appliance retail center operations. See Note 4 for further discussion of our business segment and other, as well as our direct and indirect wholly-owned subsidiaries. See Note 13 for information on our Avion Water investment.

At Mist, NW Natural provides gas storage services to customers in the interstate and intrastate markets using storage capacity that has been developed in advance of NGD customers' requirements. Pre-tax income from gas storage at Mist and asset management services is subject to revenue sharing with NGD customers. Under this regulatory incentive sharing mechanism, NW Natural retains 80% of pre-tax income from Mist gas storage services and asset management services when the underlying costs of the capacity being used are not included in NGD business rates. The remaining 20% is credited to a deferred regulatory account for credit to NGD customers. To the extent that the capacity used is included in NGD rates, NW Natural retains 10% of pre-tax income from such storage and asset management services and 90% is credited to NGD business customers.

The following table presents the results of activities aggregated and reported as other for both NW Holdings and NW Natural:

<i>In millions, except EPS data</i>	2024		2023		2022	
NGD net income	\$	77.1	\$	94.0	\$	79.7
NW Natural - other net income		11.9		10.7		11.9
NW Natural net income		89.0		104.7		91.6
NW Holdings - other net loss		(10.1)		(10.9)		(5.3)
NW Holdings net income	\$	78.9	\$	93.8	\$	86.3
NW Holdings - other net income (loss) <sup>(1)</sup>	\$	1.8	\$	(0.2)	\$	6.6
Diluted earnings per share - NW Holdings - other	\$	0.05	\$	—	\$	0.20

<sup>(1)</sup> NW Holdings - other net income (loss) is equal to the sum of NW Natural - other net income and NW Holdings - other net loss.

**2024 COMPARED TO 2023.** Other net income increased \$2.0 million and \$1.2 million at NW Holdings and NW Natural, respectively. The increase at NW Natural was primarily due to higher revenue from gas storage operations, partially offset by lower asset management revenue. The increase at NW Holdings was driven by a \$4.4 million increase in net income from water and wastewater subsidiaries, partially offset by \$2.3 million of acquisition costs related to SiEnergy and higher interest expense at the holding company.

**2023 COMPARED TO 2022.** Other net income decreased \$6.8 million and \$1.2 million at NW Holdings and NW Natural, respectively. The decrease at NW Natural was primarily due to lower sales at the appliance retail center. The decrease at NW Holdings was driven by higher interest expense at the holding and water companies, partially offset by a gain recognized from a settlement agreement.

### Consolidated Operations

#### Operations and Maintenance

Operations and maintenance highlights include:

<i>In millions</i>	2024		2023		2022	
NW Natural	\$	257.0	\$	244.7	\$	204.8
Other NW Holdings operations and maintenance		37.7		29.1		19.9
NW Holdings	\$	294.7	\$	273.8	\$	224.7

**2024 COMPARED TO 2023.** Operations and maintenance expense increased \$12.3 million at NW Natural primarily due to the following:

- \$13.7 million increase due to the disallowance of undepreciated line extension costs as ordered in the 2024 Oregon general rate case; and
- \$1.4 million increase in amortization expense related to cloud computing arrangements; partially offset by
- \$1.7 million decrease in contract labor costs; and
- \$1.1 million decrease in bad debt expense.

Operations and maintenance expense increased \$20.9 million at NW Holdings primarily due to the following:

- \$12.3 million increase in operations and maintenance expense at NW Natural as discussed above; and



- \$8.6 million increase in other NW Holdings operations and maintenance expense primarily due to \$7.2 million of higher costs associated with recently acquired water and wastewater subsidiaries and \$1.5 million of higher operating expenses at the holding company, primarily related to SiEnergy acquisition costs.

**2023 COMPARED TO 2022.** Operations and maintenance expense increased \$39.8 million at NW Natural primarily due to the following:

- \$10.6 million increase related to higher payroll costs;
- \$7.9 million increase in contract labor for safety and reliability and support for information technology system upgrades;
- \$7.7 million increase due to the amortization of deferred balances (which is mostly offset in revenues) primarily related to COVID-19, cybersecurity and information technology system upgrades;
- \$6.0 million increase in information technology licensing costs and maintenance;
- \$5.4 million increase in amortization expense related to cloud computing arrangements; and
- \$1.9 million increase in bad debt expense.

Operations and maintenance expense increased \$49.1 million at NW Holdings primarily due to the following:

- \$39.8 million increase in operations and maintenance expense at NW Natural as discussed above; and
- \$9.3 million increase in other NW Holdings operations and maintenance expense primarily due to costs associated with recently acquired water and wastewater subsidiaries and business development costs at the holding company.

#### Depreciation

Depreciation highlights include:

<i>In millions</i>	2024	2023	2022
NW Natural	\$ 129.6	\$ 119.5	\$ 113.0
Other NW Holdings depreciation	8.3	6.1	3.7
NW Holdings	<u>\$ 137.9</u>	<u>\$ 125.6</u>	<u>\$ 116.7</u>

**2024 COMPARED TO 2023.** Depreciation expense increased \$10.1 million for NW Natural, primarily due to additional capital investments in the distribution system, such as installing new mains and meters, replacing equipment, and upgrading and improving facilities. In addition, NW Natural continued to invest in information technology in 2024.

Depreciation expense increased \$12.3 million for NW Holdings, primarily due to a \$2.2 million increase in other NW Holdings depreciation related to water and wastewater subsidiaries and a \$10.1 million increase at NW Natural as discussed above.

**2023 COMPARED TO 2022.** Depreciation expense increased \$6.5 million for NW Natural, primarily due to additional capital investments in the distribution system, such as installing new mains and services and replacing regulating equipment, as well as upgrading and improving the transmission system for mains. In addition, NW Natural placed several significant information technology projects into service in September 2022 and continued to invest in information technology projects in 2023.

Depreciation expense increased \$8.9 million for NW Holdings, primarily due to a \$2.4 million increase in other NW Holdings depreciation related to water and wastewater subsidiaries and a \$6.5 million increase at NW Natural as discussed above.

#### Other Income (Expense), Net

Other income (expense), net highlights include:

<i>In millions</i>	2024	2023	2022
NW Natural total other income (expense), net	\$ (2.8)	\$ 15.4	\$ (0.4)
Other NW Holdings activity	1.7	2.5	1.6
NW Holdings total other income (expense), net	<u>\$ (1.1)</u>	<u>\$ 17.9</u>	<u>\$ 1.2</u>

Other income (expense), net primarily consists of regulatory interest, pension and other postretirement non-service costs, gains from company-owned life insurance, the equity portion of AFUDC, interest income and donations.

**2024 COMPARED TO 2023.** Other income, net decreased \$18.2 million at NW Natural primarily due to \$6.6 million of higher pension non-service costs, \$4.1 million of lower interest income from a lower level of invested cash, \$2.6 million of lower regulatory interest income and a \$2.6 million decline from the equity portion of AFUDC. Costs related to our defined benefit pension plan for 2024 increased compared to the prior year due to an increase in amortization of actuarial losses.

In addition to the \$18.2 million decrease at NW Natural, NW Holdings experienced an additional \$2.7 million decrease from a settlement gain recognized in 2023, which was partially offset by a decrease in the amount of contributions made by NW Holdings to fund community outreach initiatives in 2024.

**2023 COMPARED TO 2022.** Other income, net increased \$15.8 million at NW Natural primarily due to \$5.5 million of interest income from invested cash, \$4.1 million from higher equity AFUDC interest income, and \$5.8 million of lower pension costs.

Costs related to our defined benefit pension plan for 2023 decreased compared to the prior year due to a decrease in amortization of actuarial losses.

Other income, net increased \$16.7 million at NWV Holdings driven by the increase at NWV Natural discussed above and a \$2.7 million gain recognized from a settlement agreement with a third party to settle outstanding receivables, partially offset by contributions to fund community outreach initiatives at NWV Holdings.

#### Interest Expense, Net

Interest expense, net highlights include:

<i>In millions</i>	2024		2023		2022	
NWV Natural	\$	63.3	\$	60.6	\$	46.3
Other NWV Holdings interest expense		16.8		16.0		6.9
NWV Holdings	\$	80.1	\$	76.6	\$	53.2

**2024 COMPARED TO 2023.** Interest expense, net, increased \$2.7 million at NWV Natural primarily due to higher interest expense on a higher level of short and long-term debt, partially offset by the debt portion of AFUDC.

Interest expense, net, increased \$3.5 million at NWV Holdings due to the increase at NWV Natural discussed above and higher interest expense on a higher level of long-term debt at NWV Holdings.

**2023 COMPARED TO 2022.** Interest expense, net, increased \$14.3 million at NWV Natural primarily due to higher interest expense on a higher level of long-term debt, partially offset by a lower level of short-term debt.

Interest expense, net, increased \$23.3 million at NWV Holdings due to the increase at NWV Natural discussed above and higher interest expense on a higher level of long-term debt at NWV Holdings and NWV Water.

#### Income Tax Expense

NWV Holdings income tax expense highlights include:

<i>In millions</i>	2024		2023		2022	
Income tax expense	\$	31.1	\$	32.4	\$	29.1
Effective tax rate		28.3 %		25.6 %		25.2 %

NWV Natural income tax expense highlights include:

<i>In millions</i>	2024		2023		2022	
Income tax expense	\$	34.6	\$	35.7	\$	31.0
Effective tax rate		28.0 %		25.4 %		25.3 %

**2024 COMPARED TO 2023.** The effective tax rate increased 2.7% and 2.6% at NWV Holdings and NWV Natural, respectively. The increase in the effective tax rate is primarily related to a regulatory tax benefit that was fully amortized in customer rates in 2023. The decrease in income tax expense is primarily due to lower pre-tax income in the current period compared to the prior year.

**2023 COMPARED TO 2022.** The effective tax rate increased 0.4% and 0.1% at NWV Holdings and NWV Natural, respectively. The increase in the effective tax rate is primarily due to higher pre-tax income in the current period compared to the prior year.

#### **FINANCIAL CONDITION**

##### Capital Structure

NWV Holdings' long-term goal is to maintain a strong and balanced consolidated capital structure. NWV Natural has historically targeted a regulatory capital structure of 50% common equity and 50% long-term debt, which is consistent with approved regulatory allocations in Oregon, which has an allocation of 50% common equity and 50% long-term debt without recognition of short-term debt. NWV Natural has requested a 52% common equity and 48% long-term debt in its current rate case, which has not yet been decided.

When additional capital is required, debt or equity securities are issued depending on both the target capital structure and market conditions. These sources of capital are also used to fund long-term debt retirements and short-term commercial paper maturities. See "Liquidity and Capital Resources" below and Note 9. Achieving our target capital structure and maintaining sufficient liquidity to meet operating requirements is necessary to maintain attractive credit ratings and provide access to the capital markets at reasonable costs.

NW Holdings' consolidated capital structure, excluding short-term debt, was as follows:

	December 31,	
	2024	2023
Common equity	44.8 %	44.9 %
Long-term debt (including current maturities)	55.2	55.1
Total	100.0 %	100.0 %

NW Natural's consolidated capital structure, excluding short-term debt, was as follows:

	December 31,	
	2024	2023
Common equity	49.2 %	47.5 %
Long-term debt (including current maturities)	50.8	52.5
Total	100.0 %	100.0 %

As of December 31, 2024 and 2023, NW Holdings' consolidated capital structure included common equity of 42.4% and 43.5%, long-term debt of 51.4% and 48.3%, and short-term debt including current maturities of long-term debt of 6.2% and 8.2%, respectively. As of December 31, 2024 and 2023, NW Natural's consolidated capital structure included common equity of 46.9% and 47.2%, long-term debt of 47.2% and 52.2%, and short-term debt including current maturities of long-term debt of 5.9% and 0.6%, respectively.

During 2024, NW Natural's capital structure changed primarily due to the increase in short-term debt and capital contributions from NW Holdings. NW Holdings' capital structure changed primarily due to the issuance of long-term debt and common stock at NW Holdings. See further discussion below in "Cash Flows — *Financing Activities*".

#### **Liquidity and Capital Resources**

At December 31, 2024 and December 31, 2023, NW Holdings had approximately \$38.5 million and \$32.9 million, and NW Natural had approximately \$20.0 million and \$19.8 million, of cash and cash equivalents, respectively. In order to maintain sufficient liquidity during periods when capital markets are volatile, NW Holdings and NW Natural may elect to maintain higher cash balances and add short-term borrowing capacity. NW Holdings and NW Natural may also pre-fund their respective capital expenditures when long-term fixed rate environments are attractive. NW Holdings and NW Natural expect to have ample liquidity in the form of cash on hand and from operations and available credit capacity under credit facilities to support funding needs.

#### **ATM Equity Program**

In August 2021, NW Holdings initiated an at-the-market (ATM) equity program by entering into an equity distribution agreement under which NW Holdings may issue and sell from time to time shares of common stock, no par value, having an aggregate gross sales price of up to \$200 million. In August 2024, the Finance Committee of the NW Holdings' Board of Directors authorized NW Holdings' sale of an additional \$200 million in the aggregate gross sales price under the ATM equity program, with the result that a total of \$400 million in the aggregate gross sales price has been authorized for issuance and sale under the ATM equity program. NW Holdings is under no obligation to offer and sell common stock under the ATM equity program, which the Finance Committee of the NW Holdings' Board of Directors has authorized through August 2027. Any shares of common stock offered under the ATM equity program are registered on NW Holdings' universal shelf registration statement filed with the SEC, which expires in August 2027, or will be registered on a subsequent registration statement to be filed by NW Holdings. During the year ended December 31, 2024, NW Holdings issued and sold 2,382,750 shares of common stock pursuant to the ATM equity program resulting in cash proceeds of \$90.3 million, net of fees and commissions paid to agents of \$1.6 million. As of December 31, 2024, NW Holdings had \$151.6 million of equity available for issuance under the program.

#### **NW Holdings**

For NW Holdings, short-term liquidity is primarily provided by cash balances, dividends from its operating subsidiaries, in particular NW Natural, available cash from a multi-year credit facility, and short-term credit facilities. NW Holdings also has a universal shelf registration statement filed with the SEC for the issuance of debt and equity securities. NW Holdings long-term debt and equity issuances are primarily used to provide equity contributions to NW Holdings' operating subsidiaries for operating and capital expenditures and other corporate purposes. NW Natural also has a universal shelf registration statement filed with the SEC for the issuance of debt securities. NW Holdings' issuance of securities is not subject to regulation by state public utility commissions, but the dividends from NW Natural to NW Holdings are subject to regulatory ring-fencing provisions. NW Holdings guarantees the debt of its wholly-owned subsidiary, NVN Water. See "*Long-Term Debt*" below for more information regarding NVN Water debt.

As part of the ring-fencing conditions agreed upon with the OPUC and WUTC in connection with the holding company reorganization, NW Natural may not pay dividends or make distributions to NW Holdings if NW Natural's credit ratings and common equity ratio, defined as the ratio of equity to long-term debt, fall below specified levels. If NW Natural's long-term

secured credit ratings are below A- for S&P and A3 for Moody's, dividends may be issued so long as NW Natural's common equity ratio is 45% or more. If NW Natural's long-term secured credit ratings are below BBB for S&P and Baa2 for Moody's, dividends may be issued so long as NW Natural's common equity ratio is 46% or more. Dividends may not be issued if NW Natural's long-term secured credit ratings are BB+ or below for S&P or Ba1 or below for Moody's, or if NW Natural's common equity ratio is below 44%, where the ratio is measured using common equity and long-term debt excluding imputed debt or debt-like lease obligations. In each case, common equity ratios are determined based on a preceding or projected 13-month average. In addition, there are certain OPUC notice requirements for dividends in excess of 5% of NW Natural's retained earnings.

Additionally, if NW Natural's common equity (excluding goodwill and equity associated with non-regulated assets), on a preceding or projected 13-month average basis, is less than 46% of NW Natural's capital structure, NW Natural is required to notify the OPUC, and if the common equity ratio falls below 44%, file a plan with the OPUC to restore its equity ratio to 44%. This condition is designed to ensure NW Natural continues to be adequately capitalized under the holding company structure. Under the WUTC order, the average common equity ratio must not exceed 56%.

At December 31, 2024 and 2023, NW Natural satisfied the ring-fencing provisions described above.

Based on several factors, including current cash reserves, committed credit facilities, its ability to receive dividends from its operating subsidiaries, in particular NW Natural, and an expected ability to issue long-term debt and equity securities in the capital markets, NW Holdings believes its liquidity is sufficient to meet anticipated near-term cash requirements, including all contractual obligations, investing, and financing activities as discussed in "Cash Flows" below.

**NW HOLDINGS DIVIDENDS.** Quarterly dividends have been paid on common stock each year since NW Holdings' predecessor's stock was first issued to the public in 1951. Annual common stock dividend payments per share, adjusted for stock splits, have increased each year since 1956. The declarations and amount of future dividends to shareholders will depend upon earnings, cash flows, financial condition, NW Natural's ability to pay dividends to NW Holdings and other factors. The amount and timing of dividends payable on common stock is at the sole discretion of the NW Holdings Board of Directors.

#### NW Natural

For the NGD business segment, short-term borrowing requirements typically peak during colder winter months when the NGD business borrows money to cover the lag between natural gas purchases and bill collections from customers. Short-term liquidity for the NGD business is primarily provided by cash balances, internal cash flow from operations, proceeds from the sale of commercial paper notes, as well as available cash from multi-year credit facilities, short-term credit facilities, company-owned life insurance policies, the sale of long-term debt, and equity contributions from NW Holdings. NW Natural's long-term debt and contributions from NW Holdings are primarily used to finance NGD capital expenditures, refinance maturing debt, and provide temporary funding for other general corporate purposes of the NGD business.

Based on its current debt ratings (see "Credit Ratings" below), NW Natural has been able to issue commercial paper and long-term debt at attractive rates. In the event NW Natural is not able to issue new long-term debt due to adverse market conditions or other reasons, NW Natural expects that near-term liquidity needs can be met using internal cash flows, issuing commercial paper, receiving equity contributions from NW Holdings, or drawing upon a committed credit facility. NW Natural also has a universal shelf registration statement filed with the SEC for the issuance of secured and unsecured debt securities.

In the event senior unsecured long-term debt ratings are downgraded, or outstanding derivative positions exceed a certain credit threshold, counterparties under derivative contracts could require NW Natural to post cash, a letter of credit, or other forms of collateral, which could expose NW Natural to additional cash requirements and may trigger increases in short-term borrowings while in a net loss position. NW Natural was not required to post collateral at December 31, 2024. See Note 15 below.

Other items that may have a significant impact on NW Natural's liquidity and capital resources include NW Natural's pension contribution requirements and environmental expenditures.

**PENSION CONTRIBUTIONS.** NW Natural expects to make contributions to its company-sponsored defined benefit plan, which is closed to new employees, over the next several years under applicable laws and regulations. See "Application of Critical Accounting Policies—Pensions and Postretirement Benefits" below and Note 10 for more information.

**ENVIRONMENTAL EXPENDITURES.** NW Natural expects to continue using cash resources to fund environmental liabilities for future environmental remediation or action. NW Natural has authorizations in Oregon and Washington to defer costs related to remediation of properties that are owned or were previously owned by NW Natural. In Oregon, a Site Remediation and Recovery Mechanism (SRRM) is currently in place to recover prudently incurred costs allocable to Oregon customers, subject to an earnings test. On October 21, 2019 the WUTC authorized an Environmental Cost Recovery Mechanism (ECRM) for recovery of prudently incurred costs allocable to Washington customers beginning November 1, 2019. See Note 17 and "Results of Operations—Regulatory Matters—Environmental Cost Deferral and Recovery" above.

Based on several factors, including current credit ratings, NW Natural's commercial paper program, current cash reserves, committed credit facilities, and an expected ability to issue long-term debt and receive equity contributions from NW Holdings,

NW Natural believes its liquidity is sufficient to meet anticipated near-term cash requirements, including all contractual obligations, and investing and financing activities as discussed in "Cash Flows" below.

**NW NATURAL DIVIDENDS.** The declarations and amount of future dividends to NW Holdings will depend upon earnings, cash flows, financial condition, the satisfaction of OPUC and WUTC regulatory ring-fencing restrictions, and other factors. The amount and timing of dividends payable on common stock is subject to approval of the NW Natural Board of Directors.

#### **Gas and Pipeline Capacity Purchase Agreements**

NW Natural has signed agreements providing for the reservation of firm pipeline capacity under which it is required to make monthly payments for contracted capacity. The pricing component of the monthly payment is established, subject to change, by U.S. or Canadian regulatory bodies, or is established directly with private counterparties, as applicable. In addition, NW Natural has entered into long-term agreements to release firm pipeline capacity. NW Natural also enters into short-term and long-term gas purchase agreements. Refer to Note 16 for gas and pipeline capacity purchase commitments.

NW Natural Renewables is an unregulated subsidiary of NW Natural Holdings established to pursue unregulated RNG activities. In September 2021, a subsidiary of NW Natural Renewables, Ohio Renewables, and a subsidiary of EDL, a global producer of sustainable distributed energy, executed agreements to secure RNG supply from two production facilities that are designed to convert landfill waste gases to RNG (EDL Facilities). The first facility was completed and commenced delivery of RNG to Ohio Renewables in September 2024. Upon reaching this milestone, Ohio Renewables paid \$26.0 million to the EDL subsidiary. The second facility was completed and commenced delivery of RNG to Ohio Renewables in December 2024 at which point Ohio Renewables made an additional payment of \$25.4 million to the EDL subsidiary.

Alongside these development agreements, Ohio Renewables and the subsidiary of EDL executed agreements for Ohio Renewables to purchase up to an annual specified amount of RNG produced by the EDL Facilities over a 20-year period at a contractually specified price. Under the amended agreements, we currently estimate the amount of RNG purchases based on prices and quantities specified in the agreements to be as follows: approximately \$18.9 million in 2025, \$18.9 million in 2026, \$22.8 million in 2027, \$22.8 million in 2028, \$24.1 million in 2029 and \$532.6 million thereafter.

#### **Gas Sale Agreements**

Ohio Renewables has contracted to sell RNG produced by the EDL Facilities up to certain specified volumes in each of calendar years 2024 through 2026 to an investment-grade counterparty. We currently estimate RNG volumes to be sold pursuant to this agreement to be approximately 2,430,000 MMBtu over the life of the agreement, provided that such amounts of RNG are produced by the EDL Facilities during that period.

Ohio Renewables additionally has contracted to sell a fixed-volume of RNG under a long-term agreement with an investment-grade utility beginning in 2025 and extending through 2042. Amounts to be delivered under this agreement are estimated to be 112,500 MMBtu in 2025, 375,000 MMBtu in 2026, 1,950,000 MMBtu annually in 2027 through 2034, and 2,775,000 MMBtu annually in years 2035 through 2042. Under the current contract, if less than 75% of the contracted volumes of RNG are not delivered on an annual basis, Ohio Renewables is obligated to pay the per MMBtu price for volumes between the amount delivered and 75% of the contracted volumes on an annual basis.

#### **Other Purchase Agreements**

Other purchase commitments primarily consist of remaining balances under existing purchase orders and gas storage agreements. At December 31, 2024, the amount due over the duration of the purchase agreements totaled \$22.5 million. Except for these certain purchase commitments, NW Holdings and NW Natural have no material off-balance sheet financing arrangements.

#### **Short-Term Debt**

The primary source of short-term liquidity for NW Holdings is cash balances, dividends from its operating subsidiaries, in particular NW Natural, available cash from a multi-year credit facility, and short-term credit facilities it may enter into from time to time.

The primary source of short-term liquidity for NW Natural is from the sale of commercial paper, available cash from a multi-year credit facility, and short-term credit facilities it may enter into from time to time. In addition to issuing commercial paper or entering into bank loans to meet working capital requirements, including seasonal requirements to finance gas purchases and accounts receivable, short-term debt may also be used to temporarily fund capital requirements. For NW Natural, commercial paper and bank loans are periodically refinanced through the sale of long-term debt or equity contributions from NW Holdings. Commercial paper, when outstanding, is sold through two commercial banks under an issuing and paying agency agreement and is supported by one or more unsecured revolving credit facilities. See "Credit Agreements" below.



At December 31, 2024 and 2023, NW Natural's short-term debt consisted of the following:

In millions	December 31, 2024		December 31, 2023	
	Balance Outstanding	Weighted Average Interest Rate <sup>(1)</sup>	Balance Outstanding	Weighted Average Interest Rate <sup>(1)</sup>
<b>NW Natural:</b>				
Commercial paper	\$ 136.5	4.8 %	\$ 16.8	5.5 %
<b>Other (NW Holdings):</b>				
Credit agreement	33.6	5.5 %	73.0	6.4 %
<b>NW Holdings</b>	<u>\$ 170.1</u>		<u>\$ 89.8</u>	

<sup>(1)</sup> Weighted average interest rate on outstanding short-term debt

### Credit Agreements

#### NW Holdings

NW Holdings has a \$200 million sustainability-linked credit agreement, with a feature that allows it to request increases in the total commitment amount, up to a maximum of \$300 million. In December 2024, the maturity date of the agreement was extended to November 2, 2027, with an available extension of commitments for one additional one-year period, subject to lender approval.

All lenders under the NW Holdings credit agreement are major financial institutions with committed balances and investment grade credit ratings as of December 31, 2024 as follows:

In millions	Lender rating, by category	Loan Commitment	
AA/Aa		\$	200
Total		\$	<u>200</u>

Based on credit market conditions, it is possible one or more lending commitments could be unavailable to NW Holdings if the lender defaulted due to lack of funds or insolvency; however, NW Holdings does not believe this risk to be imminent due to the lenders' strong investment-grade credit ratings. There was \$33.6 million and \$73.0 million of outstanding balances under the NW Holdings agreement at December 31, 2024 and 2023, respectively.

The NW Holdings credit agreement permits the issuance of letters of credit in an aggregate amount of up to \$40 million. The principal amount of borrowings under the credit agreement is due and payable on the maturity date. The credit agreement requires NW Holdings to maintain a consolidated indebtedness to total capitalization ratio of 70% or less. Failure to comply with this covenant would entitle the lenders to terminate their lending commitments and accelerate the maturity of all amounts outstanding. NW Holdings was in compliance with this covenant at December 31, 2024 and 2023, with consolidated indebtedness to total capitalization ratios of 57.6% and 56.5%, respectively.

The NW Holdings credit agreement also requires NW Holdings to maintain debt ratings (which are defined by a formula using NW Natural's credit ratings in the event NW Holdings does not have a credit rating) with Standard & Poor's (S&P) and Moody's Investors Service, Inc. (Moody's) and notify the lenders of any change in its senior unsecured debt ratings or senior secured debt ratings, as applicable, by such rating agencies. A change in NW Holdings' debt ratings by S&P or Moody's is not an event of default, nor is the maintenance of a specific minimum level of debt rating a condition of drawing upon the credit agreement. Rather, interest rates on any loans outstanding under the credit agreements are tied to debt ratings and therefore, a change in the debt rating would increase or decrease the cost of any loans under the credit agreements when ratings are changed. NW Holdings maintains a credit rating with S&P of A- and does not currently maintain ratings with Moody's.

NW Holdings had no letters of credit issued and outstanding at December 31, 2024 and 2023.

#### NW Natural

NW Natural has a sustainability-linked multi-year credit agreement for unsecured revolving loans totaling \$400 million, with a feature that allows NW Natural to request increases in the total commitment amount, up to a maximum of \$600 million. In December 2024, the maturity date of the agreement was extended to November 3, 2027 with an available extension of commitments for one additional one-year period, subject to lender approval.

All lenders under the NW Natural credit agreement are major financial institutions with committed balances and investment grade credit ratings as of December 31, 2024 as follows:

In millions		Loan Commitment	
Lender rating, by category			
AA/Aa		\$	400
Total		\$	400

Based on credit market conditions, it is possible one or more lending commitments could be unavailable to NW Natural if the lender defaulted due to lack of funds or insolvency; however, NW Natural does not believe this risk to be imminent due to the lenders' strong investment-grade credit ratings.

The NW Natural credit agreement permits the issuance of letters of credit in an aggregate amount of up to \$60 million. The principal amount of borrowings under the credit agreement is due and payable on the maturity date. There were no outstanding balances under this credit agreement at December 31, 2024 or 2023. The credit agreement requires NW Natural to maintain a consolidated indebtedness to total capitalization ratio of 70% or less. Failure to comply with this covenant would entitle the lenders to terminate their lending commitments and accelerate the maturity of all amounts outstanding. NW Natural was in compliance with this covenant at December 31, 2024 and 2023, with consolidated indebtedness to total capitalization ratios of 53.1% and 52.8%, respectively.

The NW Natural credit agreement also requires NW Natural to maintain credit ratings with S&P and Moody's and notify the lenders of any change in NW Natural's senior unsecured debt ratings or senior secured debt ratings, as applicable, by such rating agencies. A change in NW Natural's debt ratings by S&P or Moody's is not an event of default, nor is the maintenance of a specific minimum level of debt rating a condition of drawing upon the credit agreement. Rather, interest rates on any loans outstanding under the credit agreement are tied to debt ratings and therefore, a change in the debt rating would increase or decrease the cost of any loans under the credit agreement when ratings are changed. See "Credit Ratings" below.

NW Natural had no letters of credit outstanding at December 31, 2024 and one letter of credit outstanding at December 31, 2023. In December 2023, NW Natural issued a \$15 million letter of credit through its existing credit agreement, which expired January 5, 2024.

**Letters of Credit Facility**

In January 2024, NW Natural entered into an Uncommitted Letter of Credit and Reimbursement Agreement (LC Reimbursement Agreement), pursuant to which NW Natural agreed to reimburse each Lender acting as an issuing bank (Issuing Bank) thereunder for disbursements in respect of letters of credit (Letters of Credit) issued pursuant to the LC Reimbursement Agreement from time to time. The Company expects to use Letters of Credit issued under the facility created by the LC Reimbursement Agreement (LC Facility) primarily to support its participation in Washington Climate Commitment Act cap-and-invest program auctions.

Although there is no expressly stated maximum amount of Letters of Credit that can be issued or outstanding under the LC Facility, under current regulatory authority from the OPUC, the aggregate sum of Letters of Credit outstanding and available to be drawn under the LC Reimbursement Agreement may not exceed \$100 million at any one time. The Issuing Banks have no commitment to issue Letters of Credit under the LC Facility and will have the discretion to limit and condition the terms for the issuance of Letters of Credit (including maximum face amounts) in their sole discretion.

The LC Reimbursement Agreement requires NW Natural to maintain certain ratings with S&P and Moody's. NW Natural must also notify the Administrative Agent and Lenders of any change in the S&P or Moody's Ratings, although any such change is not an event of default.

The LC Reimbursement Agreement prohibits NW Natural from permitting Consolidated Indebtedness to be greater than 70% of Total Capitalization, each as defined therein and calculated as of the end of each fiscal quarter of NW Natural. Failure to comply with this financial covenant would constitute an Event of Default under the LC Reimbursement Agreement. The occurrence of this or any other Event of Default would entitle the Administrative Agent to require cash collateral for the LC Exposure, as defined in the LC Reimbursement Agreement, and to exercise all other rights and remedies available to it and the Lenders under the Credit Documents, as defined in the LC Reimbursement Agreement, and under applicable law.

There were no letter of credits issued or outstanding under the LC reimbursement agreement at December 31, 2024.

**Credit Ratings**

NW Natural's credit ratings are a factor of liquidity, potentially affecting access to the capital markets including the commercial paper market. NW Natural's credit ratings also have an impact on the cost of funds, and may have an impact on the need to post collateral under financial derivative contracts.

The following table summarizes NW Natural's current credit ratings:

	S&P	Moody's
Commercial paper (short-term debt)	A-1	P-2
Senior secured (long-term debt)	AA-	A2
Senior unsecured (long-term debt)	n/a	Baa 1
Issuer credit rating	A+	n/a
Ratings outlook	Stable	Stable

In November 2024, S&P revised NW Holdings' rating from A to A- and ratings outlook from "negative" to "stable."

The above credit ratings and ratings outlook are dependent upon a number of factors, both qualitative and quantitative, and are subject to change at any time. The disclosure of or reference to these credit ratings is not a recommendation to buy, sell or hold NW Holdings or NW Natural securities. Each rating should be evaluated independently of any other rating.

As part of the ring-fencing conditions agreed upon with the OPUC and WUTC, NW Holdings and NW Natural are required to maintain separate credit ratings, long-term debt ratings, and preferred stock ratings, if any.

### **Long-Term Debt**

#### **Note Purchase Agreement**

In December 2023, NW Holdings entered into a Note Purchase Agreement between NW Holdings and the institutional investors named as purchasers therein. The Note Purchase Agreement provides for the issuance of (i) \$100.0 million aggregate principal amount of NW Holdings' 5.78% Senior Notes, Series A, due March 7, 2028 (5.78% Notes) and (ii) \$50.0 million aggregate principal amount of NW Holdings' 5.84% Senior Notes, Series B, due March 7, 2029 (5.84% Notes) in reliance on an exemption from registration under Section 4(a)(2) of the Securities Act of 1933, as amended. The 5.78% Notes and the 5.84% Notes were issued in March 2024, pursuant to the Note Purchase Agreement. The proceeds from the Note Purchase Agreement were used to settle an existing term loan at NW Holdings for \$100.0 million and make an equity contribution to NWN Water, which was used to settle an existing term loan for \$50.0 million.

#### **Issuance of Long-Term Debt**

In December 2024, NW Holdings issued and sold (i) \$90.0 million in aggregate principal amount of its 5.52% Senior Notes, Series C, due December 19, 2029 (the 5.52% Notes), and (ii) \$45.0 million in aggregate principal amount of its 5.86% Senior Notes, Series D, due December 19, 2034 (the 5.86% Notes, together with the 5.52% Notes, the Notes), to certain institutional investors pursuant to a Note Purchase Agreement dated December 19, 2024 (the Note Purchase Agreement), in reliance on an exemption from registration under Section 4(a)(2) of the Securities Act of 1933, as amended.

The 5.52% Notes and the 5.86% Notes bear interest at the rate of 5.52% and 5.86%, respectively, per annum, payable semi-annually on June 19 and December 19 of each year, commencing June 19, 2025, and will mature on December 19, 2029, and December 19, 2034, respectively. The 5.52% Notes and the 5.86% Notes will be subject to prepayment at the option of NW Holdings, in whole or in part, (i) at any time at a price equal to 100% of the principal amount thereof, plus the applicable "make-whole" premium and accrued and unpaid interest thereon to the date of prepayment, and (ii) at any time on or after November 19, 2029 and September 19, 2034, respectively, at 100% of the principal amount thereof, plus accrued and unpaid interest thereon to the date of prepayment, but without the payment of a "make-whole" premium, in each case, so long as there is no Default or Event of Default under the Note Purchase Agreement.

#### **Interest Rate Swap Agreement**

In January 2023, NWN Water entered into an interest rate swap agreement with a major financial institution for \$55.0 million that effectively converted variable-rate debt to a fixed rate of 3.80%. Interest payments made between the effective date and expiration date are hedged by the swap agreement. The interest rate swap agreement expires in June 2026, along with the variable-rate debt.

#### **Retirement of Long-Term Debt**

The following NW Natural debentures were retired in the periods indicated:

<i>In millions</i>	Year Ended December 31,		
	2024	2023	2022
NW Natural First Mortgage Bonds:			
3.542% Series due 2023	\$ —	\$ 50	\$ —
5.620% Series due 2023	—	40	—
Total	\$ —	\$ 90	\$ —

In March 2024, NW Holdings retired a \$100.0 million credit agreement and NWN Water retired a \$50.0 million credit agreement.

