

# Northernnotes

We are in business to serve our customers. Fairly. Efficiently. Reliably.

APRIL 2024



## MESSAGE FROM LAURA DEMMAN

Our team at Northern Natural Gas is pleased to share this issue of Northern Notes with you. In it you will find updates on projects that support our ability to provide industry-leading safe and reliable natural gas transportation and storage services, the pressures our business is facing from increasing environmental and regulatory requirements, and updates on some of the successes and challenges we have experienced. Northern's construction season is well underway. We are continuing to execute projects to maintain system reliability and to comply with new regulations. This issue of Northern Notes details the continued investment Northern is making for the following requirements:

- Asset modernization and reliability investment: Replacement projects underway to maintain the reliability and resiliency of Northern's pipeline and storage system, including modernization of obsolete assets
- Asset hardening: Projects made to secure the physical safety of critical facilities
- EPA methane rule: Projects to address new compliance requirements
- Summer maintenance: Projects to maintain existing facilities so they perform well in cold weather

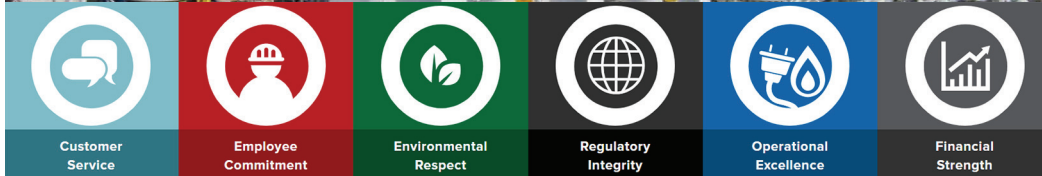
These costs, while necessary, continue to put pressure on Northern's business performance and will ultimately require cost recovery through a rate case. However, Northern is pleased to have opportunities to market available capacity and to expand our system through customer demand-driven projects. These opportunities help relieve the cost pressure associated with our current capital investment requirements. Also, in the settlement of Northern's 2022 rate case, Northern passed along the benefits of our business opportunities in the rates and moratorium on filing another rate case through June 30, 2024. A healthy business is good for both Northern and its customers!

Northern endeavors to continue running its business without filing a rate increase this year, though some uncertainty remains. Delaying a rate case beyond the summer of 2024 benefits customers by postponing the rate increases necessary to recover our capital investments. We are committed to continued transparency and communication about our costs and revenues.

We are focused on improving the effectiveness of our communications and welcome your feedback. Please contact me or anyone else on Northern's team to let us know how we can best meet your needs. We are thankful for the relationships we enjoy with our customers and look forward to continuing our collaboration and partnership with you.

Sincerely,

President, Northern Natural Gas



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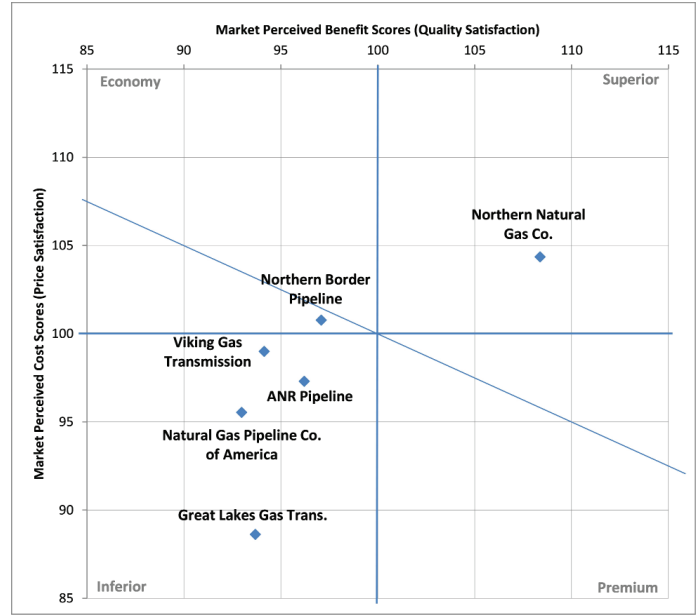


## NORTHERN NATURAL GAS RANKS FIRST IN ITS SIZE CATEGORY IN THE LATEST CUSTOMER SERVICE SURVEY

Thanks to its customers' ratings in the Mastio & Company pipeline customer satisfaction survey, Northern Natural Gas placed first in the Mega pipeline category for the 16th consecutive year and third among all U.S. interstate pipelines. Two other BHE Pipeline Group companies – Kern River Gas Transmission and Carolina Gas Transmission – placed first and second, respectively, among all interstate pipelines, and another BHE Pipeline Group company – Eastern Gas Transmission and Storage – placed fourth, resulting in an organizational sweep of the top four spots.

