UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

Form 10-Q

☒ QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the quarterly period ended September 30, 2024

OR

☐ TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the transition period from ___________ to____________

NW Natural HOLDINGS™	NW Natural®
NORTHWEST NATURAL HOLDING COMPANY	**NORTHWEST NATURAL GAS COMPANY**
(Exact name of registrant as specified in its charter)	(Exact name of registrant as specified in its charter)
Commission file number **1-38681**	Commission file number **1-15973**
Oregon (State or other jurisdiction of incorporation or organization)	**Oregon** (State or other jurisdiction of incorporation or organization)
82-4710680 (I.R.S. Employer Identification No.)	**93-0256722** (I.R.S. Employer Identification No.)
250 SW Taylor Street	**250 SW Taylor Street**
Portland Oregon (Address of principal executive offices)	**Portland Oregon** (Address of principal executive offices)
97204 (Zip Code)	**97204** (Zip Code)
Registrant's telephone number, including area code: **(503) 226-4211**	Registrant's telephone number, including area code: **(503) 226-4211**

Securities registered pursuant to Section 12(b) of the Act:

Registrant	Title of each class	Trading Symbol	Name of each exchange on which registered
NORTHWEST NATURAL HOLDING COMPANY	Common Stock	NWN	New York Stock Exchange
NORTHWEST NATURAL GAS COMPANY	None		

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days.

NORTHWEST NATURAL HOLDING COMPANY Yes ☒ No ☐ NORTHWEST NATURAL GAS COMPANY Yes ☒ No ☐

Indicate by check mark whether the registrant has submitted electronically every Interactive Data File required to be submitted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit such files).

NORTHWEST NATURAL HOLDING COMPANY Yes ☒ No ☐ NORTHWEST NATURAL GAS COMPANY Yes ☒ No ☐

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, a smaller reporting company, or an emerging growth company. See the definitions of "large accelerated filer," "accelerated filer", "smaller reporting company" and "emerging growth company" in Rule 12b-2 of the Exchange Act.

NORTHWEST NATURAL HOLDING COMPANY		NORTHWEST NATURAL GAS COMPANY	
Large Accelerated Filer	☒	Large Accelerated Filer	☐
Accelerated Filer	☐	Accelerated Filer	☐
Non-accelerated Filer	☐	Non-accelerated Filer	☒
Smaller Reporting Company	☐	Smaller Reporting