#### Maturities and Interest on Long-Term Debt

Maturities and payment of interest on long-term debt for each of the annual periods through December 31, 2029 and thereafter are as follows:

<i>In millions</i>	Long-term debt maturities	Interest on long-term debt
<b>NW Natural:</b>		
2025	\$ 30.0	\$ 62.9
2026	55.0	60.9
2027	64.7	57.7
2028	10.0	54.8
2029	50.0	53.6
Thereafter	1,165.0	773.1
NW Natural Total	1,374.7	1,063.0
<b>Other NW Holdings:</b>		
2025	0.8	19.1
2026	55.8	17.7
2027	0.9	16.4
2028	100.8	13.5
2029	140.6	9.2
Thereafter	47.2	13.5
Other NW Holdings Total	346.1	89.4
<b>NW Holdings:</b>		
2025	30.8	82.0
2026	110.8	78.6
2027	65.6	74.1
2028	110.8	68.3
2029	190.6	62.8
Thereafter	1,212.2	786.6
NW Holdings Total	\$ 1,720.8	\$ 1,152.4

#### Bankruptcy Ring-fencing Restrictions

As part of the ring-fencing conditions agreed upon with the OPUC and WUTC, NW Natural is required to have one director who is independent from NW Natural management and from NW Holdings and to issue one share of NW Natural preferred stock to an independent third party. NW Natural was in compliance with both of these ring-fencing provisions as of December 31, 2024 and 2023. NW Natural may file a voluntary petition for bankruptcy only if approved unanimously by the Board of Directors of NW Natural, including the independent director, and by the holder of the preferred share.

#### Cash Flows

##### Operating Activities

Changes in our operating cash flows are primarily affected by net income or loss, changes in working capital requirements, and other cash and non-cash adjustments to operating results.

<i>In millions</i>	2024	2023	2022
NW Natural cash provided by operating activities	\$ 230.7	\$ 281.9	\$ 145.2
NW Holdings cash provided by operating activities	200.3	279.9	147.7

**2024 COMPARED TO 2023.** The significant factors contributing to the \$51.1 million decrease at NW Natural cash flow provided by operating activities were as follows:

- \$64.8 million decrease in accounts receivable due to comparatively warmer weather in the current year;
- \$20.5 million increase in contributions to our defined benefit pension plan;
- \$18.4 million increase in asset optimization revenue sharing bill credits to customers; and
- \$15.7 million decrease in net income; partially offset by
- \$22.8 million decrease in accounts payable resulting from payments of higher priced gas in the prior year;
- \$21.6 million decrease in inventories due to higher priced gas and more gas withdrawn from storage in the prior year; and
- \$16.6 million increase in the decoupling mechanism primarily due to lower usage driven by comparatively warmer weather.

The \$79.7 million decrease in cash provided by operating activities at NW Holdings was primarily driven by the factors discussed above. In addition, Ohio Renewables paid \$51.4 million to a subsidiary of EDL in connection with two RNG facilities.

**2023 COMPARED TO 2022.** The significant factors contributing to the \$136.7 million increase at NW Natural cash flow provided by operating activities were as follows:

- \$126.6 million decrease in accounts receivable due to colder weather in December 2022;
- \$40.0 million decrease in net deferred gas costs due to the recovery of higher priced gas in 2022;
- \$30.6 million decrease in asset optimization revenue sharing bill credits; and
- \$19.9 million increase due to a compliance obligation related to the Washington CCA; partially offset by
- \$64.9 million decrease in accounts payable resulting from payments of higher priced gas purchased in December 2022; and
- \$22.3 million decrease in the decoupling mechanism.

The \$132.3 million increase in cash provided by operating activities at NW Holdings was primarily driven by the factors discussed above.

NW Natural made \$20.5 million of cash contributions to its qualified defined benefit pension plans during the year ended December 31, 2024 and no cash contributions during the year ended December 31, 2023. The American Rescue Plan, which was signed into law on March 11, 2021, includes a provision for pension relief that extends the amortization period for required contributions from 7 to 15 years and provides for the stabilization of interest rates used to calculate future required contributions. The amount and timing of future contributions will depend on market interest rates and investment returns on the plans' assets. See Note 10.

NW Holdings and NW Natural have lease and purchase commitments relating to our operating activities that are financed with cash flows from operations. For information on cash flow requirements related to leases and other purchase commitments, see Note 7 and Note 16.

#### Investing Activities

<i>In millions</i>	2024	2023	2022
NW Natural cash used in investing activities	\$ (357.6)	\$ (290.5)	\$ (320.3)
NW Holdings cash used in investing activities	(429.0)	(335.5)	(435.5)

**2024 COMPARED TO 2023.** Cash used in investing activities increased \$67.2 million at NW Natural and \$93.5 million at NW Holdings, respectively. The increase at NW Natural and NW Holdings is primarily driven by higher capital expenditures as we continue to invest in our natural gas, water and wastewater utility systems. In addition, NW Natural completed the acquisition of Infrastructure Capital Holdings in 2024 and paid \$29.9 million in cash consideration.

**2023 COMPARED TO 2022.** Cash used in investing activities decreased \$29.8 million at NW Natural and \$100.0 million at NW Holdings, respectively. The decrease at NW Natural is primarily driven by a decrease in capital expenditures related to two significant information technology projects that were placed into service in the prior year.

The decrease in cash used in investing activities at NW Holdings is driven by lower capital expenditures at NW Natural and less cash used for water and wastewater acquisitions.

NW Holdings capital expenditures for 2025 are expected to be in the range of \$450 million to \$500 million and for the six-year period from 2025 to 2030 are expected to range from \$2.5 billion to \$2.7 billion. NW Natural capital expenditures for 2025 are expected to be in the range of \$330 million to \$360 million and for the six-year period from 2025 to 2030 are expected to be approximately 70% of NW Holdings expected cap-ex range. SiEnergy capital expenditures for 2025 are expected to be in the range of \$65 million to \$75 million. NW Natural Water capital expenditures for 2025 are expected to be in the range of \$55 million to \$65 million.

The timing and amount of the core capital expenditures and projects for 2025 and the next six years could change based on regulation, growth, and cost estimates. Additional investments in our infrastructure during and after 2025 that are not incorporated in the estimates provided above will depend largely on additional regulations, growth, and expansion opportunities. Required funds for the investments are expected to be internally generated or financed with long-term debt or equity, as appropriate.

#### Financing Activities

<i>In millions</i>	2024	2023	2022
NW Natural cash provided by financing activities	\$ 119.8	\$ 20.4	\$ 178.9
NW Holdings cash provided by financing activities	227.1	64.2	301.6



**2024 COMPARED TO 2023.** Cash provided by financing activities increased \$99.4 million at NW Natural primarily driven by higher short-term debt borrowings, lower long-term debt maturities and higher cash contributions from NW Holdings, partially offset by lower long-term debt issuances.

Cash provided by financing activities increased \$162.9 million at NW Holdings primarily driven by higher short-term debt borrowings and higher proceeds from common stock issuances, partially offset by higher long-term debt maturities and lower long-term debt issuances.

**2023 COMPARED TO 2022.** Cash provided by financing activities decreased \$158.5 million at NW Natural attributable to lower cash contributions from NW Holdings and the retirement of short and long-term debt, partially offset by an increase in long-term debt issuances.

Cash provided by financing activities decreased \$237.4 million at NW Holdings attributable to lower proceeds from common stock issuances and the retirement of short and long-term debt, partially offset by an increase in long-term debt issuances.

#### **Pension Cost and Funding Status of Qualified Retirement Plans**

NW Natural's pension costs are determined in accordance with accounting standards for compensation and retirement benefits. See "Application of Critical Accounting Policies and Estimates – *Pensions and Postretirement Benefits*" below. Pension expense for NW Natural's qualified defined benefit plan, which is allocated between operations and maintenance expenses and capital expenditures, totaled \$4.1 million in 2024, a change of \$6.5 million from 2023. The fair market value of pension assets in this plan increased to \$284.1 million at December 31, 2024 from \$283.4 million at December 31, 2023. The increase was due to an increase in employer contributions of \$20.5 million and a gain on plan assets of \$4.9 million, partially offset by benefit payments of \$24.6 million.

Contributions made to NW Natural's company-sponsored qualified defined benefit pension plan are based on actuarial assumptions and estimates, tax regulations, and funding requirements under federal law. The qualified defined benefit pension plan was underfunded by \$88.7 million at December 31, 2024. The American Rescue Plan, which was signed into law on March 11, 2021, includes a provision for pension relief that extends the amortization period for required contributions from 7 to 15 years and provides for the stabilization of interest rates used to calculate future required contributions. As a result, NW Natural did not make any plan contributions during 2023. NW Natural made \$20.5 million of cash contributions to its qualified defined benefit pension plans during the year ended December 31, 2024. The amount and timing of future contributions will depend on market interest rates and investment returns on the plan's assets. See Note 10 for information regarding employer contributions and estimated future benefit payments and other pension disclosures.

#### **Contingent Liabilities**

Loss contingencies are recorded as liabilities when it is probable that a liability has been incurred and the amount of the loss is reasonably estimable in accordance with accounting standards for contingencies. See "Application of Critical Accounting Policies and Estimates—*Environmental Contingencies*" below. At December 31, 2024, NW Natural's total estimated liability related to environmental sites was \$160.0 million. See Note 17 and "Results of Operations—Regulatory Matters—Rate Mechanisms—*Environmental Cost Deferral and Recovery*" above.

#### **New Accounting Pronouncements**

For a description of recent accounting pronouncements that may have an impact on our financial condition, results of operations, or cash flows, see Note 2.

#### **APPLICATION OF CRITICAL ACCOUNTING POLICIES AND ESTIMATES**

In preparing financial statements in accordance with U.S. GAAP, management exercises judgment to assess the potential outcomes and related accounting impacts in the selection and application of accounting principles, including making estimates and assumptions that affect reported amounts of assets, liabilities, revenues, expenses, and related disclosures in the financial statements. Management considers critical accounting policies to be those which are most important to the representation of financial condition and results of operations and which require management's most difficult and subjective or complex judgments, including accounting estimates that could result in materially different amounts if reported under different conditions or used different assumptions. Our most critical estimates and judgments for both NW Holdings and NW Natural include accounting for:

- regulatory accounting;
- revenue recognition;
- derivative instruments and hedging activities;
- pensions and postretirement benefits;
- income taxes;
- environmental contingencies; and
- impairment of long-lived assets and goodwill.

Management has discussed its current estimates and judgments used in the application of critical accounting policies with the Audit Committees of the Boards of NW Holdings and NW Natural. Within the context of critical accounting policies and estimates, management is not aware of any reasonably likely events or circumstances that would result in materially different amounts being reported.

**Regulatory Accounting**

The NGD segment is regulated by the OPUC and WUTC, which establish the rates designed to recover specific costs of providing regulatory services, and, to a certain extent, set forth special accounting treatment for certain regulatory transactions for which NW Natural records regulatory assets and liabilities. In general, the same accounting principles as non-regulated companies reporting under U.S. GAAP are used. However, authoritative guidance for regulated operations (regulatory accounting) requires different accounting treatment for regulated companies to show the effects of such regulation. For example, NW Natural accounts for the cost of gas using a PGA deferral and cost recovery mechanism, which is submitted for approval annually to the OPUC and WUTC. See "Results of Operations—Regulatory Matters—Rate Mechanisms—*Purchased Gas Adjustment*" above. There are other expenses and revenues that the OPUC or WUTC may require NW Natural to defer for recovery or refund in future periods. Regulatory accounting requires NW Natural to account for these types of deferred expenses (or deferred revenues) as regulatory assets (or regulatory liabilities) on the balance sheet. When the recovery of these regulatory assets from, or refund of regulatory liabilities to, customers is approved, NW Natural recognizes the expense or revenue on the income statement at the same time the adjustment to amounts is included in rates charged to customers.

The conditions that must be satisfied to adopt the accounting policies and practices of regulatory accounting include:

- an independent regulator sets rates;
- the regulator sets the rates to cover specific costs of delivering service; and
- the service territory lacks competitive pressures to reduce rates below the rates set by the regulator.

Because NW Natural's NGD operations satisfy all three conditions, NW Natural continues to apply regulatory accounting to NGD operations. Future accounting changes, regulatory changes, or changes in the competitive environment could require NW Natural to discontinue the application of regulatory accounting for some or all of our regulated businesses. This would require the write-off of those regulatory assets and liabilities that would no longer be probable of recovery from or refund to customers.

Based on current accounting and regulatory competitive conditions, NW Natural believes it is reasonable to expect continued application of regulatory accounting for NGD activities. Further, it is reasonable to expect the recovery or refund of NW Natural's regulatory assets and liabilities at December 31, 2024 through future customer rates. If it is determined that all or a portion of these regulatory assets or liabilities no longer meet the criteria for continued application of regulatory accounting, then NW Natural would be required to write-off the net unrecoverable balances against earnings in the period such determination is made. The net balance in regulatory asset and liability accounts was a net liability of \$333.4 million and a net liability of \$268.2 million as of December 31, 2024 and 2023, respectively. See Note 2 for more detail on regulatory balances.

**Revenue Recognition**

Revenues, which are derived primarily from the sale, transportation, and storage of natural gas, are recognized upon the delivery of gas commodity or services rendered to customers.

**Accrued Unbilled Revenue**

For a description of the policy regarding accrued unbilled revenue, most of which relates to the NGD business at NW Natural, see Note 2. The following table presents changes in key metrics if the estimated percentage of unbilled volume at December 31 was adjusted up or down by 1%:

In millions	2024			
	Up 1%		Down 1%	
Unbilled revenue increase (decrease) <sup>(1)</sup>	\$	1.4	\$	(1.4)
Margin increase (decrease) <sup>(1)</sup>		0.2		(0.2)
Net income before tax increase (decrease) <sup>(1)</sup>		0.1		(0.1)

<sup>(1)</sup> Includes impact of regulatory mechanisms including decoupling mechanism and excludes the impact of unbilled revenue from water services.

**Derivative Instruments and Hedging Activities**

NW Holdings and NW Natural have financial derivative policies that set forth guidelines for using financial derivative instruments to support prudent risk management strategies. These policies specifically prohibit the use of derivatives for speculative purposes. Financial derivative contracts are utilized to hedge most of our natural gas sale requirements. These contracts include swaps, options, and combinations of option contracts. NW Natural primarily uses these derivative financial instruments to manage commodity price variability. A small portion of NW Natural's derivative hedging strategy involves foreign currency exchange contracts.

Derivative instruments are recorded on the balance sheet at fair value. If certain regulatory conditions are met, then the derivative instrument fair value is recorded together with an offsetting entry to a regulatory asset or liability account pursuant to

regulatory accounting, and no unrealized gain or loss is recognized in current income or loss. See "Regulatory Accounting" above for additional information. The gain or loss from the fair value of a derivative instrument subject to regulatory deferral is included in the recovery from, or refund to, NGD business customers in future periods. If a derivative contract is not subject to regulatory deferral, then the accounting treatment for unrealized gains and losses is recorded in accordance with accounting standards for derivatives and hedging which is either in current income or loss or in accumulated other comprehensive income or loss (AOCI or AOCL). Derivative contracts outstanding at December 31, 2024, 2023 and 2022 were measured at fair value using models or other market accepted valuation methodologies derived from observable market data. Estimates of fair value may change significantly from period-to-period depending on market conditions, notional amounts, and prices. These changes may have an impact on results of operations, but the impact would generally be mitigated due to the majority of derivative activities being subject to regulatory deferral treatment. For more information on derivative activity and associated regulatory treatment, see Note 2 and Note 15.

The following table summarizes the amount of gains (losses) realized from commodity price transactions for the last three years:

<i>In millions</i>	2024	2023	2022
NGD business net gain (loss) on commodity swaps	\$ (119.2)	\$ 125.5	\$ 107.8

Realized gains and losses from commodity hedges shown above were recorded in cost of gas and were, or will be, included in annual PGA rates.

NWN Water also used financial derivatives to hedge interest rate risk in the form of a pay-fixed interest rate swap. Unrealized gains and losses related to the interest rate swap agreement qualifies for cash flow hedge accounting and are recorded in AOCI on the consolidated balance sheet.

#### **Pensions and Postretirement Benefits**

NW Natural maintains a qualified non-contributory defined benefit pension plan, non-qualified supplemental pension plans for eligible executive officers and certain key employees, and other postretirement employee benefit plans covering certain non-union employees. NW Natural also has a qualified defined contribution plan (Retirement K Savings Plan) for all eligible employees. Only the qualified defined benefit pension plan and Retirement K Savings Plan have plan assets, which are held in qualified trusts to fund the respective retirement benefits. The qualified defined benefit retirement plan for union and non-union employees was closed to new participants several years ago. Non-union and union employees hired or re-hired after December 31, 2006 and 2009, respectively, and employees of certain NW Holdings subsidiaries are provided an enhanced Retirement K Savings Plan benefit. The postretirement Welfare Benefit Plan for non-union employees was also closed to new participants several years ago.

Net periodic pension and postretirement benefit costs (retirement benefit costs) and projected benefit obligations (benefit obligations) are determined using a number of key assumptions, including discount rates, rate of compensation increases, retirement ages, mortality rates and an expected long-term return on plan assets. See Note 10.

The vested benefit obligation for the defined benefit pension plan is the actuarial present value of the vested benefits to which the employee is entitled based on the employee's expected date of separation or retirement based on valuation assumptions.

Accounting standards also require balance sheet recognition of unamortized actuarial gains and losses and prior service costs in AOCI or AOCL, net of tax. However, the retirement benefit costs related to qualified defined benefit pension and postretirement benefit plans are generally recovered in rates charged to NGD customers, which are set based on accounting standards for pensions and postretirement benefit expenses. As such, NW Natural received approval from the OPUC to recognize the unamortized actuarial gains and losses and prior service costs as a regulatory asset or regulatory liability based on expected rate recovery, rather than including it as AOCI or AOCL under common equity. See "Regulatory Accounting" above and Note 2, "Industry Regulation."

A number of factors, as discussed above, are considered in developing pension and postretirement benefit assumptions. For the December 31, 2024 measurement date, NW Natural reviewed and updated:

- the weighted-average discount rate assumptions for pensions increased from 4.98% for 2023 to 5.56% for 2024, and the weighted-average discount rate assumptions for other postretirement benefits increased from 4.98% for 2023 to 5.53% for 2024. The new rate assumptions were determined for each plan based on a matching of benchmark interest rates to the estimated cash flows, which reflect the timing and amount of future benefit payments. Benchmark interest rates are drawn from the FTSE Above Median Curve, which consists of high quality bonds rated AA- or higher by S&P or Aa3 or higher by Moody's;
- the expected annual rate of future compensation is separately determined for bargaining unit and non-bargaining unit employees. The rate assumption ranges from 4.8% to 5.1% in 2025 and thereafter;
- the expected long-term return on qualified defined benefit plan assets remained the same at 7.50% in 2023 and 2024; and
- other key assumptions, which were based on actual plan experience and actuarial recommendations.

At December 31, 2024, the net pension liability (benefit obligations less market value of plan assets) for the defined benefit pension plan decreased \$20.5 million compared to 2023. The decrease in the net pension liability is primarily due to the \$19.8 million decrease to the pension benefit obligation and the \$0.7 million increase in plan assets. The liability for non-qualified plans decreased \$0.1 million and the liability for other postretirement benefits increased \$0.6 million in 2024.

The expected long-term rate of return on assets is based on a forward-looking capital markets model along with the defined benefit pension plan current and target asset allocation. The model inputs are based on future expected long-term total returns and historical volatilities for various asset classes, along with their historical correlations. The model considers current investment-grade yields for fixed income investments, and the same plus a risk premium for riskier assets such as common stocks.

NW Natural believes its pension assumptions are appropriate based on plan design and an assessment of market conditions. The following shows the sensitivity of retirement benefit costs and benefit obligations to changes in certain actuarial assumptions:

<i>Dollars in millions</i>	Change in Assumption	Impact on 2024 Retirement Benefit Costs	Impact on Retirement Benefit Obligations at Dec. 31, 2024
Discount rate:	(0.25)%		
Qualified defined benefit plans		\$ 1.1	\$ 9.7
Non-qualified plans		—	0.1
Other postretirement benefits		—	0.5
Expected long-term return on plan assets:	(0.25)%		
Qualified defined benefit plans		0.8	N/A

## Income Taxes

### Valuation Allowances

Deferred tax assets are recognized to the extent that these assets are believed to be more likely than not to be realized. In making such a determination, available positive and negative evidence is considered, including future reversals of existing taxable temporary differences, projected future taxable income, tax-planning strategies, and results of recent operations. NW Holdings and NW Natural have determined that all recorded deferred tax assets are more likely than not to be realized as of December 31, 2024. See Note 11.

### Uncertain Tax Benefits

The calculation of tax liabilities involves dealing with uncertainties in the application of complex tax laws and regulations in the jurisdictions in which we operate. A tax benefit from a material uncertain tax position will only be recognized when it is more likely than not that the position, or some portion thereof, will be sustained upon examination, including resolution of any related appeals or litigation processes, on the basis of the technical merits. NW Holdings and NW Natural participate in the Compliance Assurance Process (CAP) with the Internal Revenue Service (IRS). Under the CAP program companies work with the IRS to identify and resolve material tax matters before the federal income tax return is filed each year. No reserves for uncertain tax benefits were recorded during 2024, 2023, or 2022. See Note 11.

### Tax Legislation

When significant proposed or enacted changes in income tax rules occur, we consider whether there may be a material impact to our financial position, results of operations, cash flows, or whether the changes could materially affect existing assumptions used in making estimates of tax related balances.

The final tangible property regulations applicable to all taxpayers were issued on September 13, 2013 and were generally effective for taxable years beginning on or after January 1, 2014. In April 2023, the IRS published Revenue Procedure 2023-15 that provides a safe harbor method of income tax accounting for determining when expenditures for natural gas transmission and distribution property must be capitalized or are allowable as repair deductions. We have evaluated this new safe harbor and do not believe that the safe harbor method is materially different from NW Natural's current repairs methodology or that this additional guidance would have a material effect on our financial condition and results of operations.

### Regulatory Matters

Regulatory tax assets and liabilities are recorded to the extent it is probable they will be recoverable from, or refunded to, customers in the future. At December 31, 2024 and 2023, NW Natural had net regulatory income tax assets of \$5.8 million and \$8.0 million, respectively, representing future rate recovery of deferred tax liabilities resulting from differences in NGD plant financial statement and tax bases and NGD plant removal costs. These regulatory assets are currently being recovered through customer rates. At December 31, 2024 and 2023, regulatory income tax assets of \$6.0 million and \$4.9 million, respectively, were recorded by NW Natural, representing future rate recovery of deferred tax liabilities resulting from the equity portion of AFUDC. These regulatory assets are currently being recovered through customer rates.

At December 31, 2024 and 2023, regulatory liability balances, representing the estimated net benefit to NGD customers resulting from the change in deferred taxes as a result of the Tax Cut and Jobs Act (TCJA), of \$169.5 million and \$174.2 million, respectively, were recorded by NW Natural. These balances include a gross up for income taxes of \$44.9 million and \$46.1 million, respectively. These regulatory liabilities are currently being amortized as a reduction in customer rates.

#### **Environmental Contingencies**

Environmental liabilities are accounted for in accordance with accounting standards under the loss contingency guidance when it is probable that a liability has been incurred and the amount of the loss is reasonably estimable. Amounts recorded for environmental contingencies take numerous factors into consideration, including, among other variables, changes in enacted laws, regulatory orders, estimated remediation costs, interest rates, insurance proceeds, participation by other parties, timing of payments, and the input of legal counsel and third-party experts. Accordingly, changes in any of these variables or other factual circumstances could have a material impact on the amounts recorded for our environmental liabilities. For a complete discussion of environmental accounting policies refer to Note 2. For a discussion of current environmental sites and liabilities refer to Note 17. In addition, for information regarding the regulatory treatment of these costs and NW Natural's regulatory recovery mechanism, see "Results of Operations—Regulatory Matters—Rate Mechanisms—*Environmental Cost Deferral and Recovery*" above.

#### **Impairment of Long-Lived Assets and Goodwill**

##### **Long-Lived Assets**

We review the carrying value of long-lived assets whenever events or changes in circumstances indicate the carrying amount of the assets might not be recoverable. Factors that would necessitate an impairment assessment of long-lived assets include a significant adverse change in the extent or manner in which the asset is used, a significant adverse change in legal factors or business climate that could affect the value of the asset, or a significant decline in the observable market value or expected future cash flows of the asset, among others.

When such factors are present, we assess the recoverability by determining whether the carrying value of the asset will be recovered through expected future cash flows. An asset is determined to be impaired when the carrying value of the asset exceeds the expected undiscounted future cash flows from the use and eventual disposition of the asset. If an impairment is indicated, we record an impairment loss for the difference between the carrying value and the fair value of the long-lived assets. Fair value is estimated using appropriate valuation methodologies, which may include an estimate of discounted cash flows.

##### **Goodwill and Business Combinations**

In a business combination, goodwill is initially measured as any excess of the acquisition-date fair value of the consideration transferred over the acquisition-date fair value of the net identifiable assets acquired.

The carrying value of goodwill is reviewed annually during the fourth quarter, or whenever events or changes in circumstance indicate that such carrying values may not be recoverable.

NW Holdings' policy for goodwill assessments begins with a qualitative analysis in which events and circumstances are evaluated, including macroeconomic conditions, industry and market conditions, regulatory environments, and the overall financial performance of the reporting unit. If the qualitative assessment indicates that the carrying value may be at risk of recoverability, a quantitative evaluation is performed to measure the carrying value against the fair value of the reporting unit. This evaluation may involve the assessment of future cash flows and other subjective factors for which uncertainty exists and could impact the estimation of future cash flows. These factors include, but are not limited to, the amount and timing of future cash flows, future growth rates, and the discount rate. Unforeseen events and changes in circumstances or market conditions could adversely affect these estimates, which could result in an impairment charge. A qualitative assessment was performed during the fourth quarter of 2024 which indicated a quantitative assessment was not required; thus, no goodwill impairment was recorded. See Note 2 and Note 14 for additional information.

Business combinations are accounted for using the acquisition method. The cost of an acquisition is measured as the aggregate of the consideration transferred, measured at fair value at the acquisition date, and the fair value of any non-controlling interest in the acquiree. Acquisition-related costs are expensed as incurred. When NW Natural acquires a business, it assesses the financial assets acquired and liabilities assumed for appropriate classification and designation in accordance with the contractual terms, economic circumstances and pertinent conditions as of the acquisition date. When there is substantial judgment or uncertainty around the fair value of acquired assets, we may engage a third party expert to assist in determining the fair values of certain assets or liabilities.



## ITEM 7A. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

NW Holdings and NW Natural are exposed to various forms of market risk including commodity supply risk, commodity price risk, interest rate risk, foreign currency risk, credit risk and weather risk. The following describes NW Holdings' and NW Natural's exposure to these risks, as applicable.

### **Commodity Supply Risk**

NW Natural enters into spot, short-term, and long-term natural gas supply contracts, along with associated pipeline transportation contracts, to manage commodity supply risk. NW Natural has arranged for physical delivery of an adequate supply of gas, including gas in its Mist storage facility and other off-system storage facilities, to meet expected requirements of core NGD customers. NW Natural's long-term gas supply contracts are primarily index-based and subject to monthly re-pricing, a strategy that is intended to substantially mitigate credit exposure to physical gas counterparties. Absolute notional amounts under physical gas contracts related to open positions on derivative instruments were 561 million therms and 572 million therms as of December 31, 2024 and 2023, respectively.

### **Commodity Price Risk**

Natural gas commodity prices are subject to market fluctuations due to unpredictable factors including weather, pipeline transportation congestion, drilling technologies, market speculation, governmental tariffs and other factors that affect supply and demand. Commodity price risk is primarily hedged with financial swaps, storage and physical gas reserves from a long-term investment in working interests in gas leases operated by Jonah Energy. These hedges are generally included in NW Natural's annual PGA filing for recovery, subject to a regulatory prudence review. Notional amounts under financial derivative contracts were \$303.7 million and \$405.7 million as of December 31, 2024 and 2023, respectively. The fair value of financial swaps, based on market prices at December 31, 2024, was an unrealized loss of \$82.7 million, which would result in cash outflows of \$71.3 million in 2025, \$10.0 million in 2026, and \$1.4 million in 2027.

### **Interest Rate Risk**

NW Holdings and NW Natural are exposed to interest rate risk primarily associated with debt financing needed to fund capital requirements, including future contractual obligations and maturities of long-term and short-term debt. Interest rate risk is primarily managed through the issuance of fixed-rate debt with varying maturities. NW Holdings and NW Natural may also enter into financial derivative instruments, including interest rate swaps, options and other hedging instruments, to manage and mitigate interest rate exposure. NW Holdings and NWN Water entered into interest rate swaps transactions for a total notional amount of \$155 million to manage variable interest rate risk in December 2022. Unrealized gains related to these interest rate swap agreements totaled \$0.2 million and \$0.2 million, net of tax, as of December 31, 2024 and 2023, respectively.

### **Foreign Currency Risk**

The costs of certain pipeline fees are subject to changes in the value of the Canadian currency in relation to the U.S. currency. Foreign currency forward contracts are used to hedge against fluctuations in exchange rates for NW Natural's commodity-related demand and reservation charges paid in Canadian dollars. Notional amounts under foreign currency forward contracts were \$10.3 million and \$11.9 million as of December 31, 2024 and 2023, respectively. If all of the foreign currency forward contracts had been settled on December 31, 2024, a loss of \$0.5 million would have been realized. See Note 15.

### **Credit Risk**

#### **Credit Exposure to Natural Gas Suppliers**

Certain gas suppliers have either relatively low credit ratings or are not rated by major credit rating agencies. To manage this supply risk, NW Natural purchases gas from a number of different suppliers at liquid exchange points. NW Natural evaluates and monitors suppliers' creditworthiness and maintains the ability to require additional financial assurances, including deposits, letters of credit, or surety bonds, in case a supplier defaults. In the event of a supplier's failure to deliver contracted volumes of gas, the NGD business would need to replace those volumes at prevailing market prices, which may be higher or lower than the original transaction prices. NW Natural expects these costs would be subject to its PGA sharing mechanism discussed above. Since most of NW Natural's commodity supply contracts are priced at the daily or monthly market index price tied to liquid exchange points, and NW Natural has adequate storage flexibility, NW Natural believes it is unlikely a supplier default would have a material adverse effect on its financial condition or results of operations.

#### **Credit Exposure to Financial Derivative Counterparties**

NW Natural did not have any counterparty credit exposure related to commodity swap counterparties based on their estimated fair value at December 31, 2024. NW Natural does not have credit exposure to financial commodity swap derivative counterparties when the value of contracts in an unrealized loss position exceeds that of contracts in an unrealized gain position. The net unrealized loss position occurs when forward market prices are lower than our hedge prices. NW Natural's credit exposure also includes interest rate swap and foreign exchange forward counterparties, neither of which were significant at December 31, 2024. NW Natural's financial derivatives policy requires counterparties to have at least an investment-grade credit rating at the time the derivative instrument is entered into and specific limits on the potential financial exposure and duration based on each counterparty's credit rating. NW Natural actively monitors and manages derivative credit exposure and places counterparties on hold for trading purposes or requires cash collateral, letters of credit, or guarantees as circumstances warrant.

The following table summarizes NW Natural's overall financial swap and option credit exposure, based on estimated fair value, and the corresponding counterparty credit ratings. The table uses credit ratings from S&P and Moody's, reflecting the higher of the S&P or Moody's rating or a middle rating if the entity is split-rated with more than one rating level difference:

In millions	Financial Derivative Position by Credit Rating Unrealized Fair Value Gain (Loss)			
	2024		2023	
AA/Aa	\$	(71.9)	\$	(100.7)
A/A		(10.8)		(14.8)
Total	\$	(82.7)	\$	(115.5)

In most cases, NW Natural also mitigates the credit risk of financial derivatives by having master netting arrangements with counterparties which provide for making or receiving net cash settlements. Transactions of the same type in the same currency that have settlement on the same day with a single counterparty are netted and a single payment is delivered or received depending on which party is due funds.

Additionally, NW Natural has master contracts in place with each derivative counterparty, most of which include provisions for posting or calling for collateral. Generally, NW Natural can obtain cash or marketable securities as collateral with one day's notice. Various collateral management strategies are used to reduce liquidity risk. The collateral provisions vary by counterparty but are not expected to result in the significant posting of collateral, if any. NW Natural has performed stress tests on the gas portfolio and concluded the liquidity risk from collateral calls is not material. Derivative credit exposure is primarily with investment grade counterparties rated AA-/Aa3 or higher. Contracts are diversified by counterparty, industry, sector and country to reduce credit and liquidity risk.

At December 31, 2024, financial derivative commodity credit risk on a volumetric basis was geographically concentrated 17% in the United States and 83% in Canada, based on counterparties' location. At December 31, 2023, financial derivative commodity credit risk on a volumetric basis was geographically concentrated 24% in the United States and 76% in Canada with our counterparties.

#### Credit Exposure to Insurance Companies

Credit exposure to insurance companies for loss or damage claims could be material. NW Holdings and NW Natural regularly monitor the financial condition of insurance companies who provide general liability insurance policy coverage to NW Holdings, NW Natural, their predecessors, and their subsidiaries.

#### Weather Risk

NW Natural has a weather normalization mechanism in Oregon; however, it is exposed to weather risk primarily from NGD business operations. A large percentage of NGD margin is volume driven, and current rates are based on an assumption of average weather. NW Natural's weather normalization mechanism in Oregon is for residential and small commercial customers, which is intended to stabilize the recovery of NGD business fixed costs and reduce fluctuations in customers' bills due to colder or warmer than average weather. Customers in Oregon are allowed to opt out of the weather normalization mechanism. As of December 31, 2024, approximately 7% of Oregon customers had opted out. In addition to the Oregon customers opting out, Washington customers account for approximately 12% of our total customer base and are not covered by weather normalization. The combination of Oregon and Washington customers not covered by a weather normalization mechanism is 18% of all customers. See "Results of Operations—Regulatory Matters—Rate Mechanisms—WARM" above.

## ITEM 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA

### TABLE OF CONTENTS

	Page
1. <a href="#">Management's Reports on Internal Control Over Financial Reporting</a>	<a href="#">71</a>
2. <a href="#">Reports of Independent Registered Public Accounting Firm</a> (PCAOB ID 238)	<a href="#">73</a>
3. Consolidated Financial Statements:	
<a href="#">Consolidated Statements of Comprehensive Income (Loss) of Northwest Natural Holding Company for the Years Ended December 31, 2024, 2023, and 2022</a>	<a href="#">77</a>
<a href="#">Consolidated Balance Sheets of Northwest Natural Holding Company at December 31, 2024 and 2023</a>	<a href="#">78</a>
<a href="#">Consolidated Statements of Shareholders' Equity of Northwest Natural Holding Company for the Years Ended December 31, 2024, 2023, and 2022</a>	<a href="#">80</a>
<a href="#">Consolidated Statements of Cash Flows of Northwest Natural Holding Company for the Years Ended December 31, 2024, 2023, and 2022</a>	<a href="#">81</a>
<a href="#">Consolidated Statements of Comprehensive Income (Loss) of Northwest Natural Gas Company for the Years Ended December 31, 2024, 2023, and 2022</a>	<a href="#">83</a>
<a href="#">Consolidated Balance Sheets of Northwest Natural Gas Company at December 31, 2024 and 2023</a>	<a href="#">84</a>
<a href="#">Consolidated Statements of Shareholder's Equity of Northwest Natural Gas Company for the Years Ended December 31, 2024, 2023, and 2022</a>	<a href="#">86</a>
<a href="#">Consolidated Statements of Cash Flows of Northwest Natural Gas Company for the Years Ended December 31, 2024, 2023, and 2022</a>	<a href="#">87</a>
<a href="#">Notes to Consolidated Financial Statements</a>	<a href="#">88</a>
4. Supplementary Data for the Years Ended December 31, 2024, 2023, and 2022:	
Financial Statement Schedules	
<a href="#">Schedule I - Condensed Financial Information of Northwest Natural Holding Company at December 31, 2024 and 2023, and for the Years Ended December 31, 2024, 2023, and 2022</a>	<a href="#">133</a>
<a href="#">Schedule II – Valuation and Qualifying Accounts and Reserves of Northwest Natural Holding Company and Northwest Natural Gas Company for the Years Ended December 31, 2024, 2023, and 2022</a>	<a href="#">137</a>

#### Supplemental Schedules Omitted

All other schedules are omitted because of the absence of the conditions under which they are required or because the required information is included elsewhere in the financial statements.