As the graph on the right shows, Northern is ranked "Superior" by its customers when compared to other Midwest pipelines. "Northern appreciates the strong partnership it shares with its customers and has an unwavering commitment to deliver safe, reliable and flexible natural gas transportation and storage services. In addition to the Mastio survey responses, we are thankful for the real-time feedback that customers provide in our day-to-day business, which helps us provide the exceptional customer service our customers deserve," said Laura Demman, president, Northern Natural Gas. The Mastio & Company survey results include customer responses to 27 customer service attributes from the 37 interstate pipelines in the survey. Northern excelled in the following attributes.

- Firm gas transportation is highly reliable
- Communicates in an honest and forthright manner
- Scheduled gas volumes are accurate
- Accuracy of invoices
- Representatives are accessible when needed



Mastio & Company is a marketing and management consulting firm specializing in industrial consumer opinion research for a wide range of industries, including natural gas pipelines. The ranking from this customer survey process is the benchmark used by Northern to determine its customer satisfaction standing across the industry and to identify areas of improvement. Northern appreciates feedback from its customers in its efforts to provide superior value to its customers.

## NORTHERN NATURAL GAS INTRODUCES TMS MOBILE

In response to customer requests, Northern Natural Gas has developed TMS Mobile, a mobile version of its Throughput Management System application, to provide customers with an improved natural gas scheduling experience using mobile devices such as smartphones and tablets.

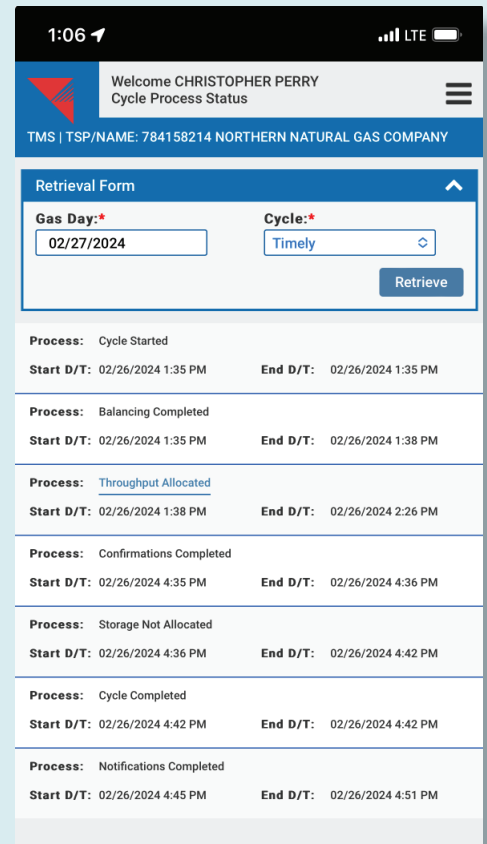
TMS Mobile uses a responsive design, ensuring that screen content is resized in accordance with the width of the mobile device screen. The redesigned mobile layout enables users to securely submit nominations and easily access information from a mobile device. The desktop and mobile versions of the application are synced to provide a seamless experience regardless of which version of the TMS application is accessed. For current TMS users, TMS Mobile can be accessed on Northern's business application portal by logging in through Northern's webpage.

The first two releases, which are currently available, included the following screens and information:

- TMS Dashboard
- Nomination Maintenance
- Nomination Reconciliation
- Scheduled Quantities
- Confirmation Maintenance
- Confirmation Summary
- Cycle Process Status
- Nomination Copy
- Storage Contract Balance
- Current and Historical Nomination Information

The final release, scheduled for April 2024, includes the following screens:

- Nomination Quantities by Cycle
- Location Reconciliation
- Scheduled Quantities Month to Date
- Zone Percentages





# TEAM *of* ONE

**SAFETY IS A TEAM RESPONSIBILITY**

## 365 DAYS WITHOUT AN OSHA-RECORDABLE INJURY

Northern Natural Gas is committed to excellence in every aspect of its work, including safety. Northern encourages teamwork, provides a safe and rewarding working environment, and equips employees with the resources and support to be safe and successful. Because of these high standards, on February 14, 2024, Northern achieved an exceptional safety milestone – 365 days and nearly two million hours worked without an OSHA-recordable injury. This exceptional achievement, realized by our team members’ dedication, teamwork and personal diligence, demonstrates the effectiveness of our Team of ONE culture, which emphasizes the core values of accountability, responsibility, authority and commitment.