## NW HOLDINGS MANAGEMENT'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING

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NW Holdings management is responsible for establishing and maintaining adequate internal control over financial reporting as defined in Rules 13a-15(f) or 15d-15(f) under the Securities Exchange Act of 1934, as amended. NW Holdings' internal control over financial reporting is designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles in the United States of America (U.S. GAAP). NW Holdings' internal control over financial reporting includes those policies and procedures that:

- (i) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions involving company assets;
- (ii) provide reasonable assurance that transactions are recorded as necessary to permit the preparation of financial statements in accordance with U.S. GAAP, and that receipts and expenditures are being made only in accordance with authorizations of management and the NW Holdings Board of Directors; and
- (iii) provide reasonable assurance regarding prevention or timely detection of the unauthorized acquisition, use, or disposition of NW Holdings' assets that could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements or fraud. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

NW Holdings management assessed the effectiveness of NW Holdings' internal control over financial reporting as of December 31, 2024. In making this assessment, NW Holdings management used the criteria set forth by the Committee of Sponsoring Organizations of the Treadway Commission (COSO) in *Internal Control-Integrated Framework* (2013).

Based on NW Holdings management's assessment and those criteria, NW Holdings management has concluded that it maintained effective internal control over financial reporting as of December 31, 2024.

The effectiveness of internal control over financial reporting as of December 31, 2024 has been audited by PricewaterhouseCoopers LLP, an independent registered public accounting firm, as stated in their report which appears in this annual report.

/s/ David H. Anderson  
David H. Anderson  
Chief Executive Officer

/s/ Raymond Kaszuba III  
Raymond Kaszuba III  
Senior Vice President and Chief Financial Officer

February 28, 2025

## NW NATURAL MANAGEMENT'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING

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NW Natural management is responsible for establishing and maintaining adequate internal control over financial reporting as defined in Rules 13a-15(f) or 15d-15(f) under the Securities Exchange Act of 1934, as amended. NW Natural's internal control over financial reporting is designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles in the United States of America (U.S. GAAP). NW Natural's internal control over financial reporting includes those policies and procedures that:

- (i) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions involving company assets;
- (ii) provide reasonable assurance that transactions are recorded as necessary to permit the preparation of financial statements in accordance with U.S. GAAP, and that receipts and expenditures are being made only in accordance with authorizations of management and the NW Natural Board of Directors; and
- (iii) provide reasonable assurance regarding prevention or timely detection of the unauthorized acquisition, use, or disposition of NW Natural's assets that could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements or fraud. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

NW Natural management assessed the effectiveness of NW Natural's internal control over financial reporting as of December 31, 2024. In making this assessment, NW Natural management used the criteria set forth by the Committee of Sponsoring Organizations of the Treadway Commission (COSO) in *Internal Control-Integrated Framework* (2013).

Based on NW Natural management's assessment and those criteria, NW Natural management has concluded that it maintained effective internal control over financial reporting as of December 31, 2024.

/s/ David H. Anderson  
David H. Anderson  
Chief Executive Officer

/s/ Raymond Kaszuba III  
Raymond Kaszuba III  
Senior Vice President and Chief Financial Officer

February 28, 2025



## REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

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To the Board of Directors and Shareholders of Northwest Natural Holding Company

### **Opinions on the Financial Statements and Internal Control over Financial Reporting**

We have audited the accompanying consolidated balance sheets of Northwest Natural Holding Company and its subsidiaries (the "Company") as of December 31, 2024 and 2023, and the related consolidated statements of comprehensive income (loss), of shareholders' equity and of cash flows for each of the three years in the period ended December 31, 2024, including the related notes and financial statement schedules listed in the accompanying index (collectively referred to as the "consolidated financial statements"). We also have audited the Company's internal control over financial reporting as of December 31, 2024, based on criteria established in *Internal Control - Integrated Framework* (2013) issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO).

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of the Company as of December 31, 2024 and 2023, and the results of its operations and its cash flows for each of the three years in the period ended December 31, 2024 in conformity with accounting principles generally accepted in the United States of America. Also in our opinion, the Company maintained, in all material respects, effective internal control over financial reporting as of December 31, 2024, based on criteria established in *Internal Control - Integrated Framework* (2013) issued by the COSO.

### **Basis for Opinions**

The Company's management is responsible for these consolidated financial statements, for maintaining effective internal control over financial reporting, and for its assessment of the effectiveness of internal control over financial reporting, included in the accompanying Management's Report on Internal Control over Financial Reporting. Our responsibility is to express opinions on the Company's consolidated financial statements and on the Company's internal control over financial reporting based on our audits. We are a public accounting firm registered with the Public Company Accounting Oversight Board (United States) (PCAOB) and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audits in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the consolidated financial statements are free of material misstatement, whether due to error or fraud, and whether effective internal control over financial reporting was maintained in all material respects.

Our audits of the consolidated financial statements included performing procedures to assess the risks of material misstatement of the consolidated financial statements, whether due to error or fraud, and performing procedures that respond to those risks. Such procedures included examining, on a test basis, evidence regarding the amounts and disclosures in the consolidated financial statements. Our audits also included evaluating the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements. Our audit of internal control over financial reporting included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, and testing and evaluating the design and operating effectiveness of internal control based on the assessed risk. Our audits also included performing such other procedures as we considered necessary in the circumstances. We believe that our audits provide a reasonable basis for our opinions.

### **Definition and Limitations of Internal Control over Financial Reporting**

A company's internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A company's internal control over financial reporting includes those policies and procedures that (i) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (ii) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (iii) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company's assets that could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

**Critical Audit Matters**

The critical audit matter communicated below is a matter arising from the current period audit of the consolidated financial statements that was communicated or required to be communicated to the audit committee and that (i) relates to accounts or disclosures that are material to the consolidated financial statements and (ii) involved our especially challenging, subjective, or complex judgments. The communication of critical audit matters does not alter in any way our opinion on the consolidated financial statements, taken as a whole, and we are not, by communicating the critical audit matter below, providing a separate opinion on the critical audit matter or on the accounts or disclosures to which it relates.

**Accounting for the Effects of Regulatory Matters**

As described in Note 2 to the consolidated financial statements, there were \$512.6 million of regulatory assets and \$846.3 million of regulatory liabilities as of December 31, 2024. The Company's principal business is to operate as a holding company for Northwest Natural Gas Company ("NW Natural") and its other subsidiaries. NW Natural's principal business is the distribution of natural gas, which is regulated; the accounting records and practices of the regulated businesses conform to the requirements and uniform system of accounts prescribed by regulatory authorities. Customer rates are regulated and have approved cost-based rates which are intended to allow the Company to earn a return on invested capital. As disclosed by management, regulatory accounting requires management to account for deferred expenses (or deferred revenues) as regulatory assets (or regulatory liabilities) on the balance sheet. When the recovery of these regulatory assets from, or refund of regulatory liabilities to, customers is approved, management recognizes the expense or revenue on the income statement at the same time the adjustment to amounts is included in rates charged to customers.

The principal considerations for our determination that performing procedures relating to the Company's accounting for the effects of regulatory matters is a critical audit matter are the high degree of auditor effort in performing procedures and evaluating audit evidence related to the recovery of regulatory assets and the settlement of regulatory liabilities.

Addressing the matter involved performing procedures and evaluating audit evidence in connection with forming our overall opinion on the consolidated financial statements. These procedures included testing the effectiveness of controls relating to management's assessment of rates cases and other proceedings, including the probability of recovery of regulatory assets and the settlement of regulatory liabilities and related accounting and disclosure impacts. These procedures also included, among others (i) evaluating the reasonableness of management's assessment regarding the probability of recovery of regulatory assets and settlement of regulatory liabilities, (ii) evaluating the sufficiency of the disclosures in the consolidated financial statements, and (iii) testing, on a sample basis, the regulatory assets and liabilities, including those subject to rate cases and other proceedings, by considering the provisions and formulas outlined in rate orders, other regulatory correspondence, and the application of relevant regulatory precedents.

/s/ PricewaterhouseCoopers LLP  
Portland, Oregon  
February 28, 2025

We have served as the Company's auditor since 1997.

## REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

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To the Board of Directors and Shareholder of Northwest Natural Gas Company:

### **Opinion on the Financial Statements**

We have audited the accompanying consolidated balance sheets of Northwest Natural Gas Company and its subsidiaries (the "Company") as of December 31, 2024 and 2023, and the related consolidated statements of comprehensive income (loss), of shareholder's equity and of cash flows for each of the three years in the period ended December 31, 2024, including the related notes and financial statement schedule listed in the accompanying index (collectively referred to as the "consolidated financial statements"). In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of the Company as of December 31, 2024 and 2023, and the results of its operations and its cash flows for each of the three years in the period ended December 31, 2024 in conformity with accounting principles generally accepted in the United States of America.

### **Basis for Opinion**

These consolidated financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on the Company's consolidated financial statements based on our audits. We are a public accounting firm registered with the Public Company Accounting Oversight Board (United States) (PCAOB) and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audits of these consolidated financial statements in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the consolidated financial statements are free of material misstatement, whether due to error or fraud. The Company is not required to have, nor were we engaged to perform, an audit of its internal control over financial reporting. As part of our audits we are required to obtain an understanding of internal control over financial reporting but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control over financial reporting. Accordingly, we express no such opinion.

Our audits included performing procedures to assess the risks of material misstatement of the consolidated financial statements, whether due to error or fraud, and performing procedures that respond to those risks. Such procedures included examining, on a test basis, evidence regarding the amounts and disclosures in the consolidated financial statements. Our audits also included evaluating the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements. We believe that our audits provide a reasonable basis for our opinion.

### **Critical Audit Matters**

The critical audit matter communicated below is a matter arising from the current period audit of the consolidated financial statements that was communicated or required to be communicated to the audit committee and that (i) relates to accounts or disclosures that are material to the consolidated financial statements and (ii) involved our especially challenging, subjective, or complex judgments. The communication of critical audit matters does not alter in any way our opinion on the consolidated financial statements, taken as a whole, and we are not, by communicating the critical audit matter below, providing a separate opinion on the critical audit matter or on the accounts or disclosures to which it relates.

#### *Accounting for the Effects of Regulatory Matters*

As described in Note 2 to the consolidated financial statements, there were \$511.8 million of regulatory assets and \$845.2 million of regulatory liabilities as of December 31, 2024. The Company's principal business is the distribution of natural gas, which is regulated; the accounting records and practices of the regulated businesses conform to the requirements and uniform system of accounts prescribed by regulatory authorities. Customer rates are regulated and have approved cost-based rates which are intended to allow the Company to earn a return on invested capital. As disclosed by management, regulatory accounting requires management to account for deferred expenses (or deferred revenues) as regulatory assets (or regulatory liabilities) on the balance sheet. When the recovery of these regulatory assets from, or refund of regulatory liabilities to, customers is approved, management recognizes the expense or revenue on the income statement at the same time the adjustment to amounts is included in rates charged to customers.

The principal considerations for our determination that performing procedures relating to the Company's accounting for the effects of regulatory matters is a critical audit matter are the high degree of auditor effort in performing audit procedures and evaluating audit evidence obtained related to the recovery of regulatory assets and the settlement of regulatory liabilities.

Addressing the matter involved performing procedures and evaluating audit evidence in connection with forming our overall opinion on the consolidated financial statements. These procedures included testing the effectiveness of controls relating to management's assessment of rates cases and other proceedings, including the probability of recovery of regulatory assets and the settlement of regulatory liabilities and related accounting and disclosure impacts. These procedures also included, among others (i) evaluating the reasonableness of management's assessment regarding the probability of recovery of regulatory assets and settlement of regulatory liabilities, (ii) evaluating the sufficiency of the disclosures in the consolidated financial statements,

and (iii) testing, on a sample basis, the regulatory assets and liabilities, including those subject to rate cases and other proceedings, by considering the provisions and formulas outlined in rate orders, other regulatory correspondence, and the application of relevant regulatory precedents.

/s/ PricewaterhouseCoopers LLP  
Portland, Oregon  
February 28, 2025

We have served as the Company's auditor since 1997.

**NORTHWEST NATURAL HOLDING COMPANY**  
**CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME (LOSS)**

<i>In thousands, except per share data</i>	Year Ended December 31,		
	2024	2023	2022
Operating revenues	\$ 1,152,994	\$ 1,197,475	\$ 1,037,353
Operating expenses:			
Cost of gas	412,382	499,837	429,635
Operations and maintenance	294,658	273,766	224,667
Environmental remediation	14,054	12,899	12,389
General taxes	48,672	46,248	41,031
Revenue taxes	48,343	48,671	41,826
Depreciation	137,898	125,581	116,707
Other operating expenses	5,845	5,532	3,621
Total operating expenses	961,852	1,012,534	869,876
Income from operations	191,142	184,941	167,477
Other income (expense), net	(1,108)	17,855	1,203
Interest expense, net	80,092	76,566	53,247
Income before income taxes	109,942	126,230	115,433
Income tax expense	31,071	32,362	29,130
Net income	78,871	93,868	86,303
Other comprehensive income (loss):			
Change in employee benefit plan liability, net of taxes of \$40 for 2024, \$443 for 2023, and \$(1,511) for 2022	(399)	(1,233)	4,195
Amortization of non-qualified employee benefit plan liability, net of taxes of \$(210) for 2024, \$(148) for 2023, and \$(286) for 2022	584	410	795
Unrealized (loss) gain on interest rate swaps, net of taxes of \$13 for 2024, \$(21) for 2023, and \$(47) for 2022	(36)	59	129
Comprehensive income	\$ 79,020	\$ 93,104	\$ 91,422
Average common shares outstanding:			
Basic	38,809	36,213	33,934
Diluted	38,869	36,265	33,984
Earnings per share of common stock:			
Basic	\$ 2.03	\$ 2.59	\$ 2.54
Diluted	2.03	2.59	2.54

See Notes to Consolidated Financial Statements



**NORTHWEST NATURAL HOLDING COMPANY**  
CONSOLIDATED BALANCE SHEETS

<i>In thousands</i>	As of December 31,	
	2024	2023
<b>Assets:</b>		
<b>Current assets:</b>		
Cash and cash equivalents	\$ 38,490	\$ 32,920
Accounts receivable	124,480	121,341
Accrued unbilled revenue	94,400	83,138
Allowance for uncollectible accounts	(3,474)	(3,455)
Regulatory assets	130,116	178,270
Derivative instruments	6,628	11,380
Inventories	106,954	112,571
Other current assets	60,180	65,275
<b>Total current assets</b>	<b>557,774</b>	<b>601,440</b>
<b>Non-current assets:</b>		
Property, plant, and equipment	4,918,919	4,556,609
Less: Accumulated depreciation	1,246,592	1,198,555
<b>Total property, plant, and equipment, net</b>	<b>3,672,327</b>	<b>3,358,054</b>
Regulatory assets	382,499	333,443
Derivative instruments	535	431
Other investments	82,236	102,951
Operating lease right of use asset, net	68,626	71,308
Assets under sales-type leases	125,653	129,882
Goodwill	183,804	163,344
Other non-current assets	160,862	106,239
<b>Total non-current assets</b>	<b>4,676,542</b>	<b>4,265,652</b>
<b>Total assets</b>	<b>\$ 5,234,316</b>	<b>\$ 4,867,092</b>

See Notes to Consolidated Financial Statements

# NORTHWEST NATURAL HOLDING COMPANY

## CONSOLIDATED BALANCE SHEETS

In thousands, except share information	As of December 31,	
	2024	2023
Liabilities and equity:		
Current liabilities:		
Short-term debt	\$ 170,110	\$ 89,780
Current maturities of long-term debt	30,787	150,865
Accounts payable	133,270	145,361
Taxes accrued	16,176	15,454
Interest accrued	18,220	15,836
Regulatory liabilities	116,180	84,962
Derivative instruments	75,272	98,661
Operating lease liabilities	1,840	2,333
Other current liabilities	87,162	93,626
Total current liabilities	649,017	696,878
Long-term debt	1,679,355	1,425,435
Deferred credits and other non-current liabilities:		
Deferred tax liabilities	397,149	382,673
Regulatory liabilities	730,117	695,896
Pension and other postretirement benefit liabilities	130,397	158,116
Derivative instruments	13,307	28,055
Operating lease liabilities	75,914	77,167
Other non-current liabilities	173,689	119,034
Total deferred credits and other non-current liabilities	1,520,573	1,460,941
Commitments and contingencies (see Note 16 and Note 17)		
Equity:		
Common stock - no par value; authorized 100,000,000 shares; issued and outstanding 40,222,305 and 37,631,212 at December 31, 2024 and 2023, respectively	989,346	890,976
Retained earnings	402,925	399,911
Accumulated other comprehensive loss	(6,900)	(7,049)
Total equity	1,385,371	1,283,838
Total liabilities and equity	\$ 5,234,316	\$ 4,867,092

See Notes to Consolidated Financial Statements

**NORTHWEST NATURAL HOLDING COMPANY**  
**CONSOLIDATED STATEMENTS OF SHAREHOLDERS' EQUITY**

<i>In thousands</i>	Common Stock	Retained Earnings	Accumulated Other Comprehensive Income (Loss)	Total Equity
Balance at December 31, 2021	\$ 590,771	\$ 355,779	\$ (11,404)	\$ 935,146
Comprehensive income (loss)	—	86,303	5,119	91,422
Dividends on common stock, \$1.93 per share	—	(65,609)	—	(65,609)
Stock-based compensation	3,228	—	—	3,228
Shares issued pursuant to equity based plans	2,978	—	—	2,978
Issuance of common stock, net of issuance costs	208,276	—	—	208,276
Balance at December 31, 2022	805,253	376,473	(6,285)	1,175,441
Comprehensive income (loss)	—	93,868	(764)	93,104
Dividends on common stock, \$1.94 per share	—	(70,430)	—	(70,430)
Stock-based compensation	3,598	—	—	3,598
Shares issued in connection with business combinations	12,884	—	—	12,884
Shares issued pursuant to equity based plans	2,328	—	—	2,328
Issuance of common stock, net of issuance costs	66,913	—	—	66,913
Balance at December 31, 2023	890,976	399,911	(7,049)	1,283,838
Comprehensive income (loss)	—	78,871	149	79,020
Dividends on common stock, \$1.95 per share	—	(75,857)	—	(75,857)
Shares issued in connection with business combinations	1,429	—	—	1,429
Stock-based compensation	3,231	—	—	3,231
Shares issued pursuant to equity based plans	3,156	—	—	3,156
Issuance of common stock, net of issuance costs	90,554	—	—	90,554
Balance at December 31, 2024	<u>\$ 989,346</u>	<u>\$ 402,925</u>	<u>\$ (6,900)</u>	<u>\$ 1,385,371</u>

See Notes to Consolidated Financial Statements

**NORTHWEST NATURAL HOLDING COMPANY**  
CONSOLIDATED STATEMENTS OF CASH FLOWS

<i>In thousands</i>	Year Ended December 31,		
	2024	2023	2022
Operating activities:			
Net income	\$ 78,871	\$ 93,868	\$ 86,303
Adjustments to reconcile net income to cash provided by operations:			
Depreciation	137,898	125,581	116,707
Amortization	20,162	17,641	15,873
Deferred income taxes	11,366	8,966	17,410
Qualified defined benefit pension plan expense (benefit)	4,062	(2,430)	5,351
Contributions to qualified defined benefit pension plans	(20,460)	—	—
Deferred environmental expenditures, net	(23,307)	(26,052)	(18,160)
Environmental remediation expense	14,054	12,899	12,389
Asset optimization revenue sharing bill credits	(28,874)	(10,471)	(41,102)
Regulatory disallowance of line extension allowances	13,700	—	—
Other	10,799	8,548	11,274
Changes in assets and liabilities:			
Receivables, net	(15,302)	50,977	(76,454)
Inventories	(2,735)	(24,105)	(29,269)
Income and other taxes	809	(1,246)	6,908
Accounts payable	(14,144)	(39,958)	24,508
Deferred gas costs	38,129	52,371	12,334
Asset optimization revenue sharing	14,539	22,637	28,937
Decoupling mechanism	5,173	(11,415)	10,922
Cloud-based software	(22,393)	(16,307)	(23,908)
Regulatory accounts	12,292	4,617	(5,784)
RNG facility prepayment	(51,427)	—	—
Other, net	17,070	13,828	(6,567)
Cash provided by operating activities	200,282	279,949	147,672
Investing activities:			
Capital expenditures	(394,400)	(327,347)	(338,602)
Acquisitions, net of cash acquired	(29,816)	(7,533)	(94,279)
Purchase of equity method investment	(1,000)	(1,000)	(1,000)
Other	(3,770)	383	(1,579)
Cash used in investing activities	(428,986)	(335,497)	(435,460)

	Year Ended December 31,		
	2024	2023	2022
Financing activities:			
Proceeds from common stock issued, net	90,374	66,495	208,561
Long-term debt issued	285,000	330,000	290,000
Long-term debt retired	(150,000)	(90,000)	—
Changes in other short-term debt, net	80,330	(168,540)	(131,300)
Cash dividend payments on common stock	(72,852)	(67,340)	(62,771)
Payment of financing fees	(3,290)	(2,200)	(912)
Shares withheld for tax purposes	(1,319)	(1,313)	(1,141)
Other	(1,181)	(2,894)	(805)
Cash provided by financing activities	227,062	64,208	301,632
(Decrease) increase in cash, cash equivalents and restricted cash	(1,642)	8,660	13,844
Cash, cash equivalents and restricted cash, beginning of period	49,624	40,964	27,120
Cash, cash equivalents and restricted cash, end of period	<u>\$ 47,982</u>	<u>\$ 49,624</u>	<u>\$ 40,964</u>
Supplemental disclosure of cash flow information:			
Interest paid, net of capitalization	\$ 71,233	\$ 80,197	\$ 50,823
Income taxes paid, net of refunds	19,394	24,263	2,779
Non-cash activities:			
Shares issued in connection with business combinations	\$ 1,429	\$ 12,884	\$ —
Debt assumed in connection with business combinations	—	3,131	—

See Notes to Consolidated Financial Statements



**NORTHWEST NATURAL GAS COMPANY**  
**CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME (LOSS)**

<i>In thousands</i>	Year Ended December 31,		
	2024	2023	2022
Operating revenues	\$ 1,100,497	\$ 1,158,623	\$ 1,014,339
Operating expenses:			
Cost of gas	412,320	500,061	429,861
Operations and maintenance	256,995	244,669	204,845
Environmental remediation	14,054	12,899	12,389
General taxes	46,953	44,980	40,151
Revenue taxes	48,037	48,432	41,627
Depreciation	129,602	119,514	112,957
Other operating expenses	2,809	2,423	3,135
Total operating expenses	910,770	972,978	844,965
Income from operations	189,727	185,645	169,374
Other income (expense), net	(2,818)	15,358	(436)
Interest expense, net	63,273	60,594	46,338
Income before income taxes	123,636	140,409	122,600
Income tax expense	34,618	35,672	31,036
Net income	89,018	104,737	91,564
Other comprehensive income (loss):			
Change in employee benefit plan liability, net of taxes of \$40 for 2024, \$443 for 2023, and \$(1,511) for 2022	(399)	(1,233)	4,195
Amortization of non-qualified employee benefit plan liability, net of taxes of \$(210) for 2024, \$(148) for 2023, and \$(286) for 2022	584	410	795
Comprehensive income	\$ 89,203	\$ 103,914	\$ 96,554

See Notes to Consolidated Financial Statements

# NORTHWEST NATURAL GAS COMPANY

## CONSOLIDATED BALANCE SHEETS

<i>In thousands</i>	As of December 31,	
	2024	2023
Assets:		
Current assets:		
Cash and cash equivalents	\$ 19,961	\$ 19,841
Accounts receivable	119,976	117,216
Accrued unbilled revenue	91,508	81,524
Receivables from affiliates	591	824
Allowance for uncollectible accounts	(2,788)	(3,228)
Regulatory assets	130,091	178,270
Derivative instruments	6,563	11,184
Inventories	105,031	110,855
Other current assets	53,781	60,138
Total current assets	524,714	576,624
Non-current assets:		
Property, plant, and equipment	4,706,719	4,393,759
Less: Accumulated depreciation	1,222,413	1,181,962
Total property, plant, and equipment, net	3,484,306	3,211,797
Regulatory assets	381,682	333,418
Derivative instruments	394	373
Other investments	63,938	86,145
Operating lease right of use asset, net	68,115	70,728
Assets under sales-type leases	125,653	129,882
Other non-current assets	107,493	102,410
Total non-current assets	4,231,581	3,934,753
Total assets	\$ 4,756,295	\$ 4,511,377

See Notes to Consolidated Financial Statements

# NORTHWEST NATURAL GAS COMPANY

## CONSOLIDATED BALANCE SHEETS

<i>In thousands</i>	As of December 31,	
	2024	2023
Liabilities and equity:		
Current liabilities:		
Short-term debt	\$ 136,510	\$ 16,780
Current maturities of long-term debt	29,992	—
Accounts payable	125,359	138,111
Payables to affiliates	3,487	14,850
Taxes accrued	15,759	15,293
Interest accrued	15,018	15,111
Regulatory liabilities	116,047	84,912
Derivative instruments	75,272	98,661
Operating lease liabilities	1,653	2,128
Other current liabilities	85,723	89,371
Total current liabilities	604,820	475,217
Long-term debt	1,335,407	1,364,732
Deferred credits and other non-current liabilities:		
Deferred tax liabilities	382,686	371,867
Regulatory liabilities	729,172	694,947
Pension and other postretirement benefit liabilities	130,397	158,116
Derivative instruments	13,307	28,055
Operating lease liabilities	75,591	76,757
Other non-current liabilities	160,865	109,066
Total deferred credits and other non-current liabilities	1,492,018	1,438,808
Commitments and contingencies (see Note 16 and Note 17)		
Equity:		
Common stock	719,903	644,903
Retained earnings	611,199	594,954
Accumulated other comprehensive loss	(7,052)	(7,237)
Total equity	1,324,050	1,232,620
Total liabilities and equity	\$ 4,756,295	\$ 4,511,377

See Notes to Consolidated Financial Statements

**NORTHWEST NATURAL GAS COMPANY**  
**CONSOLIDATED STATEMENTS OF SHAREHOLDER'S EQUITY**

<i>In thousands</i>	Common Stock	Retained Earnings	Accumulated Other Comprehensive Income (Loss)	Total Equity
Balance at December 31, 2021	\$ 435,515	\$ 553,696	\$ (11,404)	\$ 977,807
Comprehensive income (loss)	—	91,564	4,990	96,554
Dividends on common stock	—	(62,667)	—	(62,667)
Capital contribution from parent	179,388	—	—	179,388
Balance at December 31, 2022	614,903	582,593	(6,414)	1,191,082
Comprehensive income (loss)	—	104,737	(823)	103,914
Dividends on common stock	—	(92,376)	—	(92,376)
Capital contributions from parent	30,000	—	—	30,000
Balance at December 31, 2023	644,903	594,954	(7,237)	1,232,620
Comprehensive income (loss)	—	89,018	185	89,203
Dividends on common stock	—	(72,773)	—	(72,773)
Capital contributions from parent	75,000	—	—	75,000
Balance at December 31, 2024	<u>\$ 719,903</u>	<u>\$ 611,199</u>	<u>\$ (7,052)</u>	<u>\$ 1,324,050</u>

See Notes to Consolidated Financial Statements

# NORTHWEST NATURAL GAS COMPANY

## CONSOLIDATED STATEMENTS OF CASH FLOWS

In thousands	Year Ended December 31,		
	2024	2023	2022
Operating activities:			
Net income	\$ 89,018	\$ 104,737	\$ 91,564
Adjustments to reconcile net income to cash provided by operations:			
Depreciation	129,602	119,514	112,957
Amortization	19,692	17,282	15,678
Deferred income taxes	7,544	2,855	16,288
Qualified defined benefit pension plan expense (benefit)	4,062	(2,430)	5,351
Contributions to qualified defined benefit pension plans	(20,460)	—	—
Deferred environmental expenditures, net	(23,307)	(26,052)	(18,160)
Environmental remediation expense	14,054	12,899	12,389
Asset optimization revenue sharing bill credits	(28,874)	(10,471)	(41,102)
Regulatory disallowance of line extension allowances	13,700	—	—
Other	9,823	8,276	10,359
Changes in assets and liabilities:			
Receivables, net	(13,374)	51,391	(75,177)
Inventories	(2,327)	(23,884)	(28,890)
Income and other taxes	(11,204)	4,124	6,729
Accounts payable	(20,687)	(43,531)	21,375
Deferred gas costs	38,129	52,371	12,334
Asset optimization revenue sharing	14,539	22,637	28,937
Decoupling mechanism	5,173	(11,415)	10,922
Cloud-based software	(22,392)	(16,307)	(23,908)
Regulatory accounts	12,921	4,645	(5,796)
Other, net	15,109	15,227	(6,659)
Cash provided by operating activities	230,741	281,868	145,191
Investing activities:			
Capital expenditures	(353,906)	(290,845)	(318,686)
Other	(3,725)	384	(1,579)
Cash used in investing activities	(357,631)	(290,461)	(320,265)
Financing activities:			
Long-term debt issued	—	330,000	140,000
Long-term debt retired	—	(90,000)	—
Changes in other short-term debt, net	119,730	(153,420)	(75,300)
Cash contributions received from parent	75,000	30,000	179,388
Cash dividend payments on common stock	(72,773)	(92,376)	(62,667)
Payment of financing fees	(311)	(2,080)	(843)
Shares withheld for tax purposes	(1,319)	(1,313)	(1,141)
Other	(529)	(369)	(524)
Cash provided by financing activities	119,798	20,442	178,913
(Decrease) increase in cash, cash equivalents and restricted cash	(7,092)	11,849	3,839
Cash, cash equivalents and restricted cash, beginning of period	36,520	24,671	20,832
Cash, cash equivalents and restricted cash, end of period	\$ 29,428	\$ 36,520	\$ 24,671
Supplemental disclosure of cash flow information:			
Interest paid, net of capitalization	\$ 56,989	\$ 64,054	\$ 44,813
Income taxes paid, net of refunds	38,720	27,745	5,990

See Notes to Consolidated Financial Statements

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

### 1. ORGANIZATION AND PRINCIPLES OF CONSOLIDATION

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The accompanying consolidated financial statements represent the respective, consolidated financial results of NW Holdings and NW Natural and all respective companies that each registrant directly or indirectly controls, either through majority ownership or otherwise. This is a combined report of NW Holdings and NW Natural, which includes separate consolidated financial statements for each registrant.

NW Natural's regulated natural gas distribution activities are reported in the natural gas distribution (NGD) segment. The NGD segment is NW Natural's core operating business and serves residential, commercial, and industrial customers in Oregon and southwest Washington. The NGD segment is the only reportable segment for NW Holdings and NW Natural. All other activities, water, wastewater and water services businesses, and other investments are aggregated and reported as other at their respective registrant.

NW Holdings and NW Natural consolidate all entities in which they have a controlling financial interest. Investments in corporate joint ventures and partnerships that NW Holdings does not directly or indirectly control, and for which it is not the primary beneficiary, include NNG Financial's investment in Kelso-Beaver Pipeline and NWN Water's investment in Avion Water Company, Inc., which are accounted for under the equity method. See Note 13 for activity related to investments. NW Holdings and its direct and indirect subsidiaries are collectively referred to herein as NW Holdings, and NW Natural and its direct and indirect subsidiaries are collectively referred to herein as NW Natural. The consolidated financial statements of NW Holdings and NW Natural are presented after elimination of all intercompany balances and transactions.

Notes to the consolidated financial statements reflect the activity for both NW Holdings and NW Natural for all periods presented, unless otherwise noted. Certain reclassifications have been made to conform prior period information to the current presentation. The reclassifications did not have a material effect on our consolidated financial statements.

### 2. SIGNIFICANT ACCOUNTING POLICIES

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#### Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles in the United States of America (U.S. GAAP) requires management to make estimates and assumptions that affect reported amounts in the consolidated financial statements and accompanying notes. Actual amounts could differ from those estimates, and changes would most likely be reported in future periods. Management believes the estimates and assumptions used are reasonable.

#### Industry Regulation

NW Holdings' principal business is to operate as a holding company for NW Natural and its other subsidiaries. NW Natural's principal business is the distribution of natural gas, which is regulated by the OPUC and WUTC. NW Natural also has natural gas storage services, which are regulated by the FERC, and to a certain extent by the OPUC and WUTC. Additionally, certain of NW Holdings' subsidiaries own water businesses, which are regulated by the public utility commission in the state in which the water utility is located, which is currently Oregon, Washington, Idaho, Texas and Arizona. Wastewater businesses, to the extent they are regulated, are generally regulated by the public utility commissions in the state in which the wastewater utility is located, which is currently Texas and Arizona. Accounting records and practices of the regulated businesses conform to the requirements and uniform system of accounts prescribed by these regulatory authorities in accordance with U.S. GAAP. The businesses in which customer rates are regulated have approved cost-based rates which are intended to allow such businesses to earn a reasonable return on invested capital.

In applying regulatory accounting principles, NW Holdings and NW Natural capitalize or defer certain costs and revenues as regulatory assets and liabilities pursuant to orders of the applicable state public utility commission, which provide for the recovery of revenues or expenses from, or refunds to, utility customers in future periods, including a return or a carrying charge in certain cases.



Amounts NW Natural deferred as regulatory assets and liabilities were as follows:

<i>In thousands</i>	Regulatory Assets	
	2024	2023
<b>NW Natural:</b>		
Current:		
Unrealized loss on derivatives <sup>(1)</sup>	\$ 75,272	\$ 98,661
Gas costs	5,340	9,301
Environmental costs <sup>(2)</sup>	10,746	9,950
Decoupling <sup>(3)</sup>	—	2,288
Pension balancing <sup>(4)</sup>	7,131	7,131
Income taxes	2,208	2,208
Washington Climate Commitment Act compliance	7,778	20,537
COVID-19 deferrals and expenses, net	778	9,685
Security and systems improvements	2,711	3,267
Industrial demand side management <sup>(5)</sup>	8,551	6,964
Other <sup>(6)</sup>	9,576	8,278
Total current - NW Natural	130,091	178,270
<b>Other (NW Holdings)</b>	25	—
Total current - NW Holdings	\$ 130,116	\$ 178,270
Non-current:		
Unrealized loss on derivatives <sup>(1)</sup>	\$ 13,307	\$ 28,055
Pension balancing <sup>(4)</sup>	21,681	27,460
Income taxes	9,560	10,731
Pension and other postretirement benefit liabilities	111,236	114,010
Environmental costs <sup>(2)</sup>	167,086	118,619
Gas costs	1,442	1,917
Decoupling <sup>(3)</sup>	—	1,017
Washington Climate Commitment Act compliance	22,136	—
COVID-19 deferrals and expenses, net	927	1,080
Security and systems improvements	8,531	9,734
Industrial demand side management <sup>(5)</sup>	7,390	5,554
Other <sup>(6)</sup>	18,386	15,241
Total non-current - NW Natural	381,682	333,418
<b>Other (NW Holdings)</b>	817	25
Total non-current - NW Holdings	\$ 382,499	\$ 333,443

In thousands	Regulatory Liabilities	
	2024	2023
<b>NW Natural:</b>		
Current:		
Gas costs	\$ 35,947	\$ 6,375
Unrealized gain on derivatives <sup>(1)</sup>	6,563	11,184
Decoupling <sup>(3)</sup>	8,726	7,612
Income taxes	4,726	4,726
Asset optimization revenue sharing	17,500	31,583
Washington Climate Commitment Act proceeds	36,595	17,199
Other <sup>(6)</sup>	5,990	6,233
Total current - NW Natural	116,047	84,912
<b>Other (NW Holdings)</b>	133	50
Total current - NW Holdings	\$ 116,180	\$ 84,962
Non-current:		
Gas costs	\$ 14,220	\$ 8,556
Unrealized gain on derivatives <sup>(1)</sup>	394	373
Decoupling <sup>(3)</sup>	2,872	2,118
Income taxes <sup>(7)</sup>	164,759	169,485
Accrued asset removal costs <sup>(8)</sup>	526,526	496,235
Asset optimization revenue sharing	2,073	2,325
Other <sup>(6)</sup>	18,328	15,855
Total non-current - NW Natural	729,172	694,947
<b>Other (NW Holdings)</b>	945	949
Total non-current - NW Holdings	\$ 730,117	\$ 695,896

<sup>(1)</sup> Unrealized gains or losses on derivatives are non-cash items and therefore do not earn a rate of return or a carrying charge. These amounts are recoverable through natural gas distribution rates as part of the annual Purchased Gas Adjustment (PGA) mechanism when realized at settlement.

<sup>(2)</sup> Refer to the Environmental Cost Deferral and Recovery table in Note 17 for a description of environmental costs.

<sup>(3)</sup> This deferral represents the margin adjustment resulting from differences between actual and expected volumes.

<sup>(4)</sup> Balance represents deferred net periodic benefit costs as approved by the OPUC.

<sup>(5)</sup> Energy efficiency program for industrial sales customers in Oregon to provide assistance with reducing their gas usage.

<sup>(6)</sup> Balances consist of deferrals and amortizations under approved regulatory mechanisms and typically earn a rate of return or carrying charge.

<sup>(7)</sup> Balance represents excess deferred income tax benefits subject to regulatory flow-through. See Note 11.

<sup>(8)</sup> Estimated costs of removal on certain regulated properties are collected through rates. See "Accounting Policies—Plant, Property, and Accrued Asset Removal Costs" below.

The amortization period for NW Natural's regulatory assets and liabilities ranges from less than one year to an indeterminable period. Regulatory deferrals for gas costs payable are generally amortized over 12 months beginning each November 1 following the gas contract year during which the deferred gas costs are recorded. Similarly, most other regulatory deferred accounts are amortized over 12 months. However, certain regulatory account balances, such as income taxes, environmental costs, pension liabilities, and accrued asset removal costs, are large and tend to be amortized over longer periods once NW Natural has agreed upon an amortization period with the respective regulatory agency.

We believe all costs incurred and deferred at December 31, 2024 are prudent. All regulatory assets are reviewed annually for recoverability, or more often if circumstances warrant. If we should determine that all or a portion of these regulatory assets no longer meet the criteria for continued application of regulatory accounting, then NW Holdings and NW Natural would be required to write-off the net unrecoverable balances in the period such determination is made.

Regulatory interest income of \$5.4 million and \$6.5 million and regulatory interest expense of \$4.0 million and \$2.9 million was recognized within other income (expense), net for the years ended December 31, 2024 and 2023, respectively.

#### Environmental Regulatory Accounting

See Note 17 for information about the SRRM and OPUC orders regarding implementation.

#### New Accounting Standards

NW Natural and NW Holdings consider the applicability and impact of all accounting standards updates (ASUs) issued by the Financial Accounting Standards Board (FASB). ASUs not listed below were assessed and determined to be either not applicable or are expected to have minimal impact on consolidated financial position or results of operations.

#### Recently Issued Accounting Pronouncements

**JOINT VENTURE FORMATIONS.** In August 2023, the FASB issued ASU 2023-05, which requires a joint venture to initially measure all contributions received upon its formation at fair value. The standard is effective for all joint venture entities with a formation date on or after January 1, 2025, with early adoption permitted. The adoption of this standard is not anticipated to have a material impact on our results of operations, liquidity or capital resources.

**SEGMENT REPORTING.** In November 2023, the FASB issued ASU 2023-07, which requires additional disclosures about significant segment expenses. The disclosures were required beginning with this annual report for the year ending December 31, 2024. The adoption of this standard did not have an impact on our results of operations, liquidity or capital resources. See Note 4.

**IMPROVEMENTS TO INCOME TAX DISCLOSURES.** In December 2023, the FASB issued ASU 2023-09, which requires additional disclosures about income taxes. The disclosures are required beginning with our annual report for the year ending December 31, 2025. The adoption of this standard is not anticipated to have an impact on our results of operations, liquidity or capital resources.

**DISAGGREGATION OF EXPENSE DISCLOSURES.** In November 2024, the FASB issued ASU 2024-03, which requires additional disclosures of disaggregated income statement expenses. The disclosures are required beginning with our annual report for the year ending December 31, 2027. The adoption of this standard is not anticipated to have an impact on our results of operations, liquidity, or capital resources.

#### Recent Securities and Exchange Commission (SEC) Final Rules

**INSIDER TRADING ARRANGEMENTS.** In December 2022, the SEC adopted the final rule under SEC Release No. 33-11138, Insider Trading Arrangements and Related Disclosures, which requires new disclosures regarding insider trading policies and procedures, the use of certain insider trading plans and director and executive compensation regarding equity compensation awards made close in time to disclosure of material nonpublic information. The policy was included as an exhibit to our annual report for the year ending December 31, 2024.

**CLIMATE CHANGE.** In March 2024, the SEC issued a final rule under SEC Release Nos. 33-11275 and 34-99678, The Enhancement and Standardization of Climate-Related Disclosures for Investors, which requires registrants to provide climate disclosures in their annual reports. Under the final rule, disclosures are required beginning with our annual report for the year ending December 31, 2025. In April 2024, the SEC voluntarily stayed implementation of the climate rule pending completion of judicial review of challenges to the rules consolidated in the Eighth Circuit Court of Appeals. We are currently evaluating the impact of this final rule on our disclosures.

#### Accounting Policies

The accounting policies discussed below apply to both NW Holdings and NW Natural.

##### Plant, Property, and Accrued Asset Removal Costs

Plant and property are stated at cost, including capitalized labor, materials, and overhead. In accordance with regulatory accounting standards, the cost of acquiring and constructing long-lived plant and property generally includes an allowance for funds used during construction (AFUDC) or capitalized interest. AFUDC represents the regulatory financing cost incurred when debt and equity funds are used for construction (see "AFUDC" below). When constructed assets are subject to market-based rates rather than cost-based rates, the financing costs incurred during construction are included in capitalized interest in accordance with U.S. GAAP, not as regulatory financing costs under AFUDC.

In accordance with long-standing regulatory treatment, our depreciation rates consist of three components: one based on the average service life of the asset, a second based on the estimated salvage value of the asset, and a third based on the asset's estimated cost of removal. We collect, through rates, the estimated cost of removal on certain regulated properties through depreciation expense, with a corresponding offset to accumulated depreciation. These removal costs are non-legal obligations as defined by regulatory accounting guidance. Therefore, we have included these costs as non-current regulatory liabilities rather than as accumulated depreciation on our consolidated balance sheets. In the rate setting process, the liability for removal costs is treated as a reduction to the net rate base on which the NGD business has the opportunity to earn its allowed rate of return.

The costs of NGD plant retired or otherwise disposed of are removed from NGD plant and charged to accumulated depreciation for recovery or refund through future rates. Gains from the sale of regulated assets are generally deferred and refunded to customers. For assets not related to NGD, we record a gain or loss upon the disposal of the property, and the gain or loss is recorded in operating income or loss in the consolidated statements of comprehensive income.

The provision for depreciation of NGD property, plant, and equipment is recorded under the group method on a straight-line basis with rates computed in accordance with depreciation studies approved by regulatory authorities. The weighted-average depreciation rate for NGD assets in service was approximately 2.9% for 2024, and 3.0% for 2023 and 2022, reflecting the approximate weighted-average economic life of the property. This includes 2024 weighted-average depreciation rates for the

following asset categories: 2.5% for transmission and distribution plant, 2.3% for gas storage facilities, 4.7% for general plant, and 6.1% for intangible and other fixed assets.

**AFUDC.** Certain additions to NGD and water plant include AFUDC, which represents the net cost of debt and equity funds used during construction. AFUDC is calculated using actual interest rates for debt and authorized rates for ROE, if applicable. If short-term debt balances are less than the total balance of construction work in progress, then a composite AFUDC rate is used to represent interest on all debt funds, shown as a reduction to interest charges, and on ROE funds, shown as other income. While cash is not immediately recognized from recording AFUDC, it is realized in future years through rate recovery resulting from the higher cost of service. Our NGD composite AFUDC rate was 6.4% in 2024, 7.5% in 2023, and 2.8% in 2022.

**IMPAIRMENT OF LONG-LIVED ASSETS.** We review the carrying value of long-lived assets whenever events or changes in circumstances indicate the carrying amount of the assets may not be recoverable. Factors that would necessitate an impairment assessment of long-lived assets include a significant adverse change in the extent or manner in which the asset is used, a significant adverse change in legal factors or business climate that could affect the value of the asset, or a significant decline in the observable market value or expected future cash flows of the asset, among others.

When such factors are present, we assess the recoverability by determining whether the carrying value of the asset will be recovered through expected future cash flows. An asset is determined to be impaired when the carrying value of the asset exceeds the expected undiscounted future cash flows from the use and eventual disposition of the asset. If an impairment is indicated, we record an impairment loss for the difference between the carrying value and the fair value of the long-lived assets. Fair value is estimated using appropriate valuation methodologies, which may include an estimate of discounted cash flows.

#### Cash and Cash Equivalents

Cash and cash equivalents include cash on hand plus highly liquid investment accounts with original maturity dates of three months or less. These investments are readily convertible to cash with fair value approximating cost.

At December 31, 2024, NW Holdings had outstanding checks of \$3.9 million, substantially all of which is recorded at NW Natural, and at December 31, 2023, NW Holdings had \$7.5 million of outstanding checks. These balances are included in accounts payable in the NW Holdings and NW Natural balance sheets.

#### Restricted Cash

Restricted cash is primarily comprised of funds from public purpose charges for programs that assist low-income customers with bill payments or energy efficiency. These balances are included in other current assets in the NW Holdings and NW Natural balance sheets.

The following table provides a reconciliation of the cash, cash equivalents and restricted cash balances at NW Holdings as of December 31, 2024 and 2023:

<i>In thousands</i>	December 31,	
	2024	2023
Cash and cash equivalents	\$ 38,490	\$ 32,920
Restricted cash included in other current assets	9,492	16,704
Cash, cash equivalents and restricted cash	<u>\$ 47,982</u>	<u>\$ 49,624</u>

The following table provides a reconciliation of the cash, cash equivalents and restricted cash balances at NW Natural as of December 31, 2024 and 2023:

<i>In thousands</i>	December 31,	
	2024	2023
Cash and cash equivalents	\$ 19,961	\$ 19,841
Restricted cash included in other current assets	9,467	16,679
Cash, cash equivalents and restricted cash	<u>\$ 29,428</u>	<u>\$ 36,520</u>

#### Revenue Recognition and Accrued Unbilled Revenue

Revenues, derived primarily from the sale and transportation of natural gas, are recognized upon delivery of gas or water, or service to customers. Revenues include accruals for gas or water delivered but not yet billed to customers based on estimates of deliveries from meter reading dates to month end (accrued unbilled revenue). Accrued unbilled revenue is dependent upon a number of factors that require management's judgment, including total natural gas receipts and deliveries, customer use of natural gas or water by billing cycle, and weather factors. Accrued unbilled revenue is reversed the following month when actual billings occur. NW Holdings' accrued unbilled revenue at December 31, 2024 and 2023 was \$94.4 million and \$83.1 million, respectively, substantially all of which is accrued unbilled revenue at NW Natural.

Revenues not related to NGD are derived primarily from Interstate Storage Services, asset management activities at the Mist gas storage facility, and other investments and business activities. At the Mist underground storage facility, revenues are primarily firm service revenues in the form of fixed monthly reservation charges. In addition, we also have asset management service revenue from an independent energy marketing company that optimizes commodity, storage, and pipeline capacity release transactions. Under this agreement, guaranteed asset management revenue is recognized using a straight-line, pro-rata methodology over the term of each contract. Revenues earned above the guaranteed amount are recognized as they are earned.

#### Revenue Taxes

Revenue-based taxes are primarily franchise taxes, which are collected from customers and remitted to taxing authorities. Revenue taxes are included in operating expenses in the statements of comprehensive income for NW Holdings and NW Natural. Revenue taxes at NW Holdings were \$48.3 million, \$48.7 million, and \$41.8 million for 2024, 2023, and 2022, respectively.

#### Accounts Receivable and Allowance for Uncollectible Accounts

Accounts receivable consist primarily of amounts due for natural gas sales and transportation services to NGD customers, plus amounts due for gas storage services. NW Holdings and NW Natural establish allowances for uncollectible accounts (allowance) for trade receivables, including accrued unbilled revenue, based on the aging of receivables, collection experience of past due account balances including payment plans, and historical trends of write-offs as a percent of revenues. A specific allowance is established and recorded for large individual customer receivables when amounts are identified as unlikely to be partially or fully recovered. Inactive accounts are written-off against the allowance after they are 120 days past due or when deemed uncollectible. Differences between the estimated allowance and actual write-offs will occur based on a number of factors, including changes in economic conditions, customer creditworthiness, and natural gas prices. The allowance for uncollectible accounts is adjusted quarterly, as necessary, based on information currently available.

**ALLOWANCE FOR TRADE RECEIVABLES.** The payment term of our NGD receivables is generally 15 days. For these short-term receivables, it is not expected that forecasted economic conditions would significantly affect the loss estimates under stable economic conditions. For extreme situations like a financial crisis, natural disaster, and the economic slowdown caused by the COVID-19 pandemic, we enhanced our review and analysis.

For the residential and commercial uncollectible provision, we primarily followed our standard methodology, which includes assessing historical write-off trends and current information on delinquent accounts. Beginning October 1, 2022, new collection rules from the OPUC applied to residential and commercial customers. This included enhanced protections for low-income customers, a return to pre-pandemic time payment arrangements terms, revised disconnection rules during the heating season, and other items. As a result of these Oregon rule changes and our recent collection process experience, we augmented our provision review for accounts in the following categories: closed or inactive accounts aged less than 120 days, accounts on payment plans, and all other open accounts not on payment plans. For industrial accounts, we continue to assess the provision on an account-by-account basis with specific reserves taken as necessary. NW Natural will continue to closely monitor and evaluate our accounts receivable and the provision for uncollectible accounts.

The following table presents the activity related to the NW Holdings provision for uncollectible accounts by pool, substantially all of which is related to NW Natural's accounts receivable:

	As of December 31, 2023		Year ended December 31, 2024		As of December 31, 2024		
<i>In thousands</i>	Beginning Balance		Provision recorded, net of adjustments		Write-offs recognized, net of recoveries		Ending Balance
Allowance for uncollectible accounts:							
Residential	\$	2,397	\$	1,271	\$	(1,544)	\$ 2,124
Commercial		501		31		(396)	136
Industrial		65		(44)		(1)	20
Accrued unbilled and other		265		373		(130)	508
Total NW Natural		3,228		1,631		(2,071)	2,788
Other - NW Holdings		227		652		(193)	686
Total NW Holdings	\$	3,455	\$	2,283	\$	(2,264)	\$ 3,474

**ALLOWANCE FOR NET INVESTMENTS IN SALES-TYPE LEASES.** NW Natural currently holds two net investments in sales-type leases, with substantially all of the net investment balance related to the North Mist natural gas storage agreement with Portland General Electric (PGE) which is billed under an OPUC-approved rate schedule. See Note 7 for more information on the North Mist lease. Due to the nature of this service, PGE may recover the costs of the lease through general rate cases. Therefore, we expect the risk of loss due to the credit of this lessee to be remote. As such, no allowance for uncollectibility was recorded for our



sales-type lease receivables. NW Natural will continue monitoring the credit health of the lessees and the overall economic environment, including the economic factors closely tied to the financial health of our current and future lessees.

#### Inventories

NGD gas inventories, which consist of natural gas in storage for NGD customers, are stated at the lower of weighted-average cost or net realizable value. The regulatory treatment of these inventories provides for cost recovery in customer rates. NGD gas inventories injected into storage are priced in inventory based on actual purchase costs, and those withdrawn from storage are charged to cost of gas during the period they are withdrawn at the weighted-average inventory cost.

Gas storage inventories mainly consist of natural gas received as fuel-in-kind from storage customers. Gas storage inventories are valued at the lower of average cost or net realizable value. Cushion gas is not included in inventory balances, is recorded at original cost, and is classified as a long-term plant asset.

Materials and supplies inventories consist of inventories both related to and unrelated to NGD and are stated at the lower of average cost or net realizable value.

NW Natural's NGD and gas storage inventories totaled \$37.9 million and \$47.2 million at December 31, 2024 and 2023, respectively. At December 31, 2024 and 2023, NW Holdings' materials and supplies inventories, which are comprised primarily of NW Natural's materials and supplies, totaled \$24.8 million and \$25.6 million, respectively.

During 2024 and 2023, NW Natural entered into certain agreements to purchase renewable thermal certificates (RTCs). RTCs are initially recorded at cost and subsequently assessed for impairment based on the lower-of-cost or market model. NW Natural's RTCs inventory totaled \$0.4 million and \$0.5 million at December 31, 2024 and 2023, respectively.

#### Greenhouse Gas Allowances

**WASHINGTON.** NW Natural is subject to greenhouse gas (GHG) emission reduction requirements under the Washington Climate Commitment Act (CCA) regulations. Under Washington's CCA, emission reduction compliance mechanisms include: 1) allowances distributed at no cost by the state, 2) purchasing allowances at state-run auctions or secondary markets, 3) purchasing carbon offsets, and 4) supplying alternative gaseous fuels, such as renewable natural gas and hydrogen.

NW Natural will account for all purchased Washington allowances as inventory at the lower of cost or market. Any compliance instruments or allowances that are acquired through government allocations at no cost will be accounted for as inventory at no cost. As of December 31, 2024 and 2023, NW Natural had \$43.9 million and \$39.3 million of emissions allowances for compliance in Washington recorded as inventory, respectively.

The CCA allows for the sale of compliance instruments or allowances, and as a result, should NW Natural sell these it will recognize revenue when title to the instrument or allowance is transferred to a counterparty, and NW Natural will recognize expense at the time of recognition of the related sale. During the years ended December 31, 2024 and 2023 NW Natural consigned no-cost allowances to Washington auctions and received \$8.5 million and \$17.1 million, respectively, in cash, which proceeds were recorded as a regulatory liability for the benefit of customers.

We measure the compliance obligation, which is based on emissions, at the carrying value of inventory held plus the fair value of any additional emission allowances NW Natural would need to purchase to satisfy the obligations. Under the Washington program, NW Natural recognized a liability of \$29.9 million and \$19.9 million as of December 31, 2024 and 2023, respectively. A portion of the costs to comply with the Washington program are currently being recovered from utility customers through rates beginning January 1, 2024. NW Natural recognized \$29.9 million and \$20.5 million of deferred costs as of December 31, 2024 and 2023, respectively.

**OREGON.** In November 2024, the Environmental Quality Commission adopted the Climate Protection Program (CPP). The CPP sets enforceable and declining limits, or caps, on GHG emissions from fossil fuels used throughout Oregon. The first compliance period starts January 1, 2025 and covers emissions through the end of 2027.

#### Gas Reserves

Gas reserves are payments to acquire and produce natural gas reserves. Gas reserves are stated at cost, adjusted for regulatory amortization, with the associated deferred tax benefits recorded as liabilities on the balance sheet. The current portion is calculated based on expected gas deliveries within the next fiscal year. NW Natural recognizes regulatory amortization of this asset on a volumetric basis calculated using the estimated gas reserves and the estimated therms extracted and sold each month. The amortization of gas reserves is recorded to cost of gas along with gas production revenues and production costs. See Note 13.

#### Derivatives

NW Natural's derivatives are measured at fair value and recognized as either assets or liabilities on the balance sheet. Changes in the fair value of the derivatives are recognized in earnings unless specific regulatory or hedge accounting criteria are met. Accounting for derivatives and hedges provides an exception for contracts intended for normal purchases and normal sales for



which physical delivery is probable. In addition, certain derivative contracts are approved by regulatory authorities for recovery or refund through customer rates. Accordingly, the changes in fair value of these approved contracts are deferred as regulatory assets or liabilities pursuant to regulatory accounting principles. NW Natural's financial derivatives generally qualify for deferral under regulatory accounting.

Derivative contracts entered into for NGD requirements after the annual PGA rate has been set and transacted during the PGA year are subject to the PGA incentive sharing mechanism. In Oregon, NW Natural participates in a PGA sharing mechanism under which it is required to select either an 80% or 90% deferral of higher or lower gas costs such that the impact on current earnings from the gas cost sharing is either 20% or 10% of gas cost differences compared to PGA prices, respectively. For each of the PGA years in Oregon beginning November 1, 2024, 2023, and 2022, NW Natural selected the 90% deferral of gas cost differences. In Washington, 100% of the differences between the PGA prices and actual gas costs are deferred. See Note 15.

NW Holdings and NW Natural have financial derivative policies that set forth guidelines for using selected derivative products to support prudent risk management strategies within designated parameters. NW Natural's objective for using derivatives is to decrease the volatility of gas prices, interest rates, foreign currency, and cash flows without speculative risk. The use of derivatives is permitted only after the risk exposures have been identified, are determined to exceed acceptable tolerance levels, and are determined necessary to support normal business activities. NW Natural does not enter into derivative instruments for trading purposes. All commodity and foreign exchange derivatives are currently held at NW Natural, and an interest rate swap is held at NWN Water.

#### Fair Value

In accordance with fair value accounting, we use the following fair value hierarchy for determining inputs for our debt, pension plan assets, and derivative fair value measurements:

- Level 1: Valuation is based on quoted prices for identical instruments traded in active markets;
- Level 2: Valuation is based on quoted prices for similar instruments in active markets, quoted prices for identical or similar instruments in markets that are not active, and model-based valuation techniques for which all significant assumptions are observable in the market; and
- Level 3: Valuation is generated from model-based techniques that use significant assumptions not observable in the market. These unobservable assumptions reflect our own estimates of assumptions market participants would use in valuing the asset or liability.

In addition, the fair value for certain pension trust investments is determined using Net Asset Value per share (NAV) as a practical expedient, and therefore they are not classified within the fair value hierarchy. These investments primarily consist of institutional commingled funds.

When developing fair value measurements, it is our policy to use quoted market prices whenever available or to maximize the use of observable inputs and minimize the use of unobservable inputs when quoted market prices are not available. Fair values are primarily developed using industry-standard models that consider various inputs including: (a) quoted future prices for commodities; (b) forward currency prices; (c) time value; (d) volatility factors; (e) current market and contractual prices for underlying instruments; (f) market interest rates and yield curves; (g) credit spreads; and (h) other relevant economic measures. NW Natural considers liquid points for natural gas hedging to be those points for which there are regularly published prices in a nationally recognized publication or where the instruments are traded on an exchange.

#### Goodwill and Business Combinations

NW Holdings, through its wholly-owned subsidiary NWN Water and NWN Water's wholly-owned subsidiaries, has completed various acquisitions that resulted in the recognition of goodwill. Goodwill is measured as the excess of the acquisition-date fair value of the consideration transferred over the acquisition-date fair value of the net identifiable assets assumed. Adjustments are recorded during the measurement period to finalize the allocation of the purchase price. The carrying value of goodwill is reviewed annually during the fourth quarter, or whenever events or changes in circumstance indicate that such carrying values may not be recoverable. The goodwill assessment policy begins with a qualitative analysis in which events and circumstances are evaluated, including macroeconomic conditions, industry and market conditions, regulatory environments, and overall financial performance of the reporting unit. If the qualitative assessment indicates that the carrying value may be at risk of recoverability, a quantitative evaluation is performed to measure the carrying value of the goodwill against the fair value of the reporting unit. The reporting unit is determined primarily based on current operating segments and the level of review provided by the Chief Operating Decision Maker (CODM) and/or segment management on the operating segment's financial results. Reporting units are evaluated periodically for changes in the corporate environment.

As of December 31, 2024 and 2023, NW Holdings had goodwill of \$183.8 million and \$163.3 million, respectively. All of NW Holdings' goodwill was acquired through the business combinations completed by NWN Water and its wholly-owned subsidiaries. No impairment charges were recorded as a result of the fourth quarter goodwill impairment assessment.

Business combinations are accounted for using the acquisition method. The cost of an acquisition is measured as the aggregate of the consideration transferred, measured at fair value at the acquisition date, and the fair value of any non-controlling interest in the acquiree. Acquisition-related costs are expensed as incurred. When NW Natural acquires a business, it assesses the financial assets acquired and liabilities assumed for appropriate classification and designation in accordance with the contractual

terms, economic circumstances and pertinent conditions as of the acquisition date. When there is substantial judgment or uncertainty around the fair value of acquired assets, we may engage a third party expert to assist in determining the fair values of certain assets or liabilities.

#### Income Taxes

We account for income taxes under the asset and liability method, which requires the recognition of deferred tax assets and liabilities for the expected future tax consequences of events that have been included in the financial statements. Under this method, deferred tax assets and liabilities are determined on the basis of the differences between the financial statement and tax basis of assets and liabilities using enacted tax rates in effect for the year in which the differences are expected to reverse. The effect of a change in tax rates on deferred tax assets and liabilities is recognized in income in the enactment date period unless, for NW Natural, a regulatory order specifies deferral of the effect of the change in tax rates over a longer period of time.

For NW Natural, deferred income tax assets and liabilities are also recognized for temporary differences where the deferred income tax benefits or expenses have previously been flowed through in the ratemaking process of the NGD business. Regulatory tax assets and liabilities are recorded on these deferred tax assets and liabilities to the extent it is believed they will be recoverable from or refunded to customers in future rates.

Investment tax credits associated with rate regulated plant additions are deferred for financial statement purposes and amortized over the estimated useful lives of the related plant.

NW Holdings files consolidated or combined income tax returns that include NW Natural. Income tax expense is allocated on a separate company basis incorporating certain consolidated return considerations. Subsidiary income taxes payable or receivable are generally settled with NW Holdings, the common agent for income tax matters.

Interest and penalties related to unrecognized tax benefits, if any, are recognized within income tax expense and accrued interest and penalties are recognized within the related tax liability line in the consolidated balance sheets. No accrued interest or penalties for uncertain tax benefits have been recorded. See Note 11.

#### Environmental Contingencies

Loss contingencies are recorded as liabilities when it is probable a liability has been incurred and the amount of the loss is reasonably estimable in accordance with accounting standards for contingencies. Estimating probable losses requires an analysis of uncertainties that often depend upon judgments about potential actions by third parties. Accruals for loss contingencies are recorded based on an analysis of potential results.

With respect to environmental liabilities and related costs, estimates are developed based on a review of information available from numerous sources, including completed studies and site specific negotiations. NW Natural's policy is to accrue the full amount of such liability when information is sufficient to reasonably estimate the amount of probable liability. When information is not available to reasonably estimate the probable liability, or when only the range of probable liabilities can be estimated and no amount within the range is more likely than another, it is our policy to accrue at the low end of the range. Accordingly, due to numerous uncertainties surrounding the course of environmental remediation and the preliminary nature of several site investigations, in some cases, it may not be possible to reasonably estimate the high end of the range of possible loss. In those cases, the nature of the potential loss and the fact that the high end of the range cannot be reasonably estimated is disclosed. See Note 17.

#### Unconsolidated Affiliates

NWN Water has an equity interest in a business which we account for under the equity method as we do not exercise control of the major operating and financial policies. The business transactions with our equity method investment are not significant. We regularly assess the profitability and valuation of our investment for any potential impairment. See Note 13.

#### Cloud Computing Arrangements

Implementation costs associated with its cloud computing arrangements are capitalized consistent with costs capitalized for internal-use software. Capitalized implementation costs are included in other assets in the consolidated balance sheets. The implementation costs are amortized over the term of the related hosting agreement, including renewal periods that are reasonably certain to be exercised. Amortization expense of implementation costs are recorded as operations and maintenance expenses in the consolidated statements of comprehensive income. The implementation costs are included within operating activities in the consolidated statements of cash flows.

#### Subsequent Events

We monitor significant events occurring after the balance sheet date and prior to the issuance of the financial statements to determine the impacts, if any, of events on the financial statements to be issued. See Note 18.

### 3. EARNINGS PER SHARE

Basic earnings or loss per share are computed using NW Holdings' net income or loss and the weighted average number of common shares outstanding for each period presented. Diluted earnings per share are computed in the same manner, except using the weighted average number of common shares outstanding plus the effects of the assumed exercise of stock options and the payment of estimated stock awards from other stock-based compensation plans that are outstanding at the end of each period presented. Anti-dilutive stock awards are excluded from the calculation of diluted earnings or loss per common share.

NW Holdings' diluted earnings or loss per share are calculated as follows:

<i>In thousands, except per share data</i>	2024	2023	2022
Net income	\$ 78,871	\$ 93,868	\$ 86,303
Average common shares outstanding - basic	38,809	36,213	33,934
Additional shares for stock-based compensation plans (See Note 8)	60	52	50
Average common shares outstanding - diluted	38,869	36,265	33,984
Earnings per share of common stock:			
Basic	\$ 2.03	\$ 2.59	\$ 2.54
Diluted	2.03	2.59	2.54
Additional information:			
Anti-dilutive shares	8	1	2

### 4. SEGMENT INFORMATION

We primarily operate in one reportable business segment, which is NW Natural's local gas distribution business and is referred to as the NGD segment. NW Natural and NW Holdings also have investments and business activities not specifically related to the NGD segment, which are aggregated and reported as other and described below for each entity.

No individual customer accounts for over 10% of NW Holdings' or NW Natural's operating revenues.

#### **Natural Gas Distribution**

NW Natural's local gas distribution segment (NGD) is a regulated utility principally engaged in the purchase, sale, and delivery of natural gas and related services to customers in Oregon and southwest Washington. The NGD business is responsible for building and maintaining a safe and reliable pipeline distribution system, purchasing sufficient gas supplies from producers and marketers, contracting for firm and interruptible transportation of gas over interstate pipelines to bring gas from the supply basins into its service territory, and re-selling the gas to customers subject to rates, terms, and conditions approved by the OPUC or WUTC. NGD also includes taking customer-owned gas and transporting it from interstate pipeline connections, or city gates, to the customers' end-use facilities for a fee, which is approved by the OPUC or WUTC. Approximately 88% of NGD customers are located in Oregon and 12% in Washington. On an annual basis, residential and commercial customers typically account for around 60% of total NGD volumes delivered and around 90% of NGD margin. Industrial customers largely account for the remaining volumes and NGD margin. A small amount of the margin is also derived from miscellaneous services, gains or losses from an incentive gas cost sharing mechanism, and other service fees.

Industrial sectors served by the NGD business include: pulp, paper, and other forest products; the manufacture of electronic, electrochemical and electrometallurgical products; the processing of farm and food products; the production of various mineral products; metal fabrication and casting; the production of machine tools, machinery, and textiles; the manufacture of asphalt, concrete, and rubber; printing and publishing; nurseries; and government and educational institutions.

In addition to NW Natural's local gas distribution business, the NGD segment also includes the portion of the Mist underground storage facility used to serve NGD customers, North Mist gas storage, NWN Gas Reserves, which is a wholly-owned subsidiary of Energy Corp, and NW Natural RNG Holding Company, LLC, a holding company established to invest in the development and procurement of regulated renewable natural gas for NW Natural.

#### **NW Natural**

NW Natural's activities in Other include Interstate Storage Services and third-party asset management services for the Mist facility in Oregon, appliance retail center operations, and corporate operating and non-operating revenues and expenses that cannot be allocated to NGD operations.

Earnings from Interstate Storage Services assets are primarily related to firm storage capacity revenues. Earnings from the Mist facility also include revenue, net of amounts shared with NGD customers, from management of NGD assets at Mist and upstream pipeline capacity when not needed to serve NGD customers. Under the Oregon sharing mechanism, NW Natural retains 80% of the pre-tax income from these services when the costs of the capacity were not included in NGD rates, or 10% of

the pre-tax income when the costs have been included in these rates. The remaining 20% and 90%, respectively, are recorded to a deferred regulatory account for crediting back to NGD customers.

#### **NW Holdings**

NW Holdings' activities in Other include all remaining activities not associated with NW Natural, specifically NWN Water, which consolidates the water and wastewater utility operations and water services businesses; NWN Water's equity investment in Avion Water Company, Inc.; NWN Gas Storage, a wholly-owned subsidiary of NWN Energy; other pipeline assets in NNG Financial; and NW Natural Renewables Holdings, LLC and its non-regulated renewable natural gas activities. Other also includes corporate revenues and expenses that cannot be allocated to other operations, including certain business development activities.

#### **Segment Information Summary**

Inter-segment transactions were immaterial for the periods presented. Total assets by segment is not regularly provided to the CODM and is therefore omitted. The following table presents summary financial information concerning the reportable segment and other operations.

<i>In thousands</i>	NGD	Other (NW Natural)	NW Natural	Other (NW Holdings)	NW Holdings
<b>2024</b>					
Operating revenues	\$ 1,075,688	\$ 24,809	\$ 1,100,497	\$ 52,497	\$ 1,152,994
Depreciation	128,524	1,078	129,602	8,296	137,898
Income (loss) from operations <sup>(1)</sup>	173,222	16,505	189,727	1,415	191,142
Interest expense, net	62,868	405	63,273	16,819	80,092
Income tax expense (benefit)	30,195	4,423	34,618	(3,547)	31,071
Capital expenditures	348,913	4,993	353,906	40,494	394,400
<b>2023</b>					
Operating revenues	\$ 1,136,400	\$ 22,223	\$ 1,158,623	\$ 38,852	\$ 1,197,475
Depreciation	118,417	1,097	119,514	6,067	125,581
Income (loss) from operations <sup>(1)</sup>	170,591	15,054	185,645	(704)	184,941
Interest expense, net	60,020	574	60,594	15,972	76,566
Income tax expense (benefit)	31,688	3,984	35,672	(3,310)	32,362
Capital expenditures	285,998	4,847	290,845	36,502	327,347
<b>2022</b>					
Operating revenues	\$ 989,752	\$ 24,587	\$ 1,014,339	\$ 23,014	\$ 1,037,353
Depreciation	111,871	1,086	112,957	3,750	116,707
Income (loss) from operations <sup>(1)</sup>	152,839	16,535	169,374	(1,897)	167,477
Interest expense, net	45,685	653	46,338	6,909	53,247
Income tax expense (benefit)	26,807	4,229	31,036	(1,906)	29,130
Capital expenditures	315,979	2,707	318,686	19,916	338,602

<sup>(1)</sup> Income (loss) from operations is not a financial measure used by the CODM, but is included in the table above to enable the reconciliation of NGD margin to consolidated income before taxes in accordance with ASU 2023-07.