## HAVE YOU MET...? BRIAN WIESE



Brian joined Northern Natural Gas in April 2023 as vice president of finance. Prior to joining Northern, Brian served in a variety of leadership roles in finance and accounting, risk management and energy trading with MidAmerican Energy Company and Berkshire Hathaway Energy, most recently as senior director, finance and capital markets.

Brian earned his bachelor’s degree from Northwestern College in Orange City, Iowa, and a Master of Business Administration degree from Drake University in Des Moines, Iowa. Brian has been a CFA® charter holder since 2005.

In his free time, Brian enjoys golfing, traveling and spending time with his wife and two sons.




## IMPACT OF EPA METHANE RULE ON NORTHERN NATURAL GAS

On December 2, 2023, the Environmental Protection Agency issued a final rule that will target methane emissions and air pollutants from oil and natural gas operations. The new rule includes standards to reduce methane and smog-forming volatile organic compounds from new, modified and reconstructed sources. In addition, the rule sets procedures for states to follow as they develop plans to limit methane emissions, for the first time, from existing sources. The new rule will be effective for facilities that are new, reconstructed, or modified after December 6, 2022. Existing sources will have later compliance dates as outlined under the applicable State Implementation Plans.

The new rule will require Northern Natural Gas and other companies to make additional investments in its facilities to comply with these new rules. Beyond methane savings realized from planned compressor replacements, Northern will be required to recapture methane emissions from compressor seals. Pneumatic controllers, controllers powered by compressed natural gas, will require replacement with zero-emission controllers and installation of vapor recovery systems on select tank batteries. The new rule also expands leak detection requirements by increasing the frequency of surveys at certain compressor stations. Incremental capital costs for Northern are expected to total \$66 million and annual incremental operations and maintenance expense is expected to total \$0.3 million.

**DID YOU KNOW ...?**

The EPA has estimated that a single cow produces approximately 220 pounds of methane gas per year. Northern’s replacement of its gas-powered pneumatic controllers will prevent annual methane emissions equivalent to over 22,000 cows!



Northern is an industry leader in understanding the technologies and processes that drive reductions in methane emissions and has recognized for years the importance of protecting the environment and working to reduce greenhouse gas emissions. As the regulatory landscape evolves, Northern will continue to meet or exceed methane emissions requirements and implement programs that have a net positive effect on reducing methane emissions, and support its focus on delivering reliable, affordable, safe and clean energy to its customers.

EPA Methane Rule Impacts for Northern Natural Gas				
Pneumatic Controller Replacements		Recovery Equipment Capital Costs	Total Capital Costs	Incremental Annual Leak Detection Monitoring Expense
Number of Devices (approximate)	Capital Costs			
1,200	\$46m	\$20m	\$66m	\$0.3m



## RATE CASE UPDATE

Northern Natural Gas' continued investment in reliability and system efficiency is beneficial to its performance and customers, as demonstrated during Winter Storm Gerri, when Northern's assets performed well, met all obligations and provided options for customers, while other pipelines suffered interruptions. These investments will ultimately require cost recovery; however, Northern continues to manage its operating costs, improve efficiencies, and maximize revenues from opportunities that occur due to market volatility in Northern's Field Area.

Northern has planned its projects for 2024 and, based on current expectations, will likely be able to delay the rate case it had planned to file July 1, 2024, upon expiration of a moratorium that was part of the settlement agreement with customers in its 2022 rate case. Northern's ability to delay a rate case is uncertain due to evolving requirements, increasing costs of construction labor and materials, and the short-term nature of its opportunities in the Field Area.

As always, Northern will continue to keep customers apprised of its rate case plans and be transparent and open about its expectations. Please contact your marketing representative or any member of Northern's executive team with any questions, concerns or requests for additional information.