#### **Natural Gas Distribution Margin**

NGD margin is the primary financial measure used by the CODM, consisting of NGD operating revenues, reduced by the associated cost of gas, environmental remediation expense, and revenue taxes. The cost of gas purchased for NGD customers is generally a pass-through cost in the amount of revenues billed to regulated NGD customers. Environmental remediation expense represents collections received from customers through environmental recovery mechanisms in Oregon and Washington as well as adjustments for the Oregon environmental earnings test when applicable. This is offset by environmental remediation expense presented in operating expenses. Revenue taxes are collected from NGD customers and remitted to taxing authorities. The collections from customers are offset by the expense recognition of the obligation to the taxing authority. By subtracting cost of gas, environmental remediation expense, and revenue taxes from NGD operating revenues, NGD margin provides a key metric used by the CODM in assessing the performance of the NGD segment.

NW Holdings and NW Natural's CODM is the chief executive officer. The CODM uses NGD margin to allocate resources predominantly in the annual budget and forecasting process. The CODM considers budget-to-actual variances on a monthly basis when making decisions about allocating capital and personnel. The CODM also uses NGD margin to assess the performance of NGD.

The following table presents additional segment information concerning NGD margin:

<i>In thousands</i>	2024	2023	2022
NGD margin calculation:			
NGD operating revenues	\$ 1,056,171	\$ 1,117,498	\$ 970,124
Other regulated services	19,517	18,902	19,628
Total NGD operating revenues	1,075,688	1,136,400	989,752
Less: NGD cost of gas	412,320	500,061	429,861
Environmental remediation expense	14,053	12,899	12,389
Revenue taxes	48,037	48,432	41,627
NGD margin	601,278	575,008	505,875
Operations and maintenance	253,297	241,721	201,701
General taxes	46,235	44,279	39,464
Depreciation	128,524	118,417	111,871
NGD income from operations	\$ 173,222	\$ 170,591	\$ 152,839

## 5. COMMON STOCK

As of December 31, 2024 and 2023, NW Holdings had 100 million shares of common stock authorized. As of December 31, 2024, NW Holdings had 260,935 shares reserved for issuance of common stock under the Employee Stock Purchase Plan (ESPP) and 250,460 shares reserved for issuance under the Dividend Reinvestment and Direct Stock Purchase Plan (DRPP). At NW Holdings' election, shares sold through the DRPP may be purchased in the open market or through original issuance of shares reserved for issuance under the DRPP.

In August 2021, NW Holdings initiated an at-the-market (ATM) equity program by entering into an equity distribution agreement under which NW Holdings issued and sold from time to time shares of common stock, no par value, having an aggregate gross sales price of up to \$200 million. In August 2024, the Finance Committee of the NW Holdings' Board of Directors authorized NW Holdings' sale of an additional \$200 million in the aggregate gross sales price under the ATM equity program, with the result that a total of \$400 million in the aggregate gross sales price has been authorized for issuance and sale under the ATM equity program. NW Holdings is under no obligation to offer and sell common stock under the ATM equity program, which the Finance Committee of the NW Holdings' Board of Directors has authorized through August 2027. Any shares of common stock offered under the ATM equity program are registered on NW Holdings' universal shelf registration statement filed with the SEC, which expires in August 2027, or will be registered on a subsequent registration statement to be filed by NW Holdings.

During the year ended December 31, 2024, NW Holdings issued and sold 2,382,750 shares of common stock pursuant to the ATM equity program resulting in cash proceeds of \$90.3 million, net of fees and commissions paid to agents of \$1.6 million. As of December 31, 2024, NW Holdings had \$151.6 million of equity available for issuance under the program. The ATM equity program was initiated to raise funds for general corporate purposes, including equity contributions to NW Holdings' subsidiaries, NW Natural and NW Natural Water. Contributions to NW Natural and NW Natural Water will be used for general corporate purposes.

### Stock Repurchase Program

Effective May 23, 2024, NW Holdings' Board authorized a new share repurchase program under which NW Holdings may repurchase in open market or privately negotiated transactions up to an aggregate of 5.0 million shares or an amount not to exceed \$150 million. The new share repurchase program is authorized to continue until the program is used, terminated or replaced. The repurchase program replaces the Company's previously authorized share repurchase program, which commenced in 2000 and authorized the repurchase of up to 2.8 million shares, or an amount not to exceed \$100 million, in the aggregate. No shares of common stock were repurchased pursuant to our new program or prior program during the year ended December 31, 2024. Since the previous plan's inception in 2000 under NW Natural, a total of 2.1 million shares have been repurchased at a total cost of \$83.3 million.



The following table summarizes the changes in the number of shares of NW Holdings' common stock issued and outstanding:

<i>In thousands</i>	Shares
Balance, December 31, 2021	31,129
Sales to employees under ESPP	36
Stock-based compensation	42
Equity issuance	4,257
Sales to shareholders under DRPP	61
Balance, December 31, 2022	35,525
Sales to employees under ESPP	13
Stock-based compensation	39
Equity issuance	1,658
Sales to shareholders under DRPP	69
Shares issued in connection with business combinations	327
Balance, December 31, 2023	37,631
Sales to employees under ESPP	46
Stock-based compensation	43
Equity issuance	2,391
Sales to shareholders under DRPP	75
Shares issued in connection with business combinations	36
Balance, December 31, 2024	40,222

## 6. REVENUE

The following table presents disaggregated revenue from continuing operations:

Year ended December 31, 2024					
<i>In thousands</i>	NGD	Other (NW Natural)	NW Natural	Other (NW Holdings)	NW Holdings
Natural gas sales	\$ 1,035,839	\$ —	\$ 1,035,839	\$ 33	\$ 1,035,872
Gas storage revenue, net	—	15,119	15,119	—	15,119
Asset management revenue, net	—	4,601	4,601	—	4,601
Appliance retail center revenue	—	5,089	5,089	—	5,089
Renewable natural gas sales	—	—	—	428	428
Other revenue	3,111	—	3,111	52,036	55,147
Revenue from contracts with customers	1,038,950	24,809	1,063,759	52,497	1,116,256
Alternative revenue	20,246	—	20,246	—	20,246
Leasing revenue	16,492	—	16,492	—	16,492
Total operating revenues	\$ 1,075,688	\$ 24,809	\$ 1,100,497	\$ 52,497	\$ 1,152,994

  

Year ended December 31, 2023					
<i>In thousands</i>	NGD	Other (NW Natural)	NW Natural	Other (NW Holdings)	NW Holdings
Natural gas sales	\$ 1,109,223	\$ —	\$ 1,109,223	\$ —	\$ 1,109,223
Gas storage revenue, net	—	12,041	12,041	—	12,041
Asset management revenue, net	—	5,942	5,942	—	5,942
Appliance retail center revenue	—	4,240	4,240	—	4,240
Other revenue	2,929	—	2,929	38,852	41,781
Revenue from contracts with customers	1,112,152	22,223	1,134,375	38,852	1,173,227
Alternative revenue	8,198	—	8,198	—	8,198
Leasing revenue	16,050	—	16,050	—	16,050
Total operating revenues	\$ 1,136,400	\$ 22,223	\$ 1,158,623	\$ 38,852	\$ 1,197,475

Year ended December 31, 2022						
<i>In thousands</i>	NGD	Other (NW Natural)	NW Natural	Other (NW Holdings)	NW Holdings	
Natural gas sales	\$ 989,654	\$ —	\$ 989,654	\$ —	\$ —	\$ 989,654
Gas storage revenue, net	—	11,792	11,792	—	—	11,792
Asset management revenue, net	—	6,965	6,965	—	—	6,965
Appliance retail center revenue	—	5,830	5,830	—	—	5,830
Other revenue	2,510	—	2,510	23,014	—	25,524
Revenue from contracts with customers	992,164	24,587	1,016,751	23,014	—	1,039,765
Alternative revenue	(19,605)	—	(19,605)	—	—	(19,605)
Leasing revenue	17,193	—	17,193	—	—	17,193
Total operating revenues	\$ 989,752	\$ 24,587	\$ 1,014,339	\$ 23,014	\$ —	\$ 1,037,353

NW Natural's revenue represents substantially all of NW Holdings' revenue and is recognized for both registrants when the obligation to customers is satisfied and in the amount expected to be received in exchange for transferring goods or providing services. Revenue from contracts with customers contains one performance obligation that is generally satisfied over time, using the output method based on time elapsed, due to the continuous nature of the service provided. The transaction price is determined by a set price agreed upon in the contract or dependent on regulatory tariffs. Customer accounts are settled on a monthly basis or paid at time of sale and based on historical experience. It is probable that we will collect substantially all of the consideration to which we are entitled. We evaluated the probability of collection in accordance with the current expected credit losses standard.

NW Holdings and NW Natural do not have any material contract assets, as net accounts receivable and accrued unbilled revenue balances are unconditional and only involve the passage of time until such balances are billed and collected. NW Holdings and NW Natural do not have any material contract liabilities.

Revenue taxes are included in operating revenues with an equal and offsetting expense recognized in operating expenses in the consolidated statements of comprehensive income. Revenue-based taxes are primarily franchise taxes, which are collected from NGD customers and remitted to taxing authorities.

### **Natural Gas Distribution**

#### **Natural Gas Sales**

NW Natural's primary source of revenue is providing natural gas to customers in the NGD service territory, which includes residential, commercial, industrial and transportation customers. NGD revenue is generally recognized over time upon delivery of the gas commodity or service to the customer, and the amount of consideration received and recognized as revenue is dependent on the Oregon and Washington tariffs. There is no right of return or warranty for services provided. Revenues include firm and interruptible sales and transportation services, franchise taxes recovered from the customer, late payment fees, service fees, and accruals for gas delivered but not yet billed (accrued unbilled revenue). The accrued unbilled revenue balance is based on estimates of deliveries during the period from the last meter reading and management judgment is required for a number of factors used in this calculation, including customer use and weather factors.

Customer accounts are to be paid in full each month and as such, there is no significant financing component for this source of revenue. Due to the election of the right to invoice practical expedient, we do not disclose the value of unsatisfied performance obligations.

#### **Alternative Revenue**

Weather normalization (WARM) and decoupling mechanisms are considered to be alternative revenue programs. Alternative revenue programs are considered to be contracts between NW Natural and its regulator and are excluded from revenue from contracts with customers.

#### **Leasing Revenue**

Leasing revenue primarily consists of revenues from NW Natural's North Mist Storage contract with Portland General Electric (PGE) in support of PGE's gas-fired electric power generation facilities under an initial 30-year contract with options to extend, totaling up to an additional 50 years upon mutual agreement of the parties. The facility is accounted for as a sales-type lease with regulatory accounting deferral treatment. The investment is included in rate base under an established cost-of-service tariff schedule, with revenues recognized according to the tariff schedule and as such, profit upon commencement was deferred and will be amortized over the lease term. Leasing revenue also contains rental revenue from small leases of property owned by NW Natural to third parties. The majority of these transactions are accounted for as operating leases and the revenue is recognized over the term of the lease agreement. Lease revenue is excluded from revenue from contracts with customers. See Note 7 for additional information.



#### **NW Natural Other**

##### **Gas Storage Revenue**

NW Natural's other revenue includes gas storage activity, which includes Interstate Storage Services used to store natural gas for customers. Gas storage revenue is generally recognized over time as the gas storage service is provided to the customer and the amount of consideration received and recognized as revenue is dependent on set rates defined per the storage agreements. Noncash consideration in the form of dekatherms of natural gas is received as consideration for providing gas injection services to gas storage customers. This noncash consideration is measured at fair value using the average spot rate. Customer accounts are generally paid in full each month, and there is no right of return or warranty for services provided. Revenues include firm and interruptible storage services, net of the profit sharing amount refunded to NGD customers.

##### **Asset Management Revenue**

Revenues include the optimization of storage assets and pipeline capacity by a third party and are provided net of the profit sharing amount refunded to NGD customers. Certain asset management revenues received are recognized over time using a straight-line approach over the term of each contract, and the amount of consideration received and recognized as revenue is dependent on a variable pricing model. Variable revenues earned above guaranteed amounts are estimated and recognized at the end of each period using the most likely amount approach. Additionally, other asset management revenues may be based on a fixed rate. Generally, asset management accounts are settled on a monthly basis.

As of December 31, 2024, unrecognized revenue for the fixed component of the transaction price related to gas storage and asset management revenue was approximately \$113.4 million. Of this amount, approximately \$22.6 million will be recognized in 2025, \$16.1 million in 2026, \$15.3 million in 2027, \$13.9 million in 2028, \$13.9 million in 2029 and \$31.6 million thereafter. The amounts presented here are calculated using current contracted rates.

##### **Appliance Retail Center Revenue**

NW Natural owns and operates an appliance store that is open to the public, where customers can purchase natural gas home appliances. Revenue from the sale of appliances is recognized at the point in time in which the appliance is transferred to the third party responsible for delivery and installation services and when the customer has legal title to the appliance. It is required that the sale be paid for in full prior to transfer of legal title. The amount of consideration received and recognized as revenue varies with changes in marketing incentives and discounts offered to customers.

#### **NW Holdings Other**

##### **Water and Wastewater Services**

NW Natural Water provides water and wastewater services to customers. Water and wastewater service revenue is generally recognized over time upon delivery of the water commodity or service to the customer, and the amount of consideration received and recognized as revenue is dependent on the tariffs established in the states where we operate. There is no right of return or warranty for services provided.

Customer accounts are to be paid in full each month, bi-monthly, or quarterly and as such, there is no significant financing component for this source of revenue. Due to the election of the right to invoice practical expedient, we do not disclose the value of unsatisfied performance obligations.

##### **Renewable Natural Gas Sales**

NW Natural Renewables is an unregulated subsidiary of NW Holdings established to pursue investments in renewable natural gas (RNG) activities. NW Natural Renewables' primary source of revenue is from the sale of RNG under long-term contracts. RNG revenue is generally recognized over time upon delivery of the gas commodity to the customer at the designated delivery point and the amount of consideration received and recognized as revenue is dependent on a variable pricing model defined per the contract. Customer accounts are to be paid in full each month and as such, there is no significant financing component for this source of revenue. Due to the election of the right to invoice practical expedient, we do not disclose the value of unsatisfied performance obligations.

## **7. LEASES**

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##### **Lease Revenue**

Leasing revenue primarily consists of NW Natural's North Mist natural gas storage agreement with PGE which is billed under an OPUC-approved rate schedule and includes an initial 30-year term beginning May 2019 with options to extend, totaling up to an additional 50 years upon mutual agreement of the parties. Under U.S. GAAP, this agreement is classified as a sales-type lease and qualifies for regulatory accounting deferral treatment. The investment in the storage facility is included in rate base under a separately established cost-of-service tariff, with revenues recognized according to the tariff schedule. As such, the selling profit that was calculated upon commencement as part of the sale-type lease recognition was deferred and will be amortized over the lease term. Billing rates under the cost-of-service tariff will be updated annually to reflect current information including depreciable asset levels, forecasted operating expenses, and the results of regulatory proceedings, as applicable, and revenue received under this agreement is recognized as operating revenue on the consolidated statements of comprehensive income. There are no variable payments or residual value guarantees. The lease does not contain an option to purchase the underlying

assets.

NW Natural also maintains a sales-type lease for specialized compressor facilities to provide high pressure compressed natural gas (CNG) services. Lease payments are outlined in an OPUC-approved rate schedule over a 10-year term. There are no variable payments or residual value guarantees. The selling profit computed upon lease commencement was not significant.

Our lessor portfolio also contains small leases of property owned by NW Natural to third parties. These transactions are accounted for as operating leases and the revenue is recognized over the term of the lease agreement.

The components of lease revenue at NW Natural were as follows:

<i>In thousands</i>	Year ended December 31,		
	2024	2023	2022
Lease revenue			
Operating leases	\$ 86	\$ 76	\$ 74
Sales-type leases	16,406	15,974	17,119
Total lease revenue	<u>\$ 16,492</u>	<u>\$ 16,050</u>	<u>\$ 17,193</u>

Additionally, lease revenue of \$0.6 million was recognized for each of the years ended December 31, 2024, 2023, and 2022, respectively, related to operating leases associated with non-utility property rentals. Lease revenue related to these leases was presented in other income (expense), net on the consolidated statements of comprehensive income as it is non-operating income.

Total future minimum lease payments to be received under non-cancelable leases at December 31, 2024 are as follows:

<i>In thousands</i>	Operating	Sales-Type	Total
<b>NW Natural:</b>			
2025	\$ 632	\$ 15,306	\$ 15,938
2026	43	14,901	14,944
2027	27	14,521	14,548
2028	—	13,983	13,983
2029	—	13,594	13,594
Thereafter	—	194,722	194,722
Total minimum lease payments	<u>\$ 702</u>	<u>267,027</u>	<u>\$ 267,729</u>
Less: imputed interest		142,783	
Total leases receivable		<u>\$ 124,244</u>	
<b>Other NW Holdings:</b>			
2025	\$ 53	\$ —	\$ 53
2026	56	—	56
2027	57	—	57
2028	58	—	58
2029	59	—	59
Thereafter	741	—	741
Total minimum lease payments	<u>\$ 1,024</u>	<u>\$ —</u>	<u>\$ 1,024</u>
<b>NW Holdings:</b>			
2025	\$ 685	\$ 15,306	\$ 15,991
2026	99	14,901	15,000
2027	84	14,521	14,605
2028	58	13,983	14,041
2029	59	13,594	13,653
Thereafter	741	194,722	195,463
Total minimum lease payments	<u>\$ 1,726</u>	<u>267,027</u>	<u>\$ 268,753</u>
Less: imputed interest		142,783	
Total leases receivable		<u>\$ 124,244</u>	

The total leases receivable above is reported under the NGD segment and the short- and long-term portions are included within other current assets and assets under sales-type leases on the consolidated balance sheets, respectively. The total amount of unguaranteed residual assets was \$6.0 million and \$5.5 million at December 31, 2024 and 2023, respectively, and is included in assets under sales-type leases on the consolidated balance sheets. Additionally, under regulatory accounting, the revenues and

expenses associated with these agreements are presented on the consolidated statements of comprehensive income such that their presentation aligns with similar regulated activities at NW Natural.

## Lease Expense

### Operating Leases

We have operating leases for land, buildings and equipment. Our primary lease is for NW Natural's headquarters and operations center. Our leases have remaining lease terms of three months to 15 years. Many of our lease agreements include options to extend the lease, which we do not include in our minimum lease terms unless they are reasonably certain to be exercised. Short-term leases with a term of 12 months or less are not recorded on the balance sheet.

As most of our leases do not provide an implicit rate and are entered into by NW Natural, we use an estimated discount rate representing the rate we would have incurred to finance the funds necessary to purchase the leased asset and is based on information available at the lease commencement date in determining the present value of lease payments.

The components of lease expense, a portion of which is capitalized, were as follows:

In thousands	Year ended December 31, 2024		
	NW Natural	Other (NW Holdings)	NW Holdings
Operating lease expense	\$ 7,545	\$ 198	\$ 7,743
Short-term lease expense	595	—	595

  

In thousands	Year ended December 31, 2023		
	NW Natural	Other (NW Holdings)	NW Holdings
Operating lease expense	\$ 7,244	\$ 176	\$ 7,420
Short-term lease expense	925	—	925

  

In thousands	Year ended December 31, 2022		
	NW Natural	Other (NW Holdings)	NW Holdings
Operating lease expense	\$ 7,003	\$ 31	\$ 7,034
Short-term lease expense	880	—	880

Supplemental balance sheet information related to operating leases as of December 31, 2024 is as follows:

In thousands	NW Natural	Other (NW Holdings)	NW Holdings
Operating lease right of use assets	\$ 68,115	\$ 511	\$ 68,626
Operating lease liabilities - current liabilities	\$ 1,653	\$ 187	\$ 1,840
Operating lease liabilities - non-current liabilities	75,591	323	75,914
Total operating lease liabilities	<u>\$ 77,244</u>	<u>\$ 510</u>	<u>\$ 77,754</u>

Supplemental balance sheet information related to operating leases as of December 31, 2023 is as follows:

In thousands	NW Natural	Other (NW Holdings)	NW Holdings
Operating lease right of use assets	\$ 70,728	\$ 580	\$ 71,308
Operating lease liabilities - current liabilities	\$ 2,128	\$ 205	\$ 2,333
Operating lease liabilities - non-current liabilities	76,757	410	77,167
Total operating lease liabilities	<u>\$ 78,885</u>	<u>\$ 615</u>	<u>\$ 79,500</u>

The weighted-average remaining lease terms and weighted-average discount rates for the operating leases at NW Natural were as follows:

	2024	2023
Weighted-average remaining lease term (years)	15.3	16.2
Weighted-average discount rate	7.3 %	7.3 %

#### Headquarters and Operations Center Lease

NW Natural commenced a 20-year operating lease agreement in March 2020 for a new headquarters and operations center in Portland, Oregon. There is an option to extend the term of the lease for two additional periods of seven years. There is a material timing difference between the minimum lease payments and expense recognition as calculated under operating lease accounting rules. OPUC issued an order allowing us to align our expense recognition with cash payments for ratemaking purposes. We recorded the difference between the minimum lease payments and the aggregate of the imputed interest on the finance lease obligation and amortization of the right-of-use asset as a regulatory asset on our balance sheet. The balance of the regulatory asset was \$9.0 million and \$8.0 million as of December 31, 2024 and 2023, respectively.

Maturities of operating lease liabilities at December 31, 2024 were as follows:

<i>In thousands</i>	NW Natural	Other (NW Holdings)	NW Holdings
2025	\$ 7,495	\$ 225	\$ 7,720
2026	7,486	204	7,690
2027	7,538	107	7,645
2028	7,719	6	7,725
2029	7,905	6	7,911
Thereafter	93,367	—	93,367
Total lease payments	131,510	548	132,058
Less: imputed interest	54,266	38	54,304
Total lease obligations	77,244	510	77,754
Less: current obligations	1,653	187	1,840
Long-term lease obligations	\$ 75,591	\$ 323	\$ 75,914

As of December 31, 2024, there were no finance lease liabilities at NW Natural.

#### Cash Flow Information

Supplemental cash flow information related to leases was as follows:

Year ended December 31, 2024			
<i>In thousands</i>	NW Natural	Other (NW Holdings)	NW Holdings
Cash paid for amounts included in the measurement of lease liabilities			
Operating cash flows from operating leases	\$ 7,495	\$ 199	\$ 7,694
Finance cash flows from finance leases	529	—	529
Right of use assets obtained in exchange for lease obligations			
Operating leases	\$ 250	\$ 108	\$ 358
Finance leases	529	—	529

Year ended December 31, 2023			
<i>In thousands</i>	NW Natural	Other (NW Holdings)	NW Holdings
Cash paid for amounts included in the measurement of lease liabilities			
Operating cash flows from operating leases	\$ 7,434	\$ 176	\$ 7,610
Finance cash flows from finance leases	369	—	369
Right of use assets obtained in exchange for lease obligations			
Operating leases	\$ 659	\$ —	\$ 659
Finance leases	369	101	470

Year ended December 31, 2022			
<i>In thousands</i>	NW Natural	Other (NW Holdings)	NW Holdings
Cash paid for amounts included in the measurement of lease liabilities			
Operating cash flows from operating leases	\$ 6,993	\$ 64	\$ 7,057
Finance cash flows from finance leases	524	—	524
Right of use assets obtained in exchange for lease obligations			
Operating leases	\$ 309	\$ 668	\$ 977
Finance leases	270	—	270

### Finance Leases

NW Natural also leases building storage spaces for use as a gas meter room in order to provide natural gas to multifamily or mixed use developments. These contracts are accounted for as finance leases and typically involve a one-time upfront payment with no remaining liability. The right of use asset for finance leases was \$3.0 million and \$2.6 million at December 31, 2024 and 2023, respectively.

## 8. STOCK-BASED COMPENSATION

Stock-based compensation plans are designed to promote stock ownership in NW Holdings by employees and officers of NW Holdings and its affiliates. These compensation plans include a Long Term Incentive Plan (LTIP) and an ESPP.

### Long Term Incentive Plan

The LTIP is intended to provide a flexible, competitive compensation program for eligible officers and key employees. Under the LTIP, shares of NW Holdings common stock are authorized for equity incentive grants in the form of stock, restricted stock, restricted stock units, stock options, or performance shares. An aggregate of 1,100,000 shares were authorized for issuance as of December 31, 2024. Shares awarded under the LTIP may be purchased on the open market or issued as original shares.

Of the 1,100,000 shares of common stock authorized for LTIP awards at December 31, 2024, there were 65,153 shares available for issuance under any type of award. This assumes market, performance, and service-based grants currently outstanding are awarded at the target level. There were no outstanding grants of restricted stock or stock options under the LTIP at December 31, 2024 or 2023. The LTIP stock awards are compensatory awards for which compensation expense is based on the fair value of stock awards, with expense being recognized over the performance and vesting period of the outstanding awards. Forfeitures are recognized as they occur.

### Performance Shares

LTIP performance shares incorporate a combination of market, performance, and service-based factors. The following table summarizes performance share expense information:

<i>Dollars in thousands</i>	Shares <sup>(1)</sup>	Expense During Award Year <sup>(2)</sup>	Total Expense for Award
Estimated award:			
2022-2024 grant <sup>(3)</sup>	37,059	\$ 1,098	\$ 1,098
Actual award:			
2021-2023 grant	40,719	\$ 1,581	\$ 1,581
2020-2022 grant	29,472	\$ 888	\$ 888

<sup>(1)</sup> In addition to common stock shares, a participant also receives a dividend equivalent cash payment equal to the number of shares of common stock received on the award payout multiplied by the aggregate cash dividends paid per share during the performance period.

<sup>(2)</sup> Amount represents the expense recognized in the third year of the vesting period noted above. For the 2020-2022, 2021-2023, and 2022-2024 grants, mutual understanding of the award's key terms was established in the third year of the vesting period, triggering full expense recognition in 2022, 2023, and 2024, respectively.

<sup>(3)</sup> This represents the estimated number of shares to be awarded as of December 31, 2024 as certain performance share measures have been achieved. Amounts are subject to change with final payout amounts authorized by the Board of Directors in February 2025.

The aggregate number of performance shares granted and outstanding at the target and maximum levels were as follows:

<i>Dollars in thousands</i> Performance Period	Performance Share Awards Outstanding		2024
	Target	Maximum	Expense
2022-24	46,156	92,312	\$ 1,098
2023-25	—	—	—
2024-26	—	—	—
Total	46,156	92,312	\$ 1,098

Performance share awards are based on the achievement of a three-year ROIC threshold that must be met and a cumulative EPS factor, which can be modified by a TSR factor relative to a specified peer group (2022-2024, 2023-2025, and 2024-2026 performance share awards) over the three-year performance period. The performance period allows for one of the performance factors to remain variable until the first quarter of the third year of the award period. As the performance factor will not be approved until the first quarter of 2025 and 2026, there is not a mutual understanding of the awards' key terms and conditions between NW Natural and the participants as of December 31, 2024, and therefore, no expense was recognized for the 2023-2025 and 2024-2026 performance period. NW Natural will calculate the grant date fair value and recognize expense once the final performance factor has been approved. If the target is achieved for the 2023-2025 and 2024-2026 awards, NW Holdings would grant for accounting purposes 50,542 and 73,150 shares in the first quarter of 2025 and 2026, respectively.

Compensation expense is recognized in accordance with accounting standards for stock-based compensation and calculated based on performance levels achieved and an estimated fair value using the Monte-Carlo method. Due to there not being a mutual understanding of the 2023-2025 and 2024-2026 awards' key terms and conditions as noted above, the grant date fair value has not yet been determined and no non-vested shares existed at December 31, 2024. The weighted-average grant date fair value of non-vested shares associated with the 2022-2024 awards was \$39.70 per share at December 31, 2024. The weighted-average grant date fair value of shares vested during the year was \$39.70 per share and there was no unrecognized compensation expense for accounting purposes as of December 31, 2024.

#### Restricted Stock Units

In 2012, RSUs began being granted under the LTIP instead of stock options under the Restated SOP. Generally, the RSUs awarded are forfeitable and include a performance-based threshold as well as a vesting period of four years from the grant date. The majority of our RSU grants obligate NW Holdings, upon vesting, to issue the RSU holder one share of common stock. The grant may also include a cash payment equal to the total amount of dividends paid per share between the grant date and vesting date of that portion of the RSU depending on the structure of the award agreement. The fair value of an RSU is equal to the closing market price of NW Holdings' common stock on the grant date. During 2024, total RSU expense was \$1.9 million compared to \$1.9 million in 2023 and \$2.1 million in 2022. As of December 31, 2024, there was \$3.7 million of unrecognized compensation cost from grants of RSUs, which is expected to be recognized over a period extending through 2028.

Information regarding the RSU activity is summarized as follows:

	Number of RSUs	Weighted - Average Price Per RSU
Nonvested, December 31, 2021	87,727	\$ 54.87
Granted	48,212	46.50
Vested	(33,054)	55.90
Forfeited	(3,037)	56.34
Nonvested, December 31, 2022	99,848	50.44
Granted	45,532	48.24
Vested	(36,393)	56.65
Forfeited	(11,696)	49.98
Nonvested, December 31, 2023	97,291	49.80
Granted	68,907	39.18
Vested	(35,662)	52.51
Forfeited	(8,131)	45.33
Nonvested, December 31, 2024	122,405	\$ 43.34

#### Employee Stock Purchase Plan

NW Holdings' ESPP allows employees of NW Holdings, NW Natural and certain designated subsidiaries to purchase common stock at 85% of the closing price on the trading day immediately preceding the initial offering date, which is set annually. For the 2024-2025 ESPP period, each eligible employee may purchase up to \$21,226 worth of stock through payroll deductions over a period defined by the Board of Directors, with shares issued at the end of the subscription period.

#### Stock-Based Compensation Expense

Stock-based compensation expense is recognized as operations and maintenance expense or is capitalized as part of construction overhead at the entity at which the award recipient is employed. The following table summarizes the NW Holdings' financial statement impact, substantially all of which was recorded at NW Natural, of stock-based compensation under the LTIP and ESPP:

<i>In thousands</i>	2024	2023	2022
Operations and maintenance expense, for stock-based compensation	\$ 2,907	\$ 3,293	\$ 2,877
Income tax benefit	(770)	(872)	(762)
Net stock-based compensation effect on net income	2,137	2,421	2,115
Amounts capitalized for stock-based compensation	\$ 325	\$ 305	\$ 351



## 9. DEBT

### Short-Term Debt

The primary source of short-term liquidity for NW Holdings is cash balances, dividends from its operating subsidiaries, in particular NW Natural, available cash from a multi-year credit facility, and short-term credit facilities it may enter into from time to time.

The primary source of short-term liquidity for NW Natural is from the sale of commercial paper, available cash from a multi-year credit facility, and short-term credit facilities it may enter into from time to time. In addition to issuing commercial paper or entering into bank loans to meet working capital requirements, including seasonal requirements to finance gas purchases and accounts receivable, short-term debt may also be used to temporarily fund capital requirements. For NW Natural, commercial paper and bank loans are periodically refinanced through the sale of long-term debt or equity contributions from NW Holdings. Commercial paper, when outstanding, is sold through two commercial banks under an issuing and paying agency agreement and is supported by one or more unsecured revolving credit facilities. See "Credit Agreements" below.

At December 31, 2024 and 2023, NW Natural's short-term debt consisted of the following:

In millions	December 31, 2024		December 31, 2023	
	Balance Outstanding	Weighted Average Interest Rate <sup>(1)</sup>	Balance Outstanding	Weighted Average Interest Rate <sup>(1)</sup>
<b>NW Natural:</b>				
Commercial paper	\$ 136.5	4.8 %	\$ 16.8	5.5 %
<b>Other (NW Holdings):</b>				
Credit agreement	33.6	5.5 %	73.0	6.4 %
<b>NW Holdings</b>	<u>\$ 170.1</u>		<u>\$ 89.8</u>	

<sup>(1)</sup> Weighted average interest rate on outstanding short-term debt

The carrying cost of commercial paper approximates fair value using Level 2 inputs. See Note 2 for a description of the fair value hierarchy. At December 31, 2024, NW Natural's commercial paper had a maximum remaining maturity of 42 days and an average remaining maturity of 22 days.

### Credit Agreements

#### NW Holdings

In November 2021, NW Holdings entered into an amended and restated \$200 million credit agreement, with a feature that allows NW Holdings to request increases in the total commitment amount, up to a maximum of \$300 million. In December 2024, the maturity date of the agreement was extended to November 2, 2027, with an available extension of commitments for one additional one-year period, subject to lender approval. Interest charges on the NW Holdings credit agreement are indexed the secured overnight financing rate (SOFR) beginning February 2023. The SOFR is subject to a 10 basis point spread adjustment.

The NW Holdings credit agreement permits the issuance of letters of credit in an aggregate amount of up to \$40 million. The principal amount of borrowings under the credit agreement is due and payable on the maturity date. The credit agreement requires NW Holdings to maintain a consolidated indebtedness to total capitalization ratio of 70% or less. Failure to comply with this covenant would entitle the lenders to terminate their lending commitments and accelerate the maturity of all amounts outstanding. NW Holdings was in compliance with this covenant at December 31, 2024 and 2023.

The NW Holdings credit agreement also requires NW Holdings to maintain debt ratings (which are defined by a formula using NW Natural's credit ratings in the event NW Holdings does not have a credit rating) with Standard & Poor's (S&P) and Moody's Investors Service, Inc. (Moody's) and notify the lenders of any change in its senior unsecured debt ratings or senior secured debt ratings, as applicable, by such rating agencies. A change in NW Holdings' debt ratings by S&P or Moody's is not an event of default, nor is the maintenance of a specific minimum level of debt rating a condition of drawing upon the credit agreement. Rather, interest rates on any loans outstanding under the credit agreements are tied to debt ratings and therefore, a change in the debt rating would increase or decrease the cost of any loans under the credit agreements when ratings are changed. NW Holdings maintains a credit rating with S&P of A- and does not currently maintain ratings with Moody's.

There was \$33.6 million and \$73.0 million of outstanding balances under the NW Holdings agreement at December 31, 2024 and 2023, respectively. No letters of credit were issued or outstanding under the NW Holdings agreement at December 31, 2024 and 2023.

#### NW Natural

In November 2021, NW Natural entered into an amended and restated credit agreement for unsecured revolving loans totaling \$400 million, with a feature that allows NW Natural to request increases in the total commitment amount, up to a maximum of \$600 million. In December 2024, the maturity date of the agreement was extended to November 3, 2027 with an available extension of commitments for one additional one-year period, subject to lender approval. The credit agreement permits the issuance of letters of credit in an aggregate amount of up to \$60 million. The principal amount of borrowings under the credit



agreement is due and payable on the maturity date. Interest charges on the NW Natural credit agreement are indexed to the SOFR beginning February 2023. The SOFR is subject to a 10 basis point spread adjustment.

NW Natural's credit agreement requires NW Natural to maintain a consolidated indebtedness to total capitalization ratio of 70% or less. Failure to comply with this covenant would entitle the lenders to terminate their lending commitments and accelerate the maturity of all amounts outstanding. NW Natural was in compliance with this covenant at December 31, 2024 and 2023.

The NW Natural credit agreement also requires NW Natural to maintain credit ratings with S&P and Moody's and notify the lenders of any change in NW Natural's senior unsecured debt ratings or senior secured debt ratings, as applicable, by such rating agencies. A change in NW Natural's debt ratings by S&P or Moody's is not an event of default, nor is the maintenance of a specific minimum level of debt rating a condition of drawing upon the credit agreement. Rather, interest rates on any loans outstanding under the credit agreement are tied to debt ratings and therefore, a change in the debt rating would increase or decrease the cost of any loans under the credit agreement when ratings are changed.

There were no letters of credit outstanding at December 31, 2024 under NW Natural's credit agreement and one letter of credit outstanding at December 31, 2023. In December 2023, NW Natural issued a \$15 million letter of credit through its existing credit agreement, which expired January 5, 2024.