## SUMMER PIPELINE MAINTENANCE

The summer facility maintenance season is upon us. All maintenance outages are carefully reviewed and planned with the primary goal of minimizing customer impact. As such, Northern's summer 2024 facility maintenance projects include modifying six large-diameter pipeline segments totaling approximately 214 miles to be in-line inspectable as shown in Table 1. In addition, in-line inspections will be completed on 12 large-diameter pipeline segments totaling approximately 780 miles as shown in Table 2. Northern is actively managing over 1,000 maintenance outages to support the completion of asset modernization projects, annual maintenance, environmental compliance testing and system safety checks. Please continue to review the Planned Service Outage summary document and postings throughout the maintenance season.

**Table 1**

Pipeline Segments Being Converted to In-Line Inspectable
Ventura, Iowa, to Faribault, Minnesota
Oakland, Iowa, to Ogden, Iowa
Clifton, Kansas, to Beatrice, Nebraska
Macksville, Kansas, to Bushton, Kansas
Dumas, Texas, to Sunray, Texas
Sid Richards, New Mexico, to Hobbs, New Mexico

**Table 2**

Large-Diameter Pipeline Segments Being Inspected
Carlton, Minnesota, to Iron River, Minnesota
Faribault, Minnesota, to Farmington, Minnesota
Ventura, Iowa, to Farmington, Minnesota
Ogden, Iowa, to Dubuque, Iowa
South Sioux City, Nebraska, to Paullina, Iowa
Homer, Nebraska, to South Sioux City, Nebraska
Palmyra, Nebraska, to Hooper, Nebraska
Beatrice, Nebraska, to Palmyra, Nebraska
Tescott, Kansas, to Clifton, Kansas
Pampa, Texas, to Beaver, Oklahoma
Plainview, Texas, to Claude, Texas
Kermit, Texas, to Cohanosa, Texas

## PHYSICAL SECURITY ENHANCEMENTS SUPPORT RELIABILITY



In 2023, Northern Natural Gas began a perimeter hardening effort at select field locations that included installing fencing reinforced with an anti-cut rating material and with a barbed wire topper or razor wire as an anti-climb deterrent. Northern invested over \$13.4 million in this project and increased its physical security posture at eight of its most critical facilities.

As part of the ongoing effort to improve Northern's ability to quickly detect and respond to physical security events, the security team tested an array of electronic monitoring assets that will be linked to a security monitoring station located at its Omaha, Nebraska, headquarters. In early April 2024, Northern will begin installing cameras and radar at certain field locations that will be continuously monitored.

## WINTER RECAP AND WINTER STORM GERRI

Northern Natural Gas experienced a warm heating season, with each month finishing warmer than normal for the first time since the 2015-2016 heating season. The table below shows by month, the system-weighted temperature variance as a percentage to normal for the past five heating seasons.

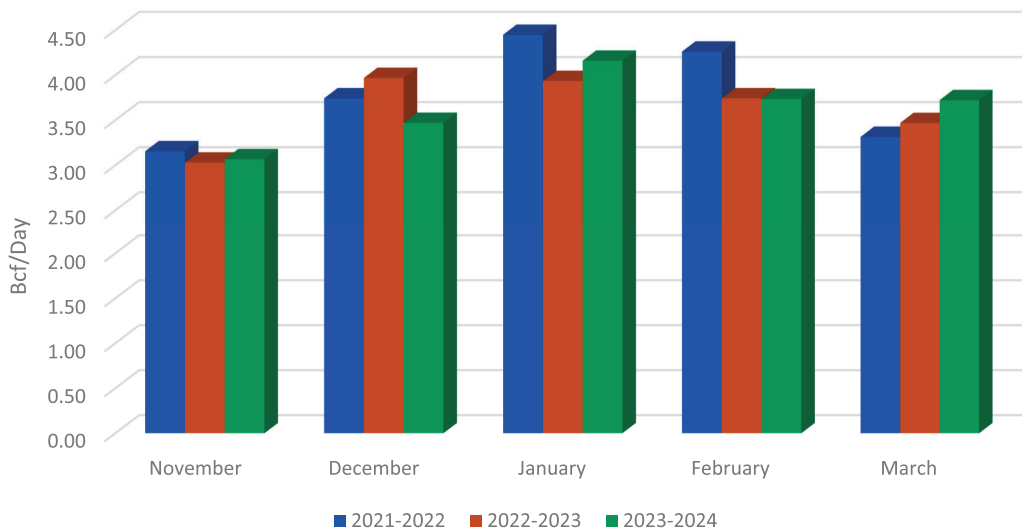
System-Weighted Temperature vs Normal					
	2019-2020	2020-2021	2021-2022	2022-2023	2023-2024
<b>November</b>	20%	9%	1%	11%	7%
<b>December</b>	5%	8%	7%	13%	27%
<b>January</b>	6%	13%	14%	7%	4%
<b>February</b>	4%	27%	21%	2%	23%
<b>March</b>	7%	15%	14%	23%	5%
<b>Heating Season</b>	0%	3%	8%	7%	14%