#### **Letters of Credit Facility**

In January 2024, NW Natural entered into an Uncommitted Letter of Credit and Reimbursement Agreement (LC Reimbursement Agreement), pursuant to which NW Natural agreed to reimburse each Lender acting as an issuing bank (Issuing Bank) thereunder for disbursements in respect of letters of credit (Letters of Credit) issued pursuant to the LC Reimbursement Agreement from time to time. The Company expects to use Letters of Credit issued under the facility created by the LC Reimbursement Agreement (LC Facility) primarily to support its participation in Washington Climate Commitment Act cap-and-invest program auctions.

Although there is no expressly stated maximum amount of Letters of Credit that can be issued or outstanding under the LC Facility, under current regulatory authority from the OPUC, the aggregate sum of Letters of Credit outstanding and available to be drawn under the LC Reimbursement Agreement may not exceed \$100 million at any one time. The Issuing Banks have no commitment to issue Letters of Credit under the LC Facility and will have the discretion to limit and condition the terms for the issuance of Letters of Credit (including maximum face amounts) in their sole discretion.

The LC Reimbursement Agreement requires NW Natural to maintain certain ratings with S&P and Moody's. NW Natural must also notify the Administrative Agent and Lenders of any change in the S&P or Moody's Ratings, although any such change is not an event of default.

The LC Reimbursement Agreement prohibits NW Natural from permitting Consolidated Indebtedness to be greater than 70% of Total Capitalization, each as defined therein and calculated as of the end of each fiscal quarter of NW Natural. Failure to comply with this financial covenant would constitute an Event of Default under the LC Reimbursement Agreement. The occurrence of this or any other Event of Default would entitle the Administrative Agent to require cash collateral for the LC Exposure, as defined in the LC Reimbursement Agreement, and to exercise all other rights and remedies available to it and the Lenders under the Credit Documents, as defined in the LC Reimbursement Agreement, and under applicable law.

There were no letters of credit issued or outstanding under the LC Reimbursement Agreement at December 31, 2024.

#### **Long-Term Debt**

At December 31, 2024 and 2023, NW Holdings long-term debt consisted of the following:

<i>In millions</i>	December 31, 2024		December 31, 2023	
	Balance Outstanding	Weighted Average Interest Rate <sup>(1)</sup>	Balance Outstanding	Weighted Average Interest Rate <sup>(1)</sup>
NW Natural first mortgage bonds	\$ 1,374.7	4.6 %	\$ 1,374.7	4.7 %
NW Holdings unsecured senior bonds	285.0	5.7 %	—	— %
NW Holdings credit agreement	—	— %	100.0	5.5 %
NWN Water credit agreement	—	— %	50.0	5.8 %
NWN Water term loan	55.0	4.7 %	55.0	4.7 %
Other long-term debt	6.1		6.6	
Long-term debt, gross	1,720.8		1,586.3	
Less: unamortized debt issuance costs	10.6		10.0	
Less: current maturities	30.8		150.9	
Total long-term debt	\$ 1,679.4		\$ 1,425.4	

<sup>(1)</sup> Weighted average interest rate for the years ended December 31, 2024 and 2023.

#### NW Natural Long-Term Debt

NW Natural's issuance of First Mortgage Bonds (FMBs), which includes NW Natural's medium-term notes, under the Mortgage and Deed of Trust (Mortgage) is limited by eligible property, adjusted net earnings, and other provisions of the Mortgage. The Mortgage constitutes a first mortgage lien on certain gas properties owned from time to time by NW Natural, including substantially all of NW Natural's NGD property.

#### Issuance of Long-Term Debt

In December 2023, NW Holdings entered into a Note Purchase Agreement between NW Holdings and the institutional investors named as purchasers therein. The Note Purchase Agreement provides for the issuance of (i) \$100.0 million aggregate principal amount of NW Holdings' 5.78% Senior Notes, Series A, due March 7, 2028 (5.78% Notes) and (ii) \$50.0 million aggregate principal amount of NW Holdings' 5.84% Senior Notes, Series B, due March 7, 2029 (5.84% Notes) in reliance on an exemption from registration under Section 4(a)(2) of the Securities Act of 1933, as amended. The 5.78% Notes and the 5.84% Notes were issued in March 2024, pursuant to the Note Purchase Agreement. The proceeds from the Note Purchase Agreement were used to settle an existing term loan at NW Holdings for \$100.0 million and make an equity contribution to NWN Water, which was used to settle an existing term loan for \$50.0 million.

In December 2024, NW Holdings issued and sold (i) \$90.0 million in aggregate principal amount of its 5.52% Senior Notes, Series C, due December 19, 2029 (the 5.52% Notes), and (ii) \$45.0 million in aggregate principal amount of its 5.86% Senior Notes, Series D, due December 19, 2034 (the 5.86% Notes, together with the 5.52% Notes, the Notes), to certain institutional investors pursuant to a Note Purchase Agreement dated December 19, 2024 (the Note Purchase Agreement), in reliance on an exemption from registration under Section 4(a)(2) of the Securities Act of 1933, as amended.

The 5.52% Notes and the 5.86% Notes bear interest at the rate of 5.52% and 5.86%, respectively, per annum, payable semi-annually on June 19 and December 19 of each year, commencing June 19, 2025, and will mature on December 19, 2029, and December 19, 2034, respectively. The 5.52% Notes and the 5.86% Notes will be subject to prepayment at the option of NW Holdings, in whole or in part, (i) at any time at a price equal to 100% of the principal amount thereof, plus the applicable "make-whole" premium and accrued and unpaid interest thereon to the date of prepayment, and (ii) at any time on or after November 19, 2029 and September 19, 2034, respectively, at 100% of the principal amount thereof, plus accrued and unpaid interest thereon to the date of prepayment, but without the payment of a "make-whole" premium, in each case, so long as there is no Default or Event of Default under the Note Purchase Agreement.

#### Interest Rate Swap Agreement

In January 2023, NWN Water entered into an interest rate swap agreement with a major financial institution for \$55.0 million that effectively converted variable-rate debt to a fixed rate of 3.80%. Interest payments made between the effective date and expiration date are hedged by the swap agreement. The interest rate swap agreement expires in June 2026, along with the variable-rate debt.

#### Maturities and Outstanding Long-Term Debt

Retirement of long-term debt for each of the annual periods through December 31, 2029 and thereafter are as follows:

<i>In thousands</i>	NW Natural	Other (NW Holdings)	NW Holdings
2025	\$ 30,000	\$ 795	\$ 30,795
2026	55,000	55,835	110,835
2027	64,700	863	65,563
2028	10,000	100,839	110,839
2029	50,000	140,543	190,543
Thereafter	1,165,000	47,177	1,212,177
Total	<u>\$ 1,374,700</u>	<u>\$ 346,052</u>	<u>\$ 1,720,752</u>

The following table presents debt outstanding at NW Natural as of December 31:

<i>In thousands</i>	2024	2023
<b>NW Natural:</b>		
<b>First Mortgage Bonds:</b>		
7.720% Series due 2025	\$ 20,000	\$ 20,000
6.520% Series due 2025	10,000	10,000
7.050% Series due 2026	20,000	20,000
3.211% Series due 2026	35,000	35,000
7.000% Series due 2027	20,000	20,000
2.822% Series due 2027	25,000	25,000
6.650% Series due 2027	19,700	19,700
6.650% Series due 2028	10,000	10,000
3.141% Series due 2029	50,000	50,000
7.740% Series due 2030	20,000	20,000
7.850% Series due 2030	10,000	10,000
5.820% Series due 2032	30,000	30,000
5.660% Series due 2033	40,000	40,000
5.750% Series due 2033	100,000	100,000
5.180% Series due 2034	80,000	80,000
5.250% Series due 2035	10,000	10,000
5.230% Series due 2038	50,000	50,000
4.000% Series due 2042	50,000	50,000
4.136% Series due 2046	40,000	40,000
3.685% Series due 2047	75,000	75,000
4.110% Series due 2048	50,000	50,000
3.869% Series due 2049	90,000	90,000
3.600% Series due 2050	150,000	150,000
3.078% Series due 2051	130,000	130,000
4.780% Series due 2052	140,000	140,000
5.430% Series due 2053	100,000	100,000
Long-term debt, gross	1,374,700	1,374,700
Less: current maturities	30,000	—
Total long-term debt	\$ 1,344,700	\$ 1,374,700

#### **Fair Value of Long-Term Debt**

NW Holdings' and NW Natural's outstanding debt does not trade in active markets. The fair value of debt is estimated using the value of outstanding debt at natural gas distribution companies with similar credit ratings, terms, and remaining maturities to NW Holdings' and NW Natural's debt that actively trade in public markets. Substantially all outstanding debt at NW Holdings is comprised of NW Natural debt. These valuations are based on Level 2 inputs as defined in the fair value hierarchy. See Note 2.

The following table provides an estimate of the fair value of long-term debt, including current maturities of long-term debt, using market prices in effect on the valuation date:

<i>In thousands</i>	December 31,	
	2024	2023
<b>NW Natural:</b>		
Gross long-term debt	\$ 1,374,700	\$ 1,374,700
Unamortized debt issuance costs	(9,301)	(9,968)
Carrying amount	1,365,399	1,364,732
Estimated fair value <sup>(1)</sup>	1,191,194	1,236,559
<b>NW Holdings:</b>		
Gross long-term debt	\$ 1,720,752	\$ 1,586,344
Unamortized debt issuance costs	(10,610)	(10,044)
Carrying amount	1,710,142	1,576,300
Estimated fair value <sup>(1)</sup>	1,542,208	1,447,941

<sup>(1)</sup> Estimated fair value does not include unamortized debt issuance costs.

## 10. PENSION AND OTHER POSTRETIREMENT BENEFIT COSTS

NW Natural maintains a qualified non-contributory defined benefit pension plan (Pension Plan) for all eligible employees, non-qualified supplemental pension plans for eligible executive officers and other key employees, and other postretirement employee benefit plans. NW Natural also has a qualified defined contribution plan (Retirement K Savings Plan) for all eligible employees. The Pension Plan and Retirement K Savings Plan have plan assets, which are held in qualified trusts to fund retirement benefits.

Effective January 1, 2007 and 2010, the Pension Plan and postretirement benefits for non-union employees and union employees, respectively, were closed to new participants. Non-union and union employees hired or re-hired after December 31, 2006 and 2009, respectively, and employees of NW Natural subsidiaries are provided an enhanced Retirement K Savings Plan benefit.

The following table provides a reconciliation of the changes in NW Natural's benefit obligations and fair value of plan assets, as applicable, for NW Natural's pension and other postretirement benefit plans, excluding the Retirement K Savings Plan, and a summary of the funded status and amounts recognized in NW Holdings' and NW Natural's consolidated balance sheets as of December 31:

In thousands	Postretirement Benefit Plans			
	Pension Benefits		Other Benefits	
	2024	2023	2024	2023
Reconciliation of change in benefit obligation:				
Obligation at January 1	\$ 425,450	\$ 413,413	\$ 21,467	\$ 19,880
Service cost	3,837	3,922	90	105
Interest cost	21,466	21,019	1,035	1,067
Net actuarial (loss) gain	(18,215)	15,066	1,421	2,208
Benefits paid	(26,986)	(27,970)	(1,982)	(1,793)
Obligation at December 31	405,552	425,450	22,031	21,467
Reconciliation of change in plan assets:				
Fair value of plan assets at January 1	283,444	280,304	—	—
Actual return on plan assets	4,892	28,841	—	—
Employer contributions	22,798	2,269	1,982	1,793
Benefits paid	(26,986)	(27,970)	(1,982)	(1,793)
Fair value of plan assets at December 31	284,148	283,444	—	—
Funded status at December 31	\$ (121,404)	\$ (142,006)	\$ (22,031)	\$ (21,467)

At December 31, 2024, the net liability (benefit obligations less market value of plan assets) for the Pension Plan decreased \$20.5 million compared to 2023. The decrease in the net pension liability is primarily due to the \$19.8 million decrease to the pension benefit obligation and the \$0.7 million increase in plan assets. The liability for non-qualified plans decreased \$0.1 million, and the liability for other postretirement benefits increased \$0.6 million in 2024.

NW Natural's Pension Plan had a projected benefit obligation of \$372.8 million and \$392.6 million at December 31, 2024 and 2023, respectively, and fair values of plan assets of \$284.1 million and \$283.4 million, respectively. The plan had an accumulated benefit obligation of \$343.7 million and \$363.5 million at December 31, 2024 and 2023, respectively.

The following table presents amounts realized through regulatory assets or in other comprehensive loss (income) for the years ended December 31:

In thousands	Regulatory Assets						Other Comprehensive Loss (Income)		
	Pension Benefits			Other Postretirement Benefits			Pension Benefits		
	2024	2023	2022	2024	2023	2022	2024	2023	2022
Net actuarial (gain) loss	\$ 933	\$ 10,318	\$ 2,833	\$ 1,421	\$ 2,208	\$ (6,234)	\$ (290)	\$ 1,630	\$ (5,706)
Amortization of:									
Prior service credit	—	—	—	—	—	333	—	—	—
Actuarial loss	(5,049)	—	(11,531)	(8)	—	(426)	(845)	(713)	(1,081)
Total	\$ (4,116)	\$ 10,318	\$ (8,698)	\$ 1,413	\$ 2,208	\$ (6,327)	\$ (1,135)	\$ 917	\$ (6,787)

The following table presents amounts recognized in regulatory assets and accumulated other comprehensive loss (AOCL) at December 31:

In thousands	Regulatory Assets				AOCL	
	Pension Benefits		Other Postretirement Benefits		Pension Benefits	
	2024	2023	2024	2023	2024	2023
Prior service credit	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —
Net actuarial loss (gain)	108,441	112,558	2,794	1,382	9,386	9,634
Total	\$ 108,441	\$ 112,558	\$ 2,794	\$ 1,382	\$ 9,386	\$ 9,634

The following table presents amounts recognized by NW Holdings and NW Natural in AOCL and the changes in AOCL related to NW Natural's non-qualified employee benefit plans:

In thousands	Year ended December 31,	
	2024	2023
Beginning balance	\$ (7,237)	\$ (6,414)
Amounts reclassified to AOCL	(439)	(1,676)
Amounts reclassified from AOCL:		
Amortization of actuarial losses	794	558
Total reclassifications before tax	355	(1,118)
Tax (expense) benefit	(170)	295
Total reclassifications for the period	185	(823)
Ending balance	\$ (7,052)	\$ (7,237)

In 2025, NW Natural will amortize \$9.1 million in estimated costs from regulatory assets to net periodic benefit costs.

The assumed discount rates for NW Natural's Pension Plan and other postretirement benefit plans were determined independently based on the FTSE Above Median Curve (discount rate curve), which uses high quality corporate bonds rated AA- or higher by S&P or Aa3 or higher by Moody's. The discount rate curve was applied to match the estimated cash flows in each of the plans to reflect the timing and amount of expected future benefit payments for these plans.

The assumed expected long-term rate of return on plan assets for the Pension Plan was developed using a weighted-average of the expected returns for the target asset portfolio. In developing the expected long-term rate of return assumption, consideration was given to the historical performance of each asset class in which the plan's assets are invested and the target asset allocation for plan assets.

The investment strategy and policies for Pension Plan assets held in the retirement trust fund were approved by the NW Natural Retirement Committee, which is composed of senior management with the assistance of an outside investment consultant. The policies set forth the guidelines and objectives governing the investment of plan assets. Plan assets are invested for total return with appropriate consideration for liquidity, portfolio risk, and return expectations. All investments are expected to satisfy the prudent investments rule under the Employee Retirement Income Security Act of 1974. The approved asset classes may include cash and short-term investments, fixed income, common stock and convertible securities, absolute and real return strategies, and real estate. Plan assets may be invested in separately managed accounts or in commingled or mutual funds. Investment re-balancing takes place periodically as needed, or when significant cash flows occur, in order to maintain the allocation of assets within the stated target ranges. The retirement trust fund for the Pension Plan is not currently invested in NW Holdings or NW Natural securities.

The following table presents the Pension Plan asset target allocation at December 31, 2024:

Asset Category	Target Allocation
Long government/credit	40 %
U.S. large cap equity	21
Global equity	15
Developed non-U.S. equity	11
Emerging market equity	5
High yield bonds	4
Real estate investment trusts	2
Emerging market debt	2

Non-qualified supplemental defined benefit plan obligations were \$32.7 million and \$32.8 million at December 31, 2024 and 2023, respectively. These plans are not subject to regulatory deferral, and the changes in actuarial gains and losses, prior



service costs, and transition assets or obligations are recognized in AOCL, net of tax until they are amortized as a component of net periodic benefit cost. These are unfunded, non-qualified plans with no plan assets; however, a significant portion of the obligations is indirectly funded with company and trust-owned life insurance and other assets.

Other postretirement benefit plans are unfunded plans but are subject to regulatory deferral. The actuarial gains and losses, prior service costs, and transition assets or obligations for these plans are recognized as a regulatory asset.

Net periodic benefit costs consist of service costs, interest costs, the expected returns on plan assets, and the amortization of gains and losses and prior service costs. The gains and losses are the sum of the actuarial and asset gains and losses throughout the year and are amortized over the average remaining service period of active participants. The asset gains and losses are based in part on a market-related valuation of assets. The market-related valuation reflects differences between expected returns and actual investment returns with the differences recognized over a two-year period from the year in which they occur, thereby reducing year-to-year net periodic benefit cost volatility.

The service cost component of net periodic benefit cost for NW Natural pension and other postretirement benefit plans is recognized in operations and maintenance expense in the consolidated statements of comprehensive income. The other non-service cost components are recognized in other income (expense), net in the consolidated statements of comprehensive income. The following table provides the components of net periodic benefit cost for NW Natural's pension and other postretirement benefit plans for the years ended December 31:

In thousands	Pension Benefits			Other Postretirement Benefits		
	2024	2023	2022	2024	2023	2022
Service cost	\$ 3,837	\$ 3,922	\$ 5,933	\$ 90	\$ 105	\$ 193
Interest cost	21,466	21,018	14,593	1,035	1,067	724
Expected return on plan assets	(23,749)	(25,723)	(25,698)	—	—	—
Amortization of prior service credit	—	—	—	—	—	(333)
Amortization of net actuarial loss	5,894	713	12,612	8	—	426
Net periodic cost (benefit)	7,448	(70)	7,440	1,133	1,172	1,010
Amount allocated to construction	(1,874)	(1,684)	(2,621)	(36)	(36)	(76)
Net periodic cost (benefit) charged to expense	5,574	(1,754)	4,819	1,097	1,136	934
Amortization of regulatory balancing account	7,131	7,131	7,131	—	—	—
Net amount charged to expense	\$ 12,705	\$ 5,377	\$ 11,950	\$ 1,097	\$ 1,136	\$ 934

Net periodic benefit costs are reduced by amounts capitalized to NGD plant. In addition, a certain amount of net periodic benefit costs were recorded to the regulatory balancing account, representing net periodic pension expense for the Pension Plan above the amount set in rates, as approved by the OPUC, from 2011 through October 31, 2018. Total amortization of the regulatory balancing account of \$7.1 million was recognized in each of the years ended December 31, 2024 and 2023, of which \$2.6 million was charged to operations and maintenance expense and \$4.5 million was charged to other income (expense).

The following table provides the assumptions used in measuring periodic benefit costs and benefit obligations for the years ended December 31:

	Pension Benefits			Other Postretirement Benefits		
	2024	2023	2022	2024	2023	2022
Assumptions for net periodic benefit cost:						
Weighted-average discount rate	4.96 %	5.14 %	2.71 %	4.98 %	5.19 %	2.72 %
Rate of increase in compensation	4.00%-6.00%	4.00%-5.00%	3.50 %	n/a	n/a	n/a
Expected long-term rate of return	7.50 %	7.50 %	7.00 %	n/a	n/a	n/a
Assumptions for year-end funded status:						
Weighted-average discount rate	5.56 %	4.98 %	5.18 %	5.53 %	4.98 %	5.19 %
Rate of increase in compensation <sup>(1)</sup>	4.80%-5.05%	4.00%-4.73%	4.00%-6.00%	n/a	n/a	n/a
Expected long-term rate of return	7.50 %	7.50 %	7.50 %	n/a	n/a	n/a

<sup>(1)</sup> Rate assumption ranges from 4.8% to 5.1% in 2025 and thereafter.

The assumed annual increase in health care cost trend rates used in measuring other postretirement benefits as of December 31, 2024 was 6.00%. These trend rates apply to both medical and prescription drugs. Medical costs and prescription drugs are assumed to decrease gradually each year to a rate of 4.00% by 2029.

Assumed health care cost trend rates can have a significant effect on the amounts reported for the health care plans; however, other postretirement benefit plans have a cap on the amount of costs reimbursable by NW Natural.

Mortality assumptions are reviewed annually and are updated for material changes as necessary. In 2024, mortality rate assumptions remained consistent with 2023, using Pri-2012 mortality tables using scale MP-2021.

The following table provides information regarding employer contributions and benefit payments for NW Natural's Pension Plan, non-qualified pension plans, and other postretirement benefit plans for the years ended December 31, and estimated future contributions and payments:

<i>In thousands</i>	Pension Benefits		Other Benefits	
Employer Contributions:				
2023	\$	2,269	\$	1,793
2024		22,798		1,982
2025 (estimated)		22,312		2,384
Benefit Payments:				
2022	\$	27,563	\$	2,026
2023		27,970		1,793
2024		26,986		1,982
Estimated Future Benefit Payments:				
2025	\$	36,197	\$	2,384
2026		27,880		1,800
2027		28,242		1,799
2028		28,566		1,787
2029		28,756		1,741
2030-2034		147,253		8,391

#### **Employer Contributions to Company-Sponsored Defined Benefit Pension Plan**

NW Natural makes contributions to its Pension Plan based on actuarial assumptions and estimates, tax regulations, and funding requirements under federal law. The American Rescue Plan, which was signed into law on March 11, 2021, includes a provision for pension relief that extends the amortization period for required contributions from 7 to 15 years and provides for the stabilization of interest rates used to calculate future required contributions. NW Natural made \$20.5 million of cash contributions to its Pension Plan for 2024.

The Pension Plan was underfunded by \$88.7 million at December 31, 2024. During 2025, NW Natural expects to make cash contributions of approximately \$11.3 million to the Pension Plan.

#### **Multiemployer Pension Plan**

In addition to the NW Natural-sponsored Pension Plan presented above, prior to 2014 NW Natural contributed to a multiemployer pension plan for its NGD union employees known as the Western States Office and Professional Employees International Union Pension Fund (Western States Plan). That plan's employer identification number is 94-6076144. Effective December 22, 2013, NW Natural withdrew from the plan, which was a noncash transaction. Vested participants will receive all benefits accrued through the date of withdrawal. As the plan was underfunded at the time of withdrawal, NW Natural was assessed a withdrawal liability of \$8.3 million, plus interest, which requires NW Natural to pay \$0.6 million each year to the plan for 20 years beginning in July 2014. The cost of the withdrawal liability was deferred to a regulatory account on the balance sheet.

Payments were \$0.6 million for 2024, and as of December 31, 2024, the liability balance was \$4.7 million. For 2023 and 2022, contributions to the plan were \$0.6 million each year, which was approximately 17% to 1% of the total contributions to the plan by all employer participants in those years.

#### **Defined Contribution Plan**

NW Natural's Retirement K Savings Plan is a qualified defined contribution plan under Internal Revenue Code Sections 401(a) and 401(k). NW Natural contributions totaled \$11.1 million, \$10.4 million, and \$9.6 million for 2024, 2023, and 2022, respectively.

#### **Deferred Compensation Plans**

NW Natural's supplemental deferred compensation plans for eligible officers and senior managers are non-qualified plans. These plans are designed to enhance the retirement savings of employees and to assist them in strengthening their financial security by providing an incentive to save and invest regularly.



**Fair Value**

Below is a description of the valuation methodologies used for assets measured at fair value. In cases where NW Natural's Pension Plan is invested through a collective trust fund or mutual fund, the fund's market value is utilized. Market values for investments directly owned are also utilized.

**U.S. EQUITY.** These are non-published net asset value (NAV) assets. The non-published NAV assets consist of commingled trusts where NAV is not published but the investment can be readily disposed of at NAV or market value. The underlying investments in this asset class includes investments primarily in U.S. common stocks.

**INTERNATIONAL/GLOBAL EQUITY.** These are Level 1 and non-published NAV assets. The Level 1 asset is a mutual fund, and the non-published NAV assets consist of commingled trusts where the NAV/unit price is not published, but the investment can be readily disposed of at the NAV/unit price. The mutual fund has a readily determinable fair value, including a published NAV, and the commingled trusts are valued at unit price. This asset class includes investments primarily in foreign equity common stocks.

**LIABILITY HEDGING.** These are non-published NAV assets. The non-published NAV assets consist of commingled trusts where NAV is not published but the investment can be readily disposed of at NAV or market value. The underlying investments in this asset class include long duration fixed income investments primarily in U.S. treasuries, U.S. government agencies, municipal securities, mortgage-backed securities, asset-backed securities, as well as U.S. and international investment-grade corporate bonds.

**OPPORTUNISTIC.** These are non-published NAV assets. The non-published NAV assets consist of commingled trusts where NAV is not published but the investment can be readily disposed of at NAV or market value. The underlying investments in this asset class include real estate investment trust equities, high yield bonds, floating rate debt, emerging market debt and a commodity index pool.

**CASH AND CASH EQUIVALENTS.** These are non-published NAV assets. The non-published NAV assets represent mutual funds without published NAV's but the investment can be readily disposed of at the NAV. The mutual funds are valued at the NAV of the shares held by the plan at the valuation date.

The preceding valuation methods may produce a fair value calculation that is not indicative of net realizable value or reflective of future fair values. Although we believe these valuation methods are appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine the fair value of certain investments could result in a different fair value measurement at the reporting date.

Commingled trust investments are subject to a redemption notice period of five business days. There were no unfunded commitments for Plan investments as of December 31, 2024 and 2023.

Investment securities are exposed to various financial risks including interest rate, market, and credit risks. Due to the level of risk associated with certain investment securities, it is reasonably possible that changes in the values of NW Natural's investment securities will occur in the near term and such changes could materially affect NW Natural's investment account balances and the amounts reported as plan assets available for benefit payments.

The following tables present the fair value of NW Natural's Pension Plan assets, including outstanding receivables and liabilities, of NW Natural's retirement trust fund:

In thousands	December 31, 2024					
	Level 1	Level 2	Level 3	Non-Published NAV <sup>(1)</sup>	Total	
Investments						
US equity	\$ 284	\$ —	\$ —	\$ 68,160	\$	68,444
International / Global equity	—	—	—	86,498		86,498
Liability hedging	—	—	—	108,680		108,680
Opportunistic	2,269	—	—	15,532		17,801
Cash and cash equivalents	27	—	—	2,698		2,725
Total investments	\$ 2,580	\$ —	\$ —	\$ 281,568	\$	284,148

  

In thousands	December 31, 2023					
	Level 1	Level 2	Level 3	Non-Published NAV <sup>(1)</sup>	Total	
Investments						
US equity	\$ —	\$ —	\$ —	\$ 73,910	\$	73,910
International / Global equity	27,730	—	—	63,767		91,497
Liability hedging	—	—	—	98,408		98,408
Opportunistic	—	—	—	17,148		17,148
Cash and cash equivalents	—	—	—	2,480		2,480
Total investments	\$ 27,730	\$ —	\$ —	\$ 255,713	\$	283,443

  

		December 31,	
		2024	2023
Receivables:			
Accrued interest and dividend income	\$ 2	\$	10,698
Due from broker for securities sold	7,033		—
Total receivables	7,035		10,698
Liabilities:			
Due to broker for securities purchased	(7,032)		(10,698)
Total investment in retirement trust	\$ 284,151	\$	283,443

<sup>(1)</sup> The fair value for these investments is determined using Net Asset Value per share (NAV) as of December 31, as a practical expedient, and therefore they are not classified within the fair value hierarchy. These investments primarily consist of institutional investment products, for which the NAV is generally not publicly available.

## 11. INCOME TAX

The following table provides a reconciliation between income taxes calculated at the statutory federal tax rate and the provision for income taxes reflected in the NW Holdings and NW Natural statements of comprehensive income or loss for December 31:

Dollars in thousands	NW Holdings			NW Natural		
	2024	2023	2022	2024	2023	2022
Income taxes at federal statutory rate	\$ 23,088	\$ 26,508	\$ 24,241	\$ 25,964	\$ 29,486	\$ 25,746
Increase (decrease):						
State income tax, net of federal	9,931	10,875	10,139	10,611	11,510	10,504
Differences required to be flowed-through by regulatory commissions	(2,182)	(3,976)	(4,748)	(2,178)	(3,972)	(4,746)
Other, net	234	(1,045)	(502)	221	(1,352)	(468)
Total provision for income taxes	\$ 31,071	\$ 32,362	\$ 29,130	\$ 34,618	\$ 35,672	\$ 31,036
Effective tax rate	28.3%	25.6%	25.2%	28.0%	25.4%	25.3%

The NW Holdings and NW Natural effective income tax rates for 2024 compared to 2023 changed primarily as a result of pre-tax income and a regulatory tax benefit that was fully amortized in customer rates in 2023.

The NW Holdings and NW Natural effective income tax rates for 2023 compared to 2022 changed primarily as a result of pre-tax income.

The provision for current and deferred income taxes consists of the following at December 31:

In thousands	NW Holdings			NW Natural		
	2024	2023	2022	2024	2023	2022
Current						
Federal	\$ 10,489	\$ 13,496	\$ 5,172	\$ 15,996	\$ 20,512	\$ 7,442
State	9,216	9,901	6,551	11,078	12,304	7,307
Total current income taxes	19,705	23,397	11,723	27,074	32,816	14,749
Deferred						
Federal	8,012	5,100	11,124	5,191	591	10,298
State	3,354	3,865	6,283	2,353	2,265	5,989
Total deferred income taxes	11,366	8,965	17,407	7,544	2,856	16,287
Income tax provision	\$ 31,071	\$ 32,362	\$ 29,130	\$ 34,618	\$ 35,672	\$ 31,036

The following table summarizes the tax effect of significant items comprising NW Holdings and NW Natural's deferred income tax balances recorded at December 31:

In thousands	NW Holdings		NW Natural	
	2024	2023	2024	2023
Deferred tax liabilities:				
Plant and property	\$ 370,072	\$ 350,802	\$ 357,944	\$ 340,042
Leases receivable	34,477	35,635	34,477	35,635
Pension and postretirement obligations	26,116	24,830	26,116	24,830
Income tax regulatory asset	11,768	12,939	11,768	12,939
Lease right of use assets	20,542	21,002	20,407	20,849
Other intangible assets	3,388	528	—	—
Other	—	4,432	—	4,620
Total deferred income tax liabilities	466,363	450,168	450,712	438,915
Deferred income tax assets:				
Income tax regulatory liability	45,570	46,372	45,320	46,120
Lease liabilities	20,585	21,047	20,449	20,884
Net operating losses and credits carried forward	105	76	44	44
Other	5,457	—	4,716	—
Total deferred income tax assets	71,717	67,495	70,529	67,048
Deferred investment tax credits	2,503	—	2,503	—
Total net deferred income tax liabilities	\$ 397,149	\$ 382,673	\$ 382,686	\$ 371,867

At December 31, 2024 and 2023, regulatory income tax assets of \$5.8 million and \$8.0 million, respectively, were recorded by NW Natural, a portion of which is recorded in current assets. These regulatory income tax assets primarily represent future rate recovery of deferred tax liabilities, resulting from differences in NGD plant financial statement and tax bases and NGD plant removal costs, which were previously flowed through for rate making purposes and to take into account the additional future taxes, which will be generated by that recovery. These deferred tax liabilities, and the associated regulatory income tax assets, are currently being recovered through customer rates. At December 31, 2024 and 2023, regulatory income tax assets of \$6.0 million and \$4.9 million, respectively, were recorded by NW Natural, representing future recovery of deferred tax liabilities resulting from the equity portion of AFUDC.

At December 31, 2024 and 2023, deferred tax assets of \$44.9 million and \$46.1 million, respectively, were recorded by NW Natural representing the future income tax benefit associated with the excess deferred income tax regulatory liability recorded as a result of the lower federal corporate income tax rate provided for by the TCJA. At December 31, 2024 and 2023, regulatory liability balances representing the benefit of the change in deferred taxes as a result of the TCJA of \$169.5 million and \$174.2 million, respectively, were recorded by NW Natural.

NW Holdings and NW Natural assess the available positive and negative evidence to estimate if sufficient taxable income will be generated to utilize their respective existing deferred tax assets. Based upon this assessment, NW Holdings and NW Natural determined that it is more likely than not that all of their respective deferred tax assets recorded as of December 31, 2024 will be realized.

The Company estimates it has net operating loss (NOL) carryforwards of \$138 thousand for federal taxes and \$147 thousand for state taxes at December 31, 2024. The federal NOLs do not expire and we anticipate fully utilizing the state NOL carryforward.

balances before they begin to expire in 2036. California alternative minimum tax (AMT) credits of \$56 thousand are also available. The AMT credits do not expire.

Uncertain tax positions are accounted for in accordance with accounting standards that require an assessment of the anticipated settlement outcome of material uncertain tax positions taken in a prior year, or planned to be taken in the current year. Until such positions are sustained, the uncertain tax benefits resulting from such positions would not be recognized. No reserves for uncertain tax positions were recorded as of December 31, 2024, 2023, or 2022.

The federal income tax returns for tax years 2020 and earlier are closed by statute. The IRS Compliance Assurance Process (CAP) examination of the 2021 and 2022 tax years have been completed. There were no material changes to these returns as filed. The 2023 and 2024 tax years are currently under IRS CAP examination. The 2025 CAP application has been filed. Under the CAP program, NW Holdings and NW Natural work with the IRS to identify and resolve material tax matters before the tax return is filed each year.

As of December 31, 2024, income tax years 2020 through 2023 remain open for examination by the states of California and Texas. Income tax years 2021 through 2023 are open for examination by the states of Idaho, Nebraska, and Oregon. Income tax years 2022 through 2023 are open for examination by the state of Arizona.

## 12. PROPERTY, PLANT, AND EQUIPMENT

The following table sets forth the major classifications of property, plant, and equipment and accumulated depreciation of continuing operations at December 31:

<i>In thousands</i>	2024	2023
<b>NW Natural:</b>		
NGD plant in service	\$ 4,504,439	\$ 4,206,455
NGD construction work in progress	117,121	105,166
Less: Accumulated depreciation	1,199,460	1,159,367
NGD plant, net	3,422,100	3,152,254
Other plant in service	73,516	71,175
Other construction work in progress	11,643	10,963
Less: Accumulated depreciation	22,953	22,595
Other plant, net	62,206	59,543
Total property, plant, and equipment	\$ 3,484,306	\$ 3,211,797
<b>Other (NW Holdings):</b>		
Other plant in service	\$ 191,610	\$ 147,040
Other construction work in progress	20,590	15,810
Less: Accumulated depreciation	24,179	16,593
Other plant, net	188,021	146,257
<b>NW Holdings:</b>		
Total property, plant, and equipment	\$ 3,672,327	\$ 3,358,054
<b>NW Natural:</b>		
Capital expenditures in accrued liabilities	\$ 24,625	\$ 24,168
<b>NW Holdings:</b>		
Capital expenditures in accrued liabilities	\$ 26,610	\$ 27,879

### NW Natural

NGD balances primarily consist of transmission and distribution plant, gas storage facilities, general plant and other fixed assets. In October 2024, the OPUC issued an order concluding the NW Natural 2024 Oregon rate case. The OPUC ordered a regulatory disallowance related to \$13.7 million of undepreciated line extension costs, which resulted in a reduction of NGD plant in service and a non-cash, pre-tax charge that was recorded as operations and maintenance expense in the consolidated statements of comprehensive income in the fourth quarter of 2024.