■ Colder than Normal    ■ Warmer than Normal

January 2024 was the coldest month of the 2023-2024 heating season, where temperatures finished 4% warmer than normal. A significant period of cold weather occurred during Winter Storm Gerri, where Northern's Market Area endured 11 straight days of system-weighted temperatures below normal beginning January 11, 2024. Northern experienced five days with Market Area deliveries over 5.0 Bcf during that stretch, including the sixth highest all-time delivery of 5.367 Bcf.

The graph below recaps the warmer than normal 2023-2024 heating season impact to Northern's Market Area deliveries compared to the previous two heating seasons. November, January, and February were like previous years, while December and March were much lower.

Daily Market Area Load per Month Last Three Winters





## CAPITAL INVESTMENT UPDATE

In 2023, Northern Natural Gas completed \$559 million in capital projects. These projects enhanced the safety and reliability of Northern's system and some were necessary to comply with regulatory requirements. The projects included the abandonment of 85 miles of vintage mechanically coupled mainline; abandonment of 30 miles of vintage branch lines; replacement of compressor units at Paullina, Iowa; overhauls at 13 compressor stations on Northern's pipeline system; reconfirmation of maximum allowable operating pressures in high and moderate consequence areas and Class 3 locations as required by PHMSA's Mega Rule issued in 2019; and completion of pipeline modifications to accommodate in-line inspection tools, resulting in another 235 miles of pipeline being in-line inspectable.

For 2024, Northern estimates it will invest \$457 million for reliability projects. These projects, which will result in improved efficiency and operational flexibility, include replacement of the turbine and compressor at the Garner, Iowa, liquefied natural gas facility; overhauls at nine compressor stations on Northern's pipeline system; continued reconfirmation of maximum allowable operating pressures in additional high and moderate consequence areas and Class 3 locations as required by PHMSA's Mega Rule issued in 2019; and completion of pipe modifications to accommodate in-line inspection tools, making another 214 miles of pipeline in-line inspectable.



From 2020 through 2024, Northern will have invested over \$2.6 billion in maintenance capital projects, including asset modernization projects. The annual investment amounts for that period are shown in the table below.

Maintenance Capital Investment, including Asset Modernization Projects	
Year	Amount (\$000)
2020	\$ 505,474
2021	\$ 527,414
2022	\$ 553,044
2023	\$ 559,818
2024 (estimated)	\$ 457,198
<b>Total</b>	<b>\$ 2,602,948</b>

Northern will hold a customer conference call Tuesday, April 23, 2024, to discuss the Maintenance Capital Plan for 2024. If you have any questions, contact your marketing representative.

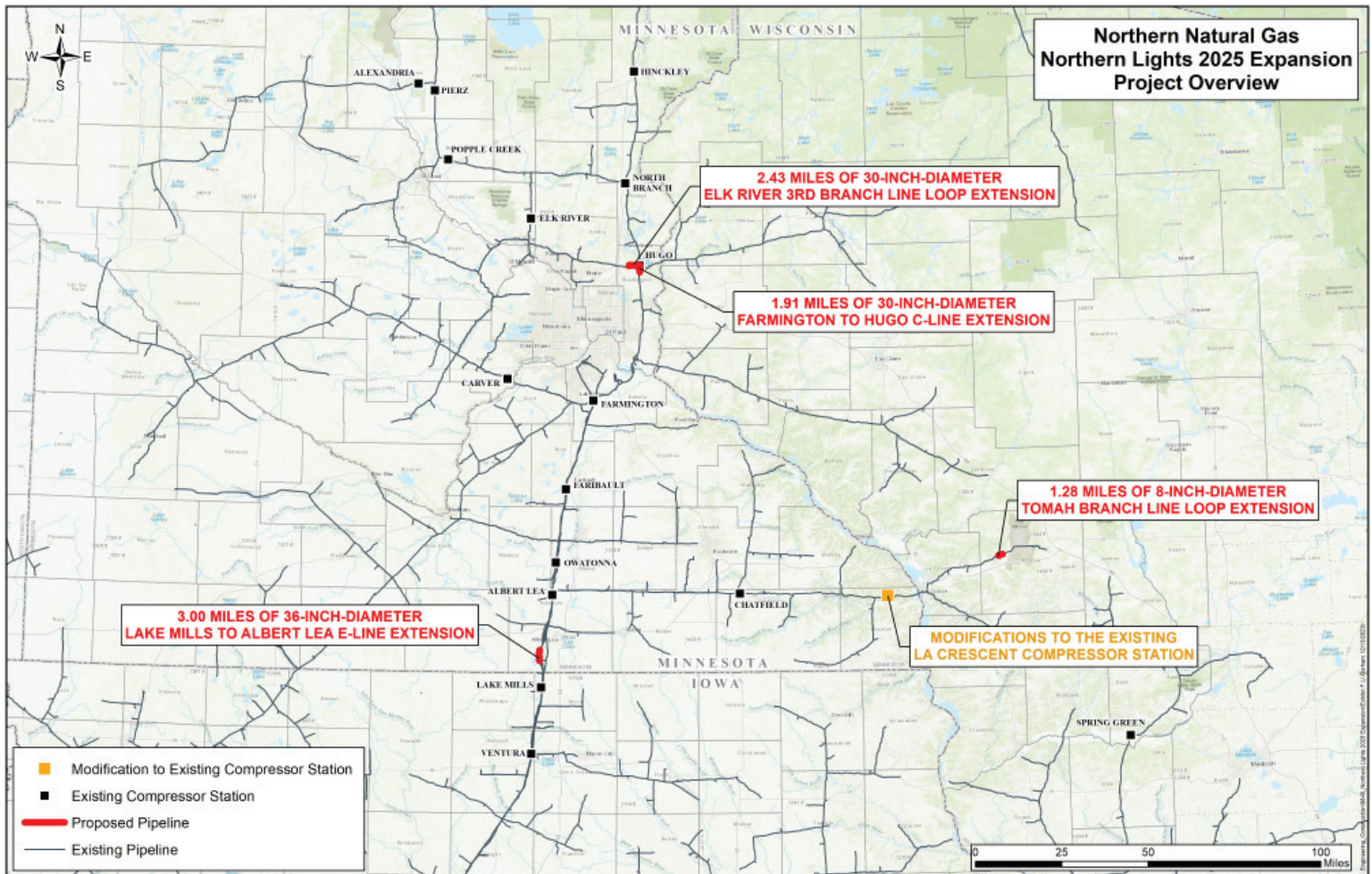


## MARKET AREA EXPANSION UPDATE

Northern Natural Gas and its customers have successfully worked together over many years to complete mutually beneficial Market Area expansion projects that result in incremental firm transportation service required by Northern's customers to meet ongoing growth requirements. Since 2007, Northern has invested approximately \$1.0 billion and added approximately 1.4 Bcf/day of pipeline capacity to serve customer growth requirements in the Market Area.

Recently, Northern placed 18,250 Dth/day of Market Area capacity in-service through the West Leg 2023 Expansion with an associated investment of \$20.9 million, as well as 2,000 Dth/day through the Hazel, South Dakota, branch line expansion with an associated investment of \$11.3 million. The projects will meet the growth requirements of several customers through mutually beneficial agreements.

In 2024, Northern plans to complete the Northern Lights 2023 Expansion, which includes 50,889 Dth/day of Market Area capacity with an associated investment of \$54.6 million, as well as the West Leg 2024 Expansion, which includes 12,960 Dth/day of Market Area capacity with an associated investment of \$25.6 million. For 2025, Northern has filed for authorization to build the Northern Lights 2025 Expansion, which will provide 46,064 Dth/day of customer-required service with an associated investment of \$66.2 million. A project map for Northern Lights 2025 is shown below.



The expansion activity continues into 2026 and beyond, with the most recent open season for 2026 expansion of Northern's East Leg, which is currently under development. Based on customer feedback, it is anticipated that another East Leg expansion open season may be necessary for 2027 and potentially 2028.