Other plant balances include non-utility gas storage assets at the Mist facility and other long-lived assets not related to NGD.

The weighted average depreciation rate for NGD assets was 2.9% in 2024, 3.0% in 2023, and 3.0% 2022. The weighted average depreciation rate for assets not related to NGD was 1.7% in 2024, 1.7% in 2023 and 1.8% in 2022.

Accumulated depreciation does not include the accumulated provision for asset removal costs of \$526.5 million and \$496.2 million at December 31, 2024 and 2023, respectively. These accrued asset removal costs are reflected on the balance sheet as regulatory liabilities. See Note 2.

#### NW Holdings

Other plant balances include long-lived assets associated with water and wastewater operations and non-regulated activities not held by NW Natural or its subsidiaries.

### **13. INVESTMENTS**

Investments include gas reserves, financial investments in life insurance policies, and equity method investments. The following table summarizes other investments at December 31:

<i>In thousands</i>	NW Holdings		NW Natural	
	2024	2023	2024	2023
Investments in life insurance policies	\$ 45,772	\$ 45,713	\$ 45,772	\$ 45,713
Investments in gas reserves, non-current	18,166	20,893	18,166	20,893
Investments in unconsolidated affiliates	18,298	36,345	—	19,539
Total other investments	\$ 82,236	\$ 102,951	\$ 63,938	\$ 86,145

#### **Investment in Life Insurance Policies**

NW Natural has invested in key person life insurance contracts to provide an indirect funding vehicle for certain long-term employee and director benefit plan liabilities. The amount in the above table is reported at cash surrender value, net of policy loans.

#### **NW Natural Gas Reserves**

NW Natural has invested \$188 million through the gas reserves program in the Jonah Field located in Wyoming as of December 31, 2024. Gas reserves are stated at cost, net of regulatory amortization, with the associated deferred tax benefits of \$2.6 million and \$4.0 million, which are recorded as liabilities in the December 31, 2024 and 2023 consolidated balance sheets, respectively. NW Natural's investment is included in NW Holdings' and NW Natural's consolidated balance sheets under other current assets and other investments (non-current portion) with the maximum loss exposure limited to the investment balance. The amount of gas reserves included in other current assets was \$2.7 million and \$2.3 million as of December 31, 2024 and 2023, respectively. The investment in gas reserves provides long-term price protection and acted to hedge the cost of gas for approximately 3% and 3% of NGD gas supplies for the years ended December 31, 2024 and 2023, respectively.

#### **Investments in Unconsolidated Affiliates**

In December 2021, NWN Water purchased a 37.3% ownership stake in Avion Water Company, Inc. (Avion Water), an investor-owned water utility for \$14.5 million. NWN Water subsequently increased its ownership stake in Avion Water as follows:

<i>In millions</i>	Amount	Ownership %
July 2022	\$ 1.0	40.3 %
June 2023	\$ 1.0	43.1 %
January 2024	\$ 1.0	45.6 %
February 2025	\$ 1.0	47.9 %

Avion Water operates in Bend, Oregon and the surrounding communities, serving approximately 16,000 customer connections and employing 38 people. The carrying value of the equity method investment is \$9.8 million higher than the underlying equity in the net assets of the investee at December 31, 2024 due to equity method goodwill. NWN Water's share in the earnings (loss) of Avion Water is included in other income (expense), net.

In 2020, NW Natural began a partnership with BioCarbN to invest in renewable natural gas (RNG) development facilities that are designed to access biogas derived from water treatment at Tyson Foods' processing plants, subject to approval by all parties. In January 2022, commissioning of the first facility, Lexington Renewable Energy LLC (Lexington), was completed. In April 2023, commissioning of the second facility, Dakota City Renewable Energy LLC (Dakota City), was completed. NW Natural recorded the investment as an equity method investment. As of December 31, 2023, NW Natural had an investment balance in Lexington and Dakota City of \$19.5 million.

In January 2024, NW Natural replaced BioCarbN as manager of the Lexington and Dakota City companies. As a result, NW Natural determined that these investments no longer qualified as an equity method investment and were fully consolidated for the year ended December 31, 2024.



## 14. BUSINESS COMBINATIONS

### 2024 Business Combinations

During the year ended December 31, 2024, NWN Water completed the acquisition of Infrastructure Capital Holdings (ICH), which includes 100% of the membership interests of the following entities:

- Avimor Water Reclamation Company, LLC
- Bents Court Water Company, LLC
- Emerald Valley Wastewater Company, LLC
- OMSID Infrastructure Holdings Company, LLC
- Quigley Recycled Water Company, LLC
- Mines Park Infrastructure Holdings Company, LLC
- Puttman Infrastructure Services Company, LLC
- Lakeshore Water Company, LLC
- Seavey Loop Water Company, LLC
- South Coast Water Company, LLC

The acquisition added wastewater and recycled water customers across Oregon, Idaho and California. The acquisition-date fair value of the total consideration transferred was approximately \$29.9 million.

The ICH acquisition met the criteria of a business combination, and as such a preliminary allocation of the consideration to the acquired net assets based on their estimated fair value as of the acquisition date was performed. In accordance with U.S. GAAP, the fair value determination involves management judgment in determining the significant estimates and assumptions used for net assets associated with ICH. This allocation is considered preliminary as of December 31, 2024, as facts and circumstances that existed as of the acquisition date may be discovered as we continue to integrate ICH. As a result, subsequent adjustments to the preliminary valuation of tangible assets, contract assets and liabilities, tax positions, and goodwill may be required. Subsequent adjustments are not expected to be significant, and any such adjustments are expected to be completed within the one-year measurement period. The acquisition costs were not material and expensed as incurred.

Preliminary goodwill of \$18.4 million was recognized from this acquisition. The goodwill recognized is attributable to ICH's water utility service territory, experienced workforce, and the strategic benefits for both the water utility and wastewater services expected from growth in its service territory. No intangible assets aside from goodwill were recognized. The amount of goodwill that is expected to be deductible for income tax purposes is approximately \$18.4 million.

The preliminary purchase price for the acquisition has been allocated to the net assets acquired as of the acquisition date and is as follows:

*In thousands*

Current assets	\$	560
Property, plant and equipment		11,757
Goodwill		18,357
Non-current assets		113
Current liabilities		(821)
Non-current liabilities		(64)
Total net assets acquired	\$	29,902

The amount of ICH revenues included in NW Holdings' consolidated statements of comprehensive income is \$1.9 million for the year ended December 31, 2024. Earnings from ICH activities for the year ended December 31, 2024 were not material to the results of NW Holdings.

### 2023 Business Combinations

During the year ended December 31, 2023, NWN Water and its subsidiaries acquired the assets of five businesses qualifying as business combinations. The aggregate fair value of the total consideration transferred for these acquisitions was \$22.8 million, most of which was preliminarily allocated to property, plant, and equipment, and goodwill. These transactions align with NW Holdings' water and wastewater sector strategy as it continues to expand its water and wastewater service territories and included:

- Pedersen Family, LLC in Washington
- King Water Corporation in Washington
- Rose Valley Water Company in Arizona
- Hiland Water in Oregon
- Truxton and Cerbat in Arizona

### Intangible Assets

In connection with the acquisition of King Water Corporation, NVN Water recorded long-term customer relationship intangible assets totaling \$2.6 million, which will be amortized over 24 years. There was \$0.2 million of amortization expense recognized in 2024 and no amortization expense recognized in 2023. Projected amortization expense at NV Holdings for customer relationship intangible assets for each of the next five years is \$0.1 million in each period. The amortization will change in future periods if other intangible assets are acquired, impairments are recognized or the preliminary valuations as part of our purchase price allocation is refined.

### 2022 Business Combinations

#### Far West Water & Sewer, Inc.

On October 5, 2022, NVN Water completed the acquisition of the water and wastewater utilities of Far West Water & Sewer, Inc. (Far West), which has a combined approximately 25,000 connections in Yuma, Arizona. The acquisition-date fair value of the total consideration transferred, after closing adjustments, was approximately \$97.0 million, of which \$88.4 million was cash consideration transferred at closing, \$8.1 million was contingent consideration, and \$0.5 million was deferred consideration.

The contingent consideration is an earnout payment in an amount equal to the product of (i) the amount, if any, by which the average annual System Operating Revenue for the 2026, 2027, and 2028 years exceeds \$13.0 million (ii) multiplied by 4 but shall not exceed \$12.0 million. As of the acquisition date, the contingent consideration had a fair value of \$8.1 million and was included in other non-current liabilities. The fair value as of the acquisition date was determined using a scenario-based technique using management's best estimate of forecast revenue for the years 2026, 2027, and 2028 discounted to present value. The inputs to determine the fair value of the contingent consideration include estimated future revenue and a risk-adjusted discount rate. The fair value measurement is based on significant inputs that are not observable in the market and thus represents a fair value measurement categorized within Level 3 of the fair value hierarchy per ASC Topic 820.

The Far West acquisition met the criteria of a business combination, and as such an allocation of the consideration to the acquired net assets based on their estimated fair value as of the acquisition date was performed. In accordance with U.S. GAAP, the fair value determination involves management judgment in determining the significant estimates and assumptions used and was made using existing regulatory conditions for net assets associated with Far West. The acquisition costs were expensed as incurred.

Goodwill of \$69.9 million was recognized from this acquisition. The goodwill recognized is attributable to Far West's regulated water utility service territory, experienced workforce, and the strategic benefits for both the water utility and wastewater services expected from growth in its service territory. No intangible assets aside from goodwill were recognized. The amount of goodwill that is expected to be deductible for income tax purposes is approximately \$63.3 million.

The purchase price for the acquisition has been allocated to the net assets acquired as of the acquisition date and is as follows:

*In thousands*

Current assets	\$	1,569
Property, plant and equipment		25,974
Goodwill		69,890
Non-current assets		1,077
Current liabilities		(991)
Non-current liabilities		(9,115)
Total net assets acquired	\$	88,404

The amount of Far West revenues included in NV Holdings' consolidated statements of comprehensive income is \$2.9 million for the year ended December 31, 2022. Earnings from Far West activities for the year ended December 31, 2022 were not material to the results of NV Holdings. Far West is referred to as Foothills Utilities following the closure of the acquisition.

#### Other 2022 Business Combinations

During the year ended December 31, 2022, NVN Water and its subsidiaries acquired the assets of six additional businesses qualifying as business combinations. The aggregate fair value of the consideration transferred for these acquisitions was \$8.7 million, most of which was allocated to property, plant and equipment and goodwill. These transactions align with NV Holdings' water and wastewater sector strategy as it continues to expand its water and wastewater service territories and included:

- Belle Oaks Water and Sewer Co., Inc in Texas
- Northwest Water Services, LLC in Washington
- Aquarius Utilities, LLC in Washington
- Valiant Idaho, LLC (The Idaho Club - Sewer) in Idaho
- Caney Creek in Texas
- Water Necessities, Inc. and Rural Water Co. in Texas



**Goodwill**

NW Holdings allocates goodwill to reporting units based on the expected benefit from the business combination. We perform an annual impairment assessment of goodwill at the reporting unit level, or more frequently if events and circumstances indicate that goodwill might be impaired. An impairment loss is recognized if the carrying value of a reporting unit's goodwill exceeds its fair value.

As a result of all acquisitions completed, total goodwill was \$183.8 million as of December 31, 2024 and \$163.3 million as of December 31, 2023. The increase in the goodwill balance was primarily due to additions associated with our acquisitions in the water and wastewater sector. All of our goodwill is related to water and wastewater acquisitions and is included in the other category for segment reporting purposes. The annual impairment assessment of goodwill occurs in the fourth quarter of each year. There have been no impairments recognized to date.

**15. DERIVATIVE INSTRUMENTS****NW Natural**

NW Natural enters into financial derivative contracts primarily to hedge a portion of the NGD segment's natural gas sales requirements. These contracts include swaps, options, and option combinations. These derivative financial instruments are primarily used to manage commodity price variability. A small portion of NW Natural's derivative hedging strategy involves hedging interest rates and foreign currency forward contracts.

NW Natural enters into these financial derivatives, up to prescribed limits, primarily to hedge price variability related to term physical gas supply contracts. The foreign currency forward contracts are used to hedge the fluctuation in foreign currency exchange rates for pipeline demand charges paid in Canadian dollars.

In the normal course of business, NW Natural also enters into indexed-price physical forward natural gas commodity purchase contracts and options to meet the requirements of NGD customers. These contracts qualify for regulatory deferral accounting treatment.

**Notional Amounts**

The following table presents the absolute notional amounts related to open positions on NW Natural derivative instruments:

<i>In thousands</i>	At December 31,	
	2024	2023
Natural gas (in therms):		
Financial	771,110	948,425
Physical	560,900	571,610
Foreign exchange	\$ 10,332	\$ 11,926

**Purchased Gas Adjustment (PGA)**

Rates and hedging approaches may vary between states due to different rate structures and mechanisms. Under the PGA mechanism in Oregon, derivatives entered into by NW Natural for the procurement or hedging of natural gas for future gas years generally receive regulatory deferral accounting treatment. In general, commodity hedging for the current gas year is completed prior to the start of the gas year, and hedge prices are fully recovered and reflected in the weighted-average cost of gas in the PGA filing. Hedge contracts entered into after the start of the PGA period for the current PGA year are subject to the PGA incentive sharing mechanism in Oregon. Under the PGA mechanism in Washington, NW Natural incorporates a risk-responsive hedging strategy, and receives regulatory deferral accounting treatment for its Washington gas supplies.

NW Natural entered the 2023-24 gas year with total forecasted sales volumes hedged at approximately 82%, including 66% in financial hedges and 16% in physical gas supplies. The total hedged was approximately 85% in Oregon and 55% in Washington. NW Natural entered the 2024-25 gas year with total forecasted sales volume hedged at approximately 80%, including 64% in financial hedges and 16% in physical gas supplies. The total hedged was approximately 86% in Oregon and 32% in Washington.

**Unrealized and Realized Gain/Loss**

The following table reflects the income statement presentation for the unrealized gains and losses from NW Natural's derivative instruments:

<i>In thousands</i>	December 31, 2024		December 31, 2023	
	Natural gas commodity	Foreign exchange	Natural gas commodity	Foreign exchange
Benefit (expense) to cost of gas	\$ 4,431	\$ (524)	\$ (131,833)	\$ 168
Amounts deferred to regulatory accounts on balance sheet	(4,431)	524	131,833	(168)
Total gain (loss) in pre-tax earnings	\$ —	\$ —	\$ —	\$ —

#### Unrealized Gain/Loss

Outstanding derivative instruments related to regulated NGD operations are deferred in accordance with regulatory accounting standards. The cost of foreign currency forward and natural gas derivative contracts are recognized immediately in the cost of gas; however, costs above or below the amount embedded in the current year PGA are subject to a regulatory deferral tariff and therefore, are recorded as a regulatory asset or liability.

#### Realized Gain/Loss

NW Natural realized a net loss of \$119.2 million and a net gain of \$125.5 million for the years ended December 31, 2024 and 2023, respectively, from the settlement of natural gas financial derivative contracts. Realized gains and losses offset the higher or lower cost of gas purchased, resulting in no incremental amounts to collect or refund to customers.

#### Credit Risk Management of Financial Derivatives Instruments

No collateral was posted with or by NW Natural counterparties as of December 31, 2024 or 2023. NW Natural attempts to minimize the potential exposure to collateral calls by diversifying counterparties and using credit limits to manage liquidity risk. Counterparties generally allow a certain credit limit threshold based on our credit rating before requiring NW Natural to post collateral against unrealized loss positions. Given NW Natural's credit ratings, counterparty credit limits and portfolio diversification, it was not subject to collateral calls in 2024 or 2023. The collateral call exposure is set forth under credit support agreements, which generally contain credit limits. NW Natural could also be subject to collateral call exposure where it has agreed to provide adequate assurance, which is not specific as to the amount of credit limit allowed, but could potentially require additional collateral posting by NW Natural in the event of a material adverse change in NW Natural's ability to perform.

NW Natural's financial derivative instruments are subject to master netting arrangements; however, they are presented on a gross basis in the consolidated balance sheets. NW Natural and its counterparties have the ability to set-off obligations to each other under specified circumstances. Such circumstances may include a defaulting party, a credit change due to a merger affecting either party, or any other termination event.

If netted by its counterparties, NW Natural's physical and financial derivative position would result in an asset of \$4.4 million and a liability of \$86.0 million as of December 31, 2024, and an asset of \$9.0 million and a liability of \$124.2 million as of December 31, 2023.

NW Natural is exposed to derivative credit and liquidity risk primarily through securing fixed-price natural gas commodity swaps and interest rate swaps with financial counterparties. NW Natural utilizes master netting arrangements with International Swaps and Derivatives Association (ISDA) contracts to minimize these risks including ISDA Credit Support Agreements with counterparties based on their credit ratings. Additionally, NW Natural uses counterparty, industry, sector and country diversification to minimize credit risk. In certain cases, NW Natural may require counterparties to post collateral, guarantees, or letters of credit to maintain its minimum credit requirement standards or for liquidity management purposes.

NW Natural's financial derivatives policy requires counterparties to have an investment-grade credit rating at the time the derivative instrument is entered into, and specifies limits on the contract amount and duration based on each counterparty's credit rating. NW Natural does not speculate in derivatives. Derivatives are used to manage NW Natural's market risk and we hedge exposure above risk tolerance limits. It is required that increases in market risk created by the use of derivatives is offset by the exposures they modify.

We actively monitor NW Natural's derivative credit exposure and place counterparties on hold for trading purposes or require other forms of credit assurance, such as letters of credit, cash collateral, or guarantees as circumstances warrant. The ongoing assessment of counterparty credit risk includes consideration of credit ratings, credit default swap spreads, bond market credit spreads, financial conditions, government actions, and market news. A Monte Carlo simulation model is used to estimate the change in credit and liquidity risk from the volatility of natural gas prices. The results of the model are used to establish trading limits. NW Natural's outstanding financial derivatives at December 31, 2024 mature by November 1, 2027.

We could become materially exposed to credit risk with one or more of our counterparties if natural gas prices experience a significant increase. If a counterparty were to become insolvent or fail to perform on its obligations, we could suffer a material loss; however, we would expect such a loss to be eligible for regulatory deferral and rate recovery, subject to a prudence review. All of our existing counterparties currently have investment-grade credit ratings.

#### Fair Value

In accordance with fair value accounting, NW Natural includes non-performance risk in calculating fair value adjustments. This includes a credit risk adjustment based on the credit spreads of NW Natural counterparties when in an unrealized gain position, or on NW Natural's own credit spread when it is in an unrealized loss position. The inputs in our valuation models include natural gas futures, volatility, credit default swap spreads, and interest rates. Additionally, the assessment of non-performance risk is generally derived from the credit default swap market and from bond market credit spreads. The impact of the credit risk adjustments for all financial derivatives outstanding to the fair value calculation was \$0.3 million at December 31, 2024. As of December 31, 2024 and 2023, the net fair value was a liability of \$81.6 million and a liability of \$115.2 million, respectively, using

significant other observable, or Level 2, inputs. No Level 3 inputs were used in our derivative valuations during the years ended December 31, 2024 and 2023.

#### NWN Water Interest Rate Swap Agreement

In January 2023, NWN Water entered into an interest rate swap agreement with a major financial institution for \$55.0 million that effectively converted variable-rate debt to a fixed rate of 3.80%. Interest payments made between the effective date and expiration date are hedged by the swap agreement. The interest rate swap agreement expires in June 2026, along with the variable-rate debt.

Unrealized gains related to the interest rate swap agreement are recorded in AOCI on the consolidated balance sheet and totaled \$0.2 million and \$0.2 million, net of tax, as of December 31, 2024 and 2023, respectively. Realized gains or losses occur as a result of monthly swap settlements. Gains of \$0.9 million were reclassified from AOCI to net income during each of the years ended December 31, 2024 and 2023. The estimated amount of gains recorded in AOCI as of December 31, 2024 that are expected to be reclassified to net income within the next twelve months is \$0.1 million.

### **16. COMMITMENTS AND CONTINGENCIES**

#### Gas Purchase Agreements

NW Natural enters into short-term and long-term physical baseload gas purchase agreements. The majority of our gas purchase agreements include year-round, winter-only, summer-only, and monthly purchases.

#### Pipeline Capacity Purchase and Release Commitments

NW Natural has signed agreements providing for the reservation of firm pipeline capacity under which it is required to make monthly payments for contracted capacity. The pricing component of the monthly payment is established, subject to change, by U.S. or Canadian regulatory bodies, or is established directly with private counterparties, as applicable. In addition, NW Natural has entered into long-term agreements to release firm pipeline capacity. The parties that we release this capacity to make payments directly to the related pipelines.

The aggregate amounts of these agreements at NW Natural were as follows at December 31, 2024:

<i>In thousands</i>	Gas Purchase Agreements <sup>(1)</sup>	Pipeline Capacity Purchase Agreements	Pipeline Capacity Release Agreements
2025	\$ 164,679	\$ 80,603	\$ 8,783
2026	34,051	80,147	8,104
2027	33,328	81,919	4,706
2028	33,512	78,718	4,706
2029	33,596	70,160	4,706
Thereafter	211,283	422,420	3,922
Total	510,449	813,967	34,927
Less: Amount representing interest	107,259	216,482	3,592
Total at present value	\$ 403,190	\$ 597,485	\$ 31,335

<sup>(1)</sup> Gas purchase agreements include environmental attributes of RNG.

Total fixed charges under capacity purchase agreements were \$85.1 million for 2024, \$87.0 million for 2023, and \$90.2 million for 2022, of which \$8.9 million, \$8.2 million, and \$8.3 million, respectively, related to capacity releases which third parties paid directly to the related pipelines. In addition, per-unit charges are required to be paid based on the actual quantities shipped under the agreements. In certain take-or-pay purchase commitments, annual deficiencies may be offset by prepayments subject to recovery over a longer term if future purchases exceed the minimum annual requirements.

#### RNG Purchase Agreements

NW Natural Renewables is an unregulated subsidiary of NW Holdings established to pursue investments in RNG activities. NW Natural Renewables, through its subsidiary Ohio Renewables, executed agreements with a subsidiary of EDL, a global producer of sustainable distributed energy, to secure RNG supply from two production facilities that are designed to convert landfill waste gases to RNG. This arrangement consists of a development agreement, an exclusive use agreement, a purchase agreement, and various guarantees.

Under the development agreement, the EDL subsidiary is responsible for the development and construction of the facilities and Ohio Renewables is committed to make payments of approximately \$25 million per facility to the EDL subsidiary upon satisfaction of certain conditions. The first facility was completed and commenced delivery of RNG to Ohio Renewables in September 2024. Upon reaching this milestone, Ohio Renewables paid \$26.0 million to the EDL subsidiary. The second facility was completed and commenced delivery of RNG to Ohio Renewables in December 2024 at which point Ohio Renewables made an additional payment of \$25.4 million to the EDL subsidiary. The payments were recorded as long-term prepaid assets and will be amortized based on the volumes delivered over the life of the agreement.

Under the purchase agreement, Ohio Renewables and the subsidiary of EDL executed agreements for Ohio Renewables to purchase up to an annual specified amount of RNG produced by the EDL facilities over a 20-year period at a contractually specified price. We currently estimate the amount of RNG purchases (not included in the table above) from both facilities based on prices and quantities specified in the agreements to be as follows: approximately \$18.9 million in 2025, \$18.9 million in 2026, \$22.8 million in 2027, \$22.8 million in 2028, \$24.1 million in 2029 and \$532.6 million thereafter.

NW Holdings entered into a guarantee on behalf of Ohio Renewables with EDL. Per the guarantee, NW Holdings unconditionally and irrevocably guarantees the timely payment and performance when due of all obligations of Ohio Renewables. NW Holdings has not recognized a liability for its obligations under the guarantee in accordance with ASC 460, *Guarantees*.

**RNG Sale Agreements**

**2024 - 2026**

Ohio Renewables has contracted to sell RNG produced by the EDL facilities up to certain specified volumes in each of calendar years 2024 through 2026 to an investment-grade counterparty. Upon each delivery of RNG, Ohio Renewables will purchase an equal quantity of natural gas without renewable attributes at the same delivery point. Ohio Renewables has separately contracted to sell the natural gas purchased from EDL to another counterparty also at the same delivery point upon receipt. Alongside these agreements, NW Holdings entered into a guarantee on behalf of Ohio Renewables. Per the guarantee, NW Holdings unconditionally and irrevocably guarantees the prompt payment of all present and future obligations of Ohio Renewables. NW Holdings has not recognized a liability for its obligations under the guarantee in accordance with ASC 460, *Guarantees*.

The guarantee specifies annual cap amounts on the aggregate liability covered by the Guarantee as follows:

<i>In thousands</i>	2024	2025	2026
Cap Amount	\$ 56,168	\$ 44,226	\$ 21,113

**2025 - 2042**

Ohio Renewables additionally has contracted to sell a fixed-volume amount of RNG under a long-term agreement with an investment-grade utility beginning in 2025 and extending through 2042. Under the current contract, if less than 75% of the contracted volumes of RNG are not delivered on an annual basis, Ohio Renewables is obligated to pay the per MMBtu price for volumes between the amount delivered and 75% of the contracted volumes on an annual basis. NW Holdings entered into a guarantee on behalf of Ohio Renewables. Per the guarantee, NW Holdings unconditionally and irrevocably guarantees the prompt payment of all present and future obligations of Ohio Renewables. The total liability under this guarantee cannot exceed \$2.0 million. NW Holdings has not recognized a liability for its obligations under the guarantee in accordance with ASC 460, *Guarantees*.

**Leases**

Refer to Note 7 for a discussion of lease commitments and contingencies.

**Environmental Matters**

Refer to Note 17 for a discussion of environmental commitments and contingencies.

**17. ENVIRONMENTAL MATTERS**

NW Natural owns, or previously owned, properties that may require environmental remediation or action. The range of loss for environmental liabilities is estimated based on current remediation technology, enacted laws and regulations, industry experience gained at similar sites, and an assessment of the probable level of involvement and financial condition of other potentially responsible parties (PRPs). When amounts are prudently expended related to site remediation of those sites described herein, NW Natural has recovery mechanisms in place to collect 96.7% of remediation costs allocable to Oregon customers and 3.3% of costs allocable to Washington customers.

These sites are subject to the remediation process prescribed by the Environmental Protection Agency (EPA) and the Oregon Department of Environmental Quality (ODEQ). The process begins with a remedial investigation (RI) to determine the nature and extent of contamination and then a risk assessment (RA) to establish whether the contamination at the site poses unacceptable risks to humans and the environment. Next, a feasibility study (FS) or an engineering evaluation/cost analysis (EE/CA) evaluates various remedial alternatives. It is at this point in the process when NW Natural is able to estimate a range of remediation costs

and record a reasonable potential remediation liability, or make an adjustment to the existing liability. From this study, the regulatory agency selects a remedy and issues a Record of Decision (ROD). After a ROD is issued, NW Natural would seek to negotiate a consent decree or consent judgment for designing and implementing the remedy. NW Natural would have the ability to further refine estimates of remediation liabilities based upon an approved remedial design.

Remediation may include treatment of contaminated media such as sediment, soil and groundwater, removal and disposal of media, institutional controls such as legal restrictions on future property use, or natural recovery. Following construction of the remedy, the EPA and ODEQ also have requirements for ongoing maintenance, monitoring and other post-remediation care that may continue for many years. Where appropriate and reasonably known, NW Natural will provide for these costs in the remediation liabilities described below.

Due to the numerous uncertainties surrounding the course of environmental remediation and the preliminary nature of several site investigations, in some cases, NW Natural may not be able to reasonably estimate the high end of the range of possible loss. In those cases, the nature of the possible loss has been disclosed, as has the fact that the high end of the range cannot be reasonably estimated where a range of potential loss is available. Unless there is an estimate within the range of possible losses that is more likely than other cost estimates within that range, NW Natural records the liability at the low end of this range. It is likely changes in these estimates and ranges will occur throughout the remediation process for each of these sites due to the continued evaluation and clarification concerning responsibility, the complexity of environmental laws and regulations and the determination by regulators of remediation alternatives. In addition to remediation costs, NW Natural could also be subject to Natural Resource Damages (NRD) claims. NW Natural will assess the likelihood and probability of each claim and recognize a liability if deemed appropriate. Refer to "Other Portland Harbor" below.

Environmental Sites

The following table summarizes information regarding liabilities related to environmental sites, which are recorded in other current liabilities and other noncurrent liabilities in NW Natural's balance sheet at December 31:

In thousands	Current Liabilities		Non-Current Liabilities	
	2024	2023	2024	2023
Portland Harbor site:				
Gasco/Siltronic Sediments	\$ 13,626	\$ 12,428	\$ 41,565	\$ 42,550
Other Portland Harbor	3,308	3,035	12,270	11,270
Gasco/Siltronic Uplands site	23,400	16,304	64,522	34,235
Front Street site	841	687	279	939
Oregon Steel Mills	—	—	179	179
Total	\$ 41,175	\$ 32,454	\$ 118,815	\$ 89,173

Portland Harbor Site

The Portland Harbor is an EPA listed Superfund site that is approximately 10 miles long on the Willamette River and is adjacent to NW Natural's Gasco uplands site. NW Natural is one of over one hundred PRPs, each jointly and severally liable, at the Superfund site. In January 2017, the EPA issued its Record of Decision, which selects the remedy for the clean-up of the Portland Harbor site (Portland Harbor ROD). The Portland Harbor ROD estimates the present value total cost at approximately \$1.05 billion with an accuracy between -30% and +50% of actual costs.

NW Natural's potential liability is a portion of the costs of the remedy for the entire Portland Harbor Superfund site. The cost of that remedy is expected to be allocated among more than one hundred PRPs. NW Natural is participating in a non-binding allocation process with other PRPs in an effort to resolve its potential liability. The Portland Harbor ROD does not provide any additional clarification around allocation of costs among PRPs; accordingly, NW Natural has not modified any of the recorded liabilities at this time as a result of the issuance of the Portland Harbor ROD.

NW Natural manages its liability related to the Superfund site as two distinct remediation projects, the Gasco Sediments Site and Other Portland Harbor projects.

**GASCO SEDIMENTS.** In 2009, NW Natural and Siltronic Corporation entered into a separate Administrative Order on Consent with the EPA to evaluate and design specific remedies for sediments adjacent to the Gasco uplands and Siltronic uplands sites. NW Natural submitted a draft EE/CA to the EPA in May 2012 and the EE/CA estimated the cost of potential remedial alternatives for this site. In March 2020, NW Natural and the EPA amended the Administrative Order on Consent to include additional remedial design activities downstream of the Gasco sediments site and in the navigation channel. Siltronic Corporation is not a party to the amended order. NW Natural is completing pre-design studies and has submitted a draft Basis of Design Report. These preliminary design steps do not include a cost estimate for cleanup. No remedial design is more likely than the EE/CA alternatives at this time, and NW Natural expects further design discussion and iteration with the EPA.



The estimated costs for the various sediment remedy alternatives in the draft EE/CA for the additional studies and design work needed before the cleanup can occur, and for regulatory oversight throughout the cleanup range from \$55.2 million to \$350 million. NW Natural has recorded a liability of \$55.2 million for the Gasco sediment clean-up, which reflects the low end of the range. At this time, we believe sediments at the Gasco sediments site represent the largest portion of NW Natural's liability related to the Portland Harbor site discussed above.

In September 2023, the EPA approved the In Situ Stabilization and Solidification (ISS) Work Plan for the ISS field pilot study, which was successfully completed during the fall of 2023. Information obtained from the pilot study will be used to support remedial design of the Gasco sediments project.

**OTHER PORTLAND HARBOR.** While we believe liabilities associated with the Gasco sediments site represent NW Natural's largest exposure, there are other potential exposures associated with the Portland Harbor ROD, including NRD costs and harborwide remedial design and cleanup costs (including downstream petroleum contamination), for which allocations among the PRPs have not yet been determined.

NW Natural and other parties have signed a cooperative agreement with the Portland Harbor Natural Resource Trustee council to participate in a phased NRD assessment to estimate liabilities to support an early restoration-based settlement of NRD claims. One member of this Trustee council, the Yakama Nation, withdrew from the council in 2009, and in 2017, filed suit against NW Natural and 29 other parties seeking remedial costs and NRD assessment costs associated with the Portland Harbor site, set forth in the complaint. The complaint seeks recovery of alleged costs totaling \$0.3 million in connection with the selection of a remedial action for the Portland Harbor site as well as declaratory judgment for unspecified future remedial action costs and for costs to assess the injury, loss or destruction of natural resources resulting from the release of hazardous substances at and from the Portland Harbor site. The Yakama Nation has filed two amended complaints addressing certain pleading defects and dismissing the State of Oregon. On the motion of NW Natural and certain other defendants the federal court has stayed the case pending the outcome of the non-binding allocation proceeding discussed above. NW Natural has recorded a liability for NRD claims which is at the low end of the range of the potential liability; the high end of the range cannot be reasonably estimated at this time. The NRD liability is not included in the aforementioned range of costs provided in the Portland Harbor ROD.

#### Gasco Uplands Site

A predecessor of NW Natural, Portland Gas and Coke Company, owned a former gas manufacturing plant that was closed in 1958 (Gasco site) and is adjacent to the Portland Harbor site described above. The Gasco site has been under investigation by NW Natural for environmental contamination under the ODEQ Voluntary Cleanup Program (VCP). It is not included in the range of remedial costs for the Portland Harbor site noted above. The Gasco site is managed in two parts, the uplands portion and the groundwater source control action.

NW Natural submitted a revised Remedial Investigation Report for the uplands to ODEQ in May 2007. In March 2015, ODEQ approved the Risk Assessment (RA) for this site, enabling commencement of work on the FS in 2016. A draft FS is currently anticipated to be submitted in 2024. NW Natural has recognized a liability for the remediation of the uplands portion of the site which is at the low end of the range of potential liability; the high end of the range cannot be reasonably estimated at this time.

In October 2016, ODEQ and NW Natural agreed to amend their VCP agreement for the Gasco uplands to incorporate a portion of the Siltronic property formerly owned by Portland Gas & Coke between 1939 and 1960 into the Gasco RA and FS. Previously, NW Natural was conducting an investigation of manufactured gas plant constituents on the entire Siltronic uplands for ODEQ. Siltronic will be working with ODEQ directly on environmental impacts to the remainder of its property.

In September 2013, NW Natural completed construction of a groundwater source control system, including a water treatment station, at the Gasco site. NW Natural has estimated the cost associated with the ongoing operation of the system and has recognized a liability which is at the low end of the range of potential cost. NW Natural cannot estimate the high end of the range at this time due to the uncertainty associated with the duration of running the water treatment station, which is highly dependent on the remedy determined for both the upland portion as well as the final remedy for the Gasco sediments site.

In December 2024, NW Natural submitted the Gasco uplands FS to ODEQ. The FS presents a set of remedial action alternatives and provides the basis for range of potential remedial costs for the site. The estimated costs for the alternative remedies range from \$45.6 million to \$358 million. NW Natural has recorded a liability of \$45.6 million, which reflects the low end of the range.

Additionally, the EPA's Gasco sediments Administrative Order requires the integration of upland source controls with the sediment remedy. The selected sediment remedy is currently under separate design for the EPA. To comply with the source control integration requirement, some Gasco uplands work must be expedited. An Interim Remedial Action Measure (IRAM) for the Gasco uplands is the regulatory mechanism ODEQ has selected to accomplish that goal. As a result, the Gasco uplands FS also includes a separate cost range for the IRAM. The estimated costs for the IRAM range from \$9.1 million to \$78 million. NW Natural has recorded a liability of \$9.1 million, which reflects the low end of the range.

#### Other Sites

In addition to those sites above, NW Natural has environmental exposures at three other sites: Central Service Center, Front Street and Oregon Steel Mills. NW Natural may have exposure at other sites that have not been identified at this time. Due to the



uncertainty of the design of remediation, regulation, timing of the remediation and in the case of the Oregon Steel Mills site, pending litigation, liabilities for each of these sites have been recognized at their respective low end of the range of potential liability; the high end of the range could not be reasonably estimated at this time.

**FRONT STREET SITE.** The Front Street site was the former location of a gas manufacturing plant NW Natural operated (the former Portland Gas Manufacturing site, or PGM). At ODEQ's request, NW Natural conducted a sediment and source control investigation and provided findings to ODEQ. In December 2015, an FS on the former Portland Gas Manufacturing site was completed.

In July 2017, ODEQ issued the PGM ROD. The ROD specifies the selected remedy, which requires a combination of dredging, capping, treatment, and natural recovery. In addition, the selected remedy also requires institutional controls and long-term inspection and maintenance. Construction of the remedy began in July 2020 and was completed in October 2020. The second year of post-construction monitoring was completed in 2022 and demonstrated that the cap was intact and performing as designed. NW Natural has recognized an additional liability of \$1.1 million associated with long-term monitoring and post-construction work.

**OREGON STEEL MILLS SITE.** Refer to "Legal Proceedings," below.

#### **Environmental Cost Deferral and Recovery**

NW Natural has authorizations in Oregon and Washington to defer costs related to remediation of properties that are owned or were previously owned by NW Natural. In Oregon, a Site Remediation and Recovery Mechanism (SRRM) is currently in place to recover prudently incurred costs allocable to Oregon customers, subject to an earnings test. On October 21, 2019 the WUTC authorized an Environmental Cost Recovery Mechanism (ECRM) for recovery of prudently incurred costs allocable to Washington customers beginning November 1, 2019.

The following table presents information regarding the total regulatory asset deferred as of December 31:

<i>In thousands</i>	2024	2023
Deferred costs and interest <sup>(1)</sup>	\$ 64,940	\$ 57,758
Accrued site liabilities <sup>(2)</sup>	159,954	121,575
Insurance proceeds and interest	(47,062)	(50,764)
Total regulatory asset deferral <sup>(1)</sup>	177,832	128,569
Current regulatory assets <sup>(3)</sup>	10,746	9,950
Long-term regulatory assets <sup>(3)</sup>	167,086	118,619

<sup>(1)</sup> Includes pre-review and post-review deferred costs, amounts currently in amortization, and interest, net of amounts collected from customers.

<sup>(2)</sup> Excludes 3.3% of the Front Street site liability as the OPUC only allows recovery of 96.7% of costs for those sites allocable to Oregon, including those that historically served only Oregon customers. Amounts excluded from regulatory assets were \$36 thousand in 2024 and \$53 thousand in 2023.

<sup>(3)</sup> Environmental costs relate to specific sites approved for regulatory deferral by the OPUC and WUTC. In Oregon, NW Natural earns a carrying charge on cash amounts paid, whereas amounts accrued but not yet paid do not earn a carrying charge until expended. It also accrues a carrying charge on insurance proceeds for amounts owed to customers. In Washington, neither the cash paid nor insurance proceeds received accrue a carrying charge. Current environmental costs represent remediation costs management expects to collect from customers in the next 12 months. Amounts included in this estimate are still subject to a prudence and earnings test review by the OPUC and do not include the \$5.0 million tariff rider. The amounts allocable to Oregon are recoverable through NGD rates, subject to an earnings test. See "Oregon SRRM" below.

#### **Oregon SRRM**

##### **Collections From Oregon Customers**

Under the SRRM collection process, there are three types of deferred environmental remediation expense:

- Pre-review - This class of costs represents remediation spend that has not yet been deemed prudent by the OPUC. Carrying costs on these remediation expenses are recorded at NW Natural's authorized cost of capital. NW Natural anticipates the prudence review for annual costs and approval of the earnings test prescribed by the OPUC to occur by the third quarter of the following year.
- Post-review - This class of costs represents remediation spend that has been deemed prudent and allowed after applying the earnings test, but is not yet included in amortization. NW Natural earns a carrying cost on these amounts at a rate equal to the five-year treasury rate plus 100 basis points.
- Amortization - This class of costs represents amounts included in current customer rates for collection and is generally calculated as one-fifth of the post-review deferred balance. NW Natural earns a carrying cost equal to the amortization rate determined annually by the OPUC, which approximates a short-term borrowing rate.

In addition to the collection amount noted above, an order issued by the OPUC provides for the annual collection of \$5.0 million from Oregon customers through a tariff rider. As NW Natural collects amounts from customers, it recognizes these collections as

revenue and separately amortizes an equal and offsetting amount of its deferred regulatory asset balance through the environmental remediation operating expense line shown separately in the operating expense section of the income statement.

NW Natural received total environmental insurance proceeds of approximately \$150 million as a result of settlements from litigation that was dismissed in July 2014. Under a 2015 OPUC order which established the SRRM, one-third of the Oregon allocated proceeds were applied to costs deferred through 2012 with the remaining two-thirds applied to costs at a rate of \$5.0 million per year plus interest over the following 20 years. NW Natural accrues interest on the Oregon allocated insurance proceeds in the customer's favor at a rate equal to the five-year treasury rate plus 100 basis points. As of December 31, 2024, NW Natural has applied \$105.7 million of insurance proceeds to prudently incurred remediation costs allocated to Oregon.

#### Environmental Earnings Test

To the extent NW Natural earns at or below its authorized Return on Equity (ROE) as defined by the SRRM, remediation expenses and interest in excess of the \$5.0 million tariff rider and \$5.0 million insurance proceeds are recoverable through the SRRM. To the extent NW Natural earns more than its authorized ROE in a year, it is required to cover environmental expenses and interest on expenses greater than the \$10.0 million with those earnings that exceed its authorized ROE.

#### Washington ECRM

##### Washington Deferral

On October 21, 2019, the WUTC issued an order (WUTC Order) establishing the ECRM which allows for recovery of past deferred and future prudently incurred environmental remediation costs allocable to Washington customers through application of insurance proceeds and collections from customers. Environmental remediation expenses relating to sites that previously served both Oregon and Washington customers are allocated between states with Washington customers receiving 3.3% percent of the costs and insurance proceeds.

In accordance with the WUTC Order, insurance proceeds were fully applied to costs incurred between December 2018 and June 2019 that were deemed prudent. Remaining insurance proceeds will be amortized over a 10.5 year period ending December 31, 2029. As of December 31, 2024, approximately \$4.1 million of proceeds have been applied to prudently incurred costs.

On an annual basis, NW Natural files for a prudence determination and a request to amortize costs to the extent that remediation expenses exceed the insurance amortization. After insurance proceeds are fully amortized, if in a particular year the request to collect deferred amounts exceeds one percent of Washington normalized revenues, then the excess will be collected over three years with interest.

#### Legal Proceedings

On October 11, 2024, NW Natural was added as a defendant to an ongoing lawsuit brought by Multnomah County in the Circuit Court for Multnomah County, Oregon (*County of Multnomah v. Exxon Mobil Corp., et. al.*, No.23-cv-25164) against more than a dozen oil and gas producers seeking damages relating to climate change impacts. The County asserts various causes of action, including negligence, fraud, trespass and public nuisance under Oregon law related to the refining, producing and/or marketing of fossil fuels. NW Natural is diligently defending against the claims.

On October 14, 2024, NW Natural and NW Holdings were named the defendants in a lawsuit filed in the Circuit Court for Multnomah County, Oregon (*Blumm et. al. v. Northwest Natural Gas Company*, 24-cv-48490), that is seeking class certification on behalf of all Oregon NW Natural Smart Energy-enrolled customers during the past approximately six years. The lawsuit alleges claims under Oregon's Unlawful Trade Practices Act and for breach of contract, with respect to NW Natural's Smart Energy program. The plaintiffs seek injunctive and equitable relief and damages. We are diligently defending against the claims.

NW Natural and NW Holdings are subject to claims and litigation arising in the ordinary course of business, including the matters discussed above. Although the final outcome of any of these legal proceedings cannot be predicted with certainty, including the matter relating to the Oregon Steel Mills site referenced below, NW Natural and NW Holdings do not expect that the ultimate disposition of any of these matters will have a material effect on their financial condition, results of operations, or cash flows. See also Part I, Item 3, "Legal Proceedings".

#### Oregon Steel Mills Site

In 2004, NW Natural was served with a third-party complaint by the Port of Portland (the Port) in a Multnomah County Circuit Court case, *Oregon Steel Mills, Inc. v. The Port of Portland*. The Port alleges that in the 1940s and 1950s petroleum wastes generated by NW Natural's predecessor, Portland Gas & Coke Company, and 10 other third-party defendants, were disposed of in a waste oil disposal facility operated by the United States or Shaver Transportation Company on property then owned by the Port and now owned by Evraz Oregon Steel Mills. The complaint seeks contribution for unspecified past remedial action costs incurred by the Port regarding the former waste oil disposal facility as well as a declaratory judgment allocating liability for future remedial action costs. No date has been set for trial. In August 2017, the case was stayed pending the outcome of the Portland Harbor allocation process or other mediation. Although the final outcome of this proceeding cannot be predicted with certainty, NW Natural and NW Holdings do not expect the ultimate disposition of this matter will have a material effect on NW Natural's or NW Holdings' financial condition, results of operations, or cash flows.

## 18. SUBSEQUENT EVENTS

### **Term Loan**

On January 6, 2025, NW Holdings entered into a Term Loan Credit Agreement (the Term Loan Agreement), among NW Holdings, as borrower, certain lenders parties thereto, and U.S. Bank National Association, as Administrative Agent, pursuant to which NW Holdings borrowed a \$50.0 million senior unsecured term loan (the Term Loan), the proceeds of which will be used for working capital needs and for general corporate purposes. The Term Loan is due and payable on April 6, 2026. NW Holdings may prepay the Term Loan without premium or penalty (other than customary breakage costs, if applicable). Amounts prepaid may not be reborrowed.

The Term Loan Agreement requires NW Holdings to cause its wholly owned subsidiary, NW Natural, to maintain credit ratings with S&P and Moody's. NW Holdings must also notify the Administrative Agent and Lenders of any change in either NW Holdings' or NW Natural's S&P or Moody's ratings. NW Holdings currently maintains ratings with S&P but not Moody's. NW Natural is not a party to and does not guarantee the Term Loan Credit Agreement.

The Term Loan bears interest at a per annum rate equal to the sum of (x) either (i) term SOFR with a one-, three- or six-month tenor, plus an adjustment of 0.10%, or (ii) the Alternate Base Rate, as defined in the 364-Day Credit Agreement, plus (y) the Applicable Margin, as defined in the Term Loan Agreement. The Applicable Margin is 0.90% per annum, for term SOFR loans, and 0.00% per annum, for Alternate Base Rate loans.

The Term Loan Agreement prohibits NW Holdings from permitting Consolidated Indebtedness to be greater than 70% of Total Capitalization, each as defined therein and calculated as of the end of each fiscal quarter of NW Holdings. Failure to comply with this financial covenant would entitle the lenders to accelerate the maturity of the Term Loan and all other amounts outstanding under the Term Loan Agreement. NW Holdings is in compliance with this covenant as of the date of this filing.

### **SiEnergy Acquisition**

On January 7, 2025, NW Holdings acquired 100% of the issued and outstanding limited liability company interests of SiEnergy Operating, LLC (SiEnergy) from SiEnergy Capital Partners, LLC, from SiEnergy Capital Partners, LLC, an affiliate of Ridgewood Infrastructure, for approximately \$271.1 million in cash and an assumption of \$156.1 million of debt, subject to customary purchase price adjustments. SiEnergy serves approximately 70,000 residential and commercial customers in the greater metropolitan areas of Houston, Dallas, and Austin. Acquisition costs totaling \$2.3 million in 2024 and \$5.3 million in 2025 were expensed as incurred. The initial accounting for the business combination is incomplete due to the timing of the acquisition compared to when the financial statements were issued.

### **SiEnergy Credit Agreement**

SiEnergy and its subsidiaries Si Investment Co, LLC (Si Investment Co), SiEnergy, L.P., Terra Transmission, LLC, SiEnergy Power Solutions, LLC, and SiEnergy GP, L.L.C. (collectively, the Loan Parties) are party to a Credit Agreement dated as of December 22, 2020 (the Original Credit Agreement) with ING Capital LLC, as administrative agent and L/C Issuer (as defined therein), and the lenders party thereto, as amended by Amendment No. 1 to Credit Agreement dated as of March 23, 2021 (the First Credit Agreement Amendment), Amendment No. 2 to Credit Agreement dated as of July 13, 2021 (the Second Credit Agreement Amendment), Amendment No. 3 to Credit Agreement dated as of July 11, 2022 (the Third Credit Agreement Amendment), and Amendment No. 4 to Credit Agreement dated as of December 22, 2023 (the Fourth Credit Agreement Amendment, and collectively with the First Credit Agreement Amendment, the Second Credit Agreement Amendment, the Third Credit Agreement Amendment, the Credit Agreement Amendments; and the Original Credit Agreement as amended by the Credit Agreement Amendments, the Amended Credit Agreement). Amounts under the Amended Credit Agreement are expected to be drawn on from time to time and used for general corporate purposes for the Loan Parties.

The Amended Credit Agreement provides Si Investment Co, as borrower, with access to the following credit facilities (collectively, the Facilities): (a) a term loan credit facility (the Delayed Draw Term Loan Facility), on a delayed draw basis, which had initial aggregate commitments, as amended, of \$200,000,000, of which \$33,300,000 remain in effect as of January 7, 2025; (b) a revolving credit facility (the Revolving Facility), in aggregate commitments (the Revolving Loan Commitments) as of January 7, 2025 of \$5,000,000 including a letter of credit sublimit of \$1,000,000; and (c) a term loan facility (the 2021 Term Loan Facility) with initial aggregate commitments of \$17,900,000, none of which remains available as of January 7, 2025. As of January 7, 2025, the outstanding principal balance of the Delayed Draw Term Loan Facility is \$151,116,760, the outstanding principal balance of the Revolving Facility is \$5,000,000 and the outstanding principal balance of the 2021 Term Loan Facility is \$0.

Under the Amended Credit Agreement, Si Investment Co is required to pay upfront fees, structuring fees, annual administrative fees, commitment fees, letter of credit fees and certain other fees. Loans extended under the Facilities bear interest at a per annum rate equal to the sum of (a) either (i) the Base Rate, as defined in the Amended Credit Agreement (the Base Rate), or (ii) term SOFR with a one-, three- or six-month tenor; plus (b) the Applicable Margin. The Applicable Margin is 0.750% with respect to Base Rate loans and 1.750% with respect to SOFR loans.

Loans borrowed under the Delayed Draw Term Loan Facility from time to time become funded term loans (Funded Term Loans), which are subject to required amortization, once per year. Si Investment Co. is required to make principal payments with respect

to Funded Term Loans in equal quarterly installments in an amount sufficient to amortize such loans over a period of 25 years. In addition, the Facilities are subject to certain mandatory prepayments, including in connection with certain asset sales or casualty or that result in Loan Parties' receipt of certain insurance or condemnation proceeds. The Facilities mature on December 22, 2026.

**Acquisition Bridge Facility**

On January 7, 2025, NW Holdings entered into a 364-Day Term Loan Credit Agreement (the Acquisition Bridge Facility) among NW Holdings, as borrower, certain lenders parties thereto, and JPMorgan Chase Bank, N.A., as Administrative Agent, pursuant to which NW Holdings borrowed a \$273.0 million senior unsecured term loan (the Bridge Loan), the proceeds of which were used to finance the SiEnergy acquisition, with any remaining proceeds to be used for working capital needs and for general corporate purposes.

The Bridge Loan is due and payable on January 6, 2026. Some or all of the Bridge Loan is subject to mandatory prepayment in the event of specified asset dispositions, casualty or condemnation events or the issuance by NW Holdings of certain public or private offerings of debt securities or equity interests, subject to certain exceptions, thresholds and reinvestment rights. NW Holdings may prepay the Bridge Loan without premium or penalty (other than customary breakage costs, if applicable). Amounts prepaid may not be reborrowed.

The Acquisition Bridge Facility requires NW Holdings to cause NW Natural, a wholly-owned subsidiary of NW Holdings, to maintain credit ratings with S&P and Moody's. NW Holdings must also notify the Administrative Agent and Lenders of any change in the S&P or Moody's ratings. NW Holdings currently maintains ratings with S&P but not Moody's. NW Natural is not a party to and does not guarantee the Acquisition Bridge Facility.

The Bridge Loan bears interest at a per annum rate equal to the sum of (x) either (i) term SOFR with a one-, three- or six-month tenor, plus an adjustment of 0.10%, or (ii) the Alternate Base Rate, as defined in the Acquisition Bridge Facility, plus (y) an Applicable Margin, as defined in the Acquisition Bridge Facility. The Applicable Margin is determined according to the Debt Rating, as defined in the Acquisition Bridge Facility, and ranges from 1.00% per annum to 1.50% per annum, for term SOFR loans, and 0.00% per annum to 0.50% per annum, for Alternate Base Rate loans.

SCHEDULE I - CONDENSED FINANCIAL INFORMATION OF NORTHWEST NATURAL HOLDING COMPANY

**NORTHWEST NATURAL HOLDING COMPANY**  
**CONDENSED STATEMENTS OF COMPREHENSIVE INCOME**  
(PARENT COMPANY ONLY)

<i>In thousands</i>	Year Ended December 31,		
	2024	2023	2022
Operating expenses:			
Operations and maintenance	\$ 6,603	\$ 5,145	\$ 3,828
Total operating expenses	6,603	5,145	3,828
Loss from operations	(6,603)	(5,145)	(3,828)
Earnings from investment in subsidiaries, net of tax	93,074	106,267	92,727
Other income (expense), net	295	(1,156)	60
Interest expense, net	13,004	10,022	4,967
Income before income taxes	73,762	89,944	83,992
Income tax benefit	(5,109)	(3,924)	(2,311)
Net income	78,871	93,868	86,303
Other comprehensive income (loss) from subsidiaries, net of tax	264	(868)	5,108
Unrealized (loss) gain on interest rate swap, net of tax	(115)	104	11
Comprehensive income	\$ 79,020	\$ 93,104	\$ 91,422

See Notes to Condensed Financial Statements

**NORTHWEST NATURAL HOLDING COMPANY**  
**CONDENSED BALANCE SHEETS**  
**(PARENT COMPANY ONLY)**

<i>In thousands</i>	As of December 31,	
	2024	2023
<b>Assets:</b>		
<b>Current assets:</b>		
Cash and cash equivalents	\$ 484	\$ 1,011
Receivables from affiliates	5,765	15,596
Other current assets	3,038	4,160
Total current assets	9,287	20,767
<b>Non-current assets:</b>		
Investments in subsidiaries	1,718,849	1,456,449
Other investments	—	32
Deferred tax assets	1,138	513
Other non-current assets	396	367
Total non-current assets	1,720,383	1,457,361
Total assets	\$ 1,729,670	\$ 1,478,128
<b>Liabilities and equity:</b>		
<b>Current liabilities:</b>		
Short-term debt	\$ 33,600	\$ 73,000
Current maturities of long-term debt	—	99,992
Accounts payable	1,073	968
Payables to affiliates	22,831	19,897
Other current liabilities	3,071	433
Total current liabilities	60,575	194,290
Long-term debt	283,724	—
Total equity	1,385,371	1,283,838
Total liabilities and equity	\$ 1,729,670	\$ 1,478,128

See Notes to Condensed Financial Statements



**NORTHWEST NATURAL HOLDING COMPANY**  
**CONDENSED STATEMENTS OF CASH FLOWS**  
(PARENT COMPANY ONLY)

<i>In thousands</i>	Year Ended December 31,		
	2024	2023	2022
Operating activities:			
Net income	\$ 78,871	\$ 93,868	\$ 86,303
Adjustments to reconcile net income to cash used in operations:			
Equity in earnings of subsidiaries, net of tax	(93,074)	(106,267)	(92,727)
Cash dividends received from subsidiaries	72,773	92,375	62,710
Deferred income taxes	(584)	(31)	(141)
Other	284	164	142
Changes in assets and liabilities:			
Receivables from affiliates	11,260	(5,629)	(7,787)
Income and other taxes	420	(491)	8,161
Accounts payable	3,362	6,314	(2,499)
Interest accrued	2,640	103	156
Other, net	(302)	(380)	(211)
Cash provided by operating activities	75,650	80,026	54,107
Investing activities:			
Contributions to subsidiaries	(241,834)	(76,310)	(241,497)
Return of capital from subsidiaries	—	3,350	—
Cash used in investing activities	(241,834)	(72,960)	(241,497)
Financing activities:			
Proceeds from common stock issued, net	90,374	66,495	208,561
Long-term debt issued	285,000	—	100,000
Long-term debt retired	(100,000)	—	—
Changes in other short-term debt, net	(39,400)	(15,000)	(56,000)
Cash dividend payments on common stock	(72,852)	(67,340)	(62,771)
Other	2,535	2,510	4,615
Cash provided by (used in) financing activities	165,657	(13,335)	194,405
(Decrease) increase in cash and cash equivalents	(527)	(6,269)	7,015
Cash, cash equivalents and restricted cash, beginning of period	1,011	7,280	265
Cash, cash equivalents and restricted cash, end of period	\$ 484	\$ 1,011	\$ 7,280

See Notes to Condensed Financial Statements

## NOTES TO CONDENSED FINANCIAL STATEMENTS

### **1. BASIS OF PRESENTATION**

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NW Holdings is an energy services holding company that conducts substantially all of its business operations through its subsidiaries, particularly NW Natural. These condensed financial statements and related footnotes have been prepared in accordance with Rule 12-04, Schedule I of Regulation S-X. These financial statements should be read in conjunction with the consolidated financial statements and notes thereto of NW Holdings included in Item 8 of this Form 10-K. NW Holdings' wholly-owned subsidiaries are recorded based upon its proportionate share of the subsidiaries' net assets (similar to presenting them on the equity method).

Equity earnings of subsidiaries including earnings from NW Natural were \$93.1 million, \$106.3 million, and \$92.7 million for the years ended December 31, 2024, 2023, and 2022 respectively.

There was \$72.8 million, \$95.7 million and \$62.7 million of cash paid to NW Holdings from wholly-owned subsidiaries for the years ended December 31, 2024, 2023 and 2022, respectively.

### **2. DEBT**

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For information concerning NW Holdings' debt obligations, see Note 9 to the consolidated financial statements included in Item 8 of this report.

**NORTHWEST NATURAL HOLDING COMPANY**  
**SCHEDULE II - VALUATION AND QUALIFYING ACCOUNTS AND RESERVES**

COLUMN A	COLUMN B		COLUMN C		COLUMN D	COLUMN E	
	Balance at beginning of period		Additions		Deductions		
<i>In thousands (year ended December 31)</i>			Charged to costs and expenses	Charged to other accounts	Net write-offs		Balance at end of period
<b>2024</b>							
Reserves deducted in balance sheet from assets to which they apply:							
Allowance for uncollectible accounts	\$	3,455	\$	2,437	\$	(154)	\$ 2,264 \$ 3,474
<b>2023</b>							
Reserves deducted in balance sheet from assets to which they apply:							
Allowance for uncollectible accounts	\$	3,296	\$	2,869	\$	263	\$ 2,973 \$ 3,455
<b>2022</b>							
Reserves deducted in balance sheet from assets to which they apply:							
Allowance for uncollectible accounts	\$	2,018	\$	1,081	\$	1,810	\$ 1,613 \$ 3,296

**NORTHWEST NATURAL GAS COMPANY**  
**SCHEDULE II - VALUATION AND QUALIFYING ACCOUNTS AND RESERVES**

COLUMN A	COLUMN B		COLUMN C		COLUMN D	COLUMN E	
	Balance at beginning of period		Additions		Deductions		
<i>In thousands (year ended December 31)</i>			Charged to costs and expenses	Charged to other accounts	Net write-offs		Balance at end of period
<b>2024</b>							
Reserves deducted in balance sheet from assets to which they apply:							
Allowance for uncollectible accounts	\$	3,228	\$	1,785	\$	(154)	\$ 2,071 \$ 2,788
<b>2023</b>							
Reserves deducted in balance sheet from assets to which they apply:							
Allowance for uncollectible accounts	\$	3,079	\$	2,859	\$	263	\$ 2,973 \$ 3,228
<b>2022</b>							
Reserves deducted in balance sheet from assets to which they apply:							
Allowance for uncollectible accounts	\$	1,962	\$	920	\$	1,810	\$ 1,613 \$ 3,079

## ITEM 9. CHANGES IN AND DISAGREEMENTS WITH ACCOUNTANTS ON ACCOUNTING AND FINANCIAL DISCLOSURE

None.

### ITEM 9A. CONTROLS AND PROCEDURES

#### (a) Evaluation of Disclosure Controls and Procedures

NW Holdings and NW Natural management, under the supervision and with the participation of the Chief Executive Officer and Chief Financial Officer, completed an evaluation of the effectiveness of the design and operation of disclosure controls and procedures (as defined in Rules 13a-15(e) and 15d-15(e) of the Securities Exchange Act of 1934, as amended (the Exchange Act)). Based upon this evaluation, the Chief Executive Officer and Chief Financial Officer of each registrant have concluded that, as of the end of the period covered by this report, disclosure controls and procedures were effective to ensure that information required to be disclosed by each such registrant and included in reports filed or submitted under the Exchange Act is recorded, processed, summarized, and reported within the time periods specified in the Securities and Exchange Commission (SEC) rules and forms and that such information is accumulated and communicated to management of each registrant, including the Chief Executive Officer and Chief Financial Officer, as appropriate to allow timely decisions regarding required disclosure.

#### (b) Changes in Internal Control Over Financial Reporting

NW Holdings and NW Natural management are responsible for establishing and maintaining adequate internal control over financial reporting, as such term is defined in the Exchange Act Rule 13a-15(f). There have been no changes in NW Holdings' or NW Natural's internal control over financial reporting during the quarter ended December 31, 2024 that have materially affected, or are reasonably likely to materially affect, internal control over financial reporting for NW Holdings and NW Natural. The statements contained in Exhibit 31.1, Exhibit 31.2, Exhibit 31.3, and Exhibit 31.4 should be considered in light of, and read together with, the information set forth in this Item 9(a).

### ITEM 9B. OTHER INFORMATION

#### **Appointment of Justin B. Palfreyman as Chief Executive Officer and Approval of Compensation Arrangements**

As previously reported, Mr. David H. Anderson intends to retire from his position as Chief Executive Officer of NW Holdings and NW Natural, effective April 1, 2025.

On February 27, 2025, the Boards of Directors of NW Holdings and NW Natural elected Justin B. Palfreyman to the position of President and Chief Executive Officer of Northwest Holdings and Chief Executive Officer of NW Natural, effective April 1, 2025.

Mr. Palfreyman, age 46, was appointed President of NW Holdings and NW Natural in May 2023. Mr. Palfreyman previously held the position of Senior Vice President, Strategy and Business Development of NW Natural since February 2023. Prior to that he was Vice President, Strategy and Business Development of NW Natural from February 2017 to 2023 and Vice President, Business Development of NW Natural from 2016 to February 2017. Prior to joining NW Natural, Mr. Palfreyman was a director in the Power, Energy and Infrastructure Group at Lazard, Freres & Co. from 2009 to 2016 and previously worked in the Infrastructure Investment Banking Group at Goldman Sachs. He has also held various positions in finance, strategy and business development at both Apex Learning and Accenture in Seattle, Washington. Mr. Palfreyman is also a member of the board of directors of various NW Holdings' subsidiaries, including NW Natural Water Company, LLC, NW Natural Renewables Holdings, LLC, and SiEnergy Operating, LLC. Mr. Palfreyman graduated from Pacific Lutheran University with a Bachelor of Business Administration. He also holds a Master of Business Administration from The University of Chicago Booth School of Business and a Master of Public Policy from The University of Chicago Irving B. Harris School of Public Policy.

Concurrently with his appointment as Chief Executive Officer, the Board approved the following compensation for Mr. Palfreyman for 2025: (i) an annual salary of \$850,000 effective March 1, 2025; (ii) a target incentive opportunity under NW Natural's Executive Annual Incentive Plan of 90 percent of Mr. Palfreyman's salary; (iii) an award of 14,982 Performance-Based Restricted Stock Units that will vest in three equal installments on March 1 of each of 2026, 2027 and 2028 in the form of agreement provided to other executive officers and filed as Exhibit 10aa to this Annual Report. In addition, Mr. Palfreyman will be eligible to participate in the Company's Long-Term Incentive Plan (LTIP) with a target of 27,820 performance shares, awarded in accordance with the terms of the LTIP.

In addition, the Board approved NW Natural's entry into a Change in Control Severance Agreement with Mr. Palfreyman in the form provided to executive officers and filed as Exhibit 10o to this Annual Report, with a cash payment of two and one-half times base salary and target bonus.

#### **Election of Justin B. Palfreyman to the Board of Directors**

On February 27, 2025, the Board of Directors appointed Justin B. Palfreyman to the Board of NW Holdings as a Class I director, effective April 1, 2025, for a term expiring at the Company's next Annual Meeting of Shareholders. Mr. Palfreyman was also

appointed to the Board of Directors of NW Natural, commencing April 1, 2025. Mr. Palfreyman will not serve on any committees of the Board.

Other than his employment, there are no arrangements or understandings between Mr. Palfreyman and any other person pursuant to which he was appointed as an officer and director of the Company. Mr. Palfreyman has no family relationships with any of our directors, executive officers, or director nominees and there are no transactions in which Mr. Palfreyman has an interest requiring disclosure under Item 404(a) of Regulation S-K. Mr. Palfreyman will receive no additional compensation for his role as a director of NW Holdings and NW Natural.

In connection with Mr. Palfreyman's appointment to the Board, the Board increased the number of directors comprising the NW Holdings Board from 12 to 13 directors, effective April 1, 2025.

**Rule 10b5-1 Trading Arrangements**

From time to time, our officers (as defined in Rule 16a-1(f) of the Exchange Act) and directors may enter into Rule 10b5-1 or non-Rule 10b5-1 trading arrangements (as each such term is defined in Item 408 of Regulation S-K). During the three months ended December 31, 2024, none of our officers or directors adopted, modified or terminated any such trading arrangements.

**ITEM 9C. DISCLOSURE REGARDING FOREIGN JURISDICTIONS THAT PREVENT INSPECTIONS**

Not applicable.

**PART III**

**ITEM 10. DIRECTORS, EXECUTIVE OFFICERS AND CORPORATE GOVERNANCE**

The "Information Concerning Nominees and Continuing Directors" and "Corporate Governance" contained in NW Holdings' definitive Proxy Statement for the 2025 Annual Meeting of Shareholders is hereby incorporated by reference. The following are officers of NW Natural, unless indicated otherwise.

EXECUTIVE OFFICERS		
Name	Age at Dec. 31, 2024	Positions held during last five years <sup>(1)</sup>
David H. Anderson*	63	Chief Executive Officer <sup>(2)</sup> (2023- ) <sup>(3)</sup> ; President and Chief Executive Officer <sup>(2)</sup> (2016-2023); Chief Operating Officer and President (2015-2016); Executive Vice President and Chief Operating Officer (2014-2015); Executive Vice President Operations and Regulation (2013-2014); Senior Vice President and Chief Financial Officer (2004-2013).
Megan H. Berge	44	Deputy General Counsel, NW Holdings (2025- ) <sup>(4)</sup> ; Vice President and General Counsel, NW Natural (2025- ) <sup>(4)</sup> ; Attorney, Baker Botts, L.L.P. (2006-2025)
Brian Fellon	49	Vice President, Chief Information Officer and Chief Information Security Officer (2024- ); Director of Information Technology, Puget Sound Energy (2016-2024).
Joseph S. Karney	46	Vice President, Engineering and Utility Operations (2023- ); Senior Director, Utility Operations (2021-2023); Senior Engineering Director (2019-2021); Engineering Director (2017-2019); Compliance Senior Manager (2015-2017).
Raymond J. Kaszuba III*	45	Senior Vice President and Chief Financial Officer (2024- ); Interim President, Amerigas, a subsidiary of UGI Corporation (2023-2024); Vice President and Chief Financial Officer, Amerigas, a subsidiary of UGI Corporation (2022-2023); Vice President and Treasurer, UGI Corporation (2020-2022); Senior Vice President, Finance and Treasurer, Enviva (2018-2020); Vice President and Treasurer, Enviva (2015-2018).
Zachary D. Kravitz	41	Vice President, Rates and Regulatory (2022- ); Senior Director, Rates and Regulatory (2021-2022); Director, Rates and Regulatory (2018-2021); Regulatory Attorney (2014-2018).
Justin B. Palfreyman*	46	President (2023- ) <sup>(5)</sup> ; Senior Vice President, Strategy and Business Development, NW Natural Gas Company (2023); Vice President, Strategy and Business Development (2017-2023); President, NW Natural RNG Holding Company, LLC (2021- ); President, NW Natural Water Company, LLC (2018-2024); Vice President, Business Development (2016-2017); Director, Power, Energy and Infrastructure Group, Lazard, Freres & Co. (2009-2016).
Melinda B. Rogers	59	Vice President, Chief Human Resources and Diversity Officer (2018- ); Senior Director of Human Resources (2018); Senior Manager, Organizational Effectiveness and Talent Acquisition (2015-2017); Senior Associate, Point B (2014-2015); Director, Executive Development Center, Willamette University (2011-2014).
Kimberly Heiting Rush	55	Senior Vice President and Chief Operating Officer <sup>(6)</sup> (2023- ); Senior Vice President, Operations and Chief Marketing Officer (2018-2023); Senior Vice President, Communications and Chief Marketing Officer (2018); Vice President, Communications and Chief Marketing Officer (2015-2018); Chief Marketing and Communications Officer (2013-2014); Chief Corporate Communications Officer (2011-2013).
MardiLyn Saathoff*	68	General Counsel, Chief Compliance Officer, Interim Corporate Secretary and SVP Regulatory, NW Holdings (2025- ); Chief Legal Officer, Chief Compliance Officer, Interim Corporate Secretary and SVP Regulatory, NW Natural (2025- ); Senior Vice President, Regulation and General Counsel <sup>(2)(6)</sup> (2016-2025); Senior Vice President and General Counsel (2015-2016); Vice President, Legal, Risk and Compliance (2013-2014); Deputy General Counsel (2010-2013); Chief Governance Officer and Corporate Secretary (2008-2014).
David A. Weber	65	Vice President, Gas Supply and Utility Support Services (2019- ); President and Chief Executive Officer, NW Natural Gas Storage, LLC (2011- ); President, KB Pipeline Company (2018- ); Director, NWN Gas Reserves LLC (2018- ); President and Chief Executive Officer, Gill Ranch Storage, LLC (2011-2020).
Kathryn M. Williams	49	Vice President, Chief Public Affairs and Sustainability Officer (2023- ); Vice President, Public Affairs and Sustainability (2020-2023); Vice President, Public Affairs (2019-2020); Government and Community Affairs Director (2018-2019); State Affairs Manager, Port of Portland (2015-2018); Business and Rail Relations Manager, Port of Portland (2007-2015).
Brody J. Wilson*	45	Vice President, Chief Accounting Officer, and Treasurer <sup>(2)</sup> (2017- ); Controller (2013-2023; 2024-); Chief Financial Officer (Interim) (2023-2024), Chief Financial Officer (Interim), Treasurer (Interim), and Chief Accounting Officer (2016-2017); Chief Accounting Officer, Controller and Assistant Treasurer (2016); Acting Controller (2013); Accounting Director (2012-2013).