Our goal at Northern is not just to be the top service provider among interstate pipelines, but to partner with our customers for mutually beneficial outcomes generated through our strong relationships. Our consistent expansion activity reflects this customer commitment, and Northern welcomes the opportunity to develop new relationships with parties that join our customer base through expansion projects. Thank you to our existing customers for partnering with us to meet your ongoing growth needs, and to our new customers for joining the club and affording us the opportunity to serve you! We look forward to working with all of you for years to come.

For more information on Northern's upcoming expansion projects or to inquire about a new expansion project, do not hesitate to contact your account representative or Mike Barry in Northern's business development department at 402-398-7105 or [mike.barry@nngco.com](mailto:mike.barry@nngco.com).

## JANUARY 2024 DEBT OFFERING

Northern Natural Gas has unparalleled access to capital for the ongoing investment necessary to enhance the safety and reliability of its system, and to successfully partner with customers to complete expansion projects. Since Berkshire Hathaway Energy does not require Northern to pay dividends, we are able to finance capital spending primarily with internally generated funds and infrequently issue debt to maintain a consistent balance of debt and equity financing. Using this mix of financing has allowed Northern to preserve its “Single A” credit ratings from Moody’s and Standard & Poor’s – among the strongest in the industry, gain efficiencies through larger, less frequent debt offerings and provide the flexibility to stay on the sideline during periods of heightened volatility.

In January 2024, Northern successfully completed a \$500 million debt offering, issuing 30-year, 5.625% senior unsecured bonds maturing February 1, 2054. The offering was well received by the investment community, with over 80 investors participating in question-and-answer calls and over 170 investors submitting indications of interest for the bonds, resulting in a level of interest totaling nearly 10 times the amount of Northern’s issuance, which resulted in better-than-expected pricing. Investment managers, insurance companies and pension funds were the primary investors in the bond offering.

With this most recent offering, Northern’s outstanding long-term debt totals \$2.1 billion, with a weighted average interest rate of 4.46% and no scheduled maturities until February 2037.

	<u>Par Value (\$000)</u>
Long-Term Debt	
5.800% Senior Bonds, due 2037	150,000
4.100% Senior Bonds, due 2042	250,000
4.300% Senior Bonds, due 2049	650,000
3.400% Senior Bonds, due 2051	550,000
5.625% Senior Bonds, due 2054	500,000
Total Long-Term Debt	<u>\$ 2,100,000</u>

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## CUSTOMER COMMITMENT

### Northern Natural Gas’ Vision Statement

To be the preferred provider of natural gas transportation and storage services based on our integrity, operational excellence, financial strength and environmental responsibility.

### Northern Natural Gas’ Mission Statement

We are in business to serve our customers.  
Fairly. Efficiently. Reliably.

### These statements mean that we will focus on these priorities.

- We will deliver what we promise on time.
- We will share the purpose behind our actions.
- We will commit to making it easy to do business with us.
- We will negotiate and perform in good faith.
- We will continue to invest in the pipeline in order to provide you highly reliable service and to meet your future growth needs.

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## ABOUT US

Northern Natural Gas is based in Omaha, Nebraska, and operates the largest interstate natural gas pipeline system in the United States, extending from the Permian Basin in Texas to the Upper Peninsula of Michigan. Northern provides transportation and storage services to numerous utilities and end-use customers in the Upper Midwest. Northern provides cross-haul and grid transportation between other interstate and intrastate pipelines in the Permian, Mid-Continent and Midwest areas. Northern also operates three underground natural gas storage facilities and two liquefied natural gas peaking units. These storage facilities are fully contracted and are central to meeting Northern’s customers’ peak-day system requirements.

Northern accesses supply from every major Mid-Continent basin, as well as the Permian, Rocky Mountain and Western Canadian basins. This supply is ultimately delivered to end-use customers in Minnesota, Iowa, Nebraska, South Dakota, Wisconsin, Illinois and the Upper Peninsula of Michigan.

### For technical inquiries or information

Customer Service: 402-960-7947 or 402-960-7948

### Questions or comments

If you have questions or comments, contact us at [nngcustomerservice@nngco.com](mailto:nngcustomerservice@nngco.com).

### Feedback and Suggestions

To provide feedback about Northern Notes or suggestions of newsworthy topics to cover in this electronic publication, contact Fletcher McMeen at [Fletcher.McMeen@nngco.com](mailto:Fletcher.McMeen@nngco.com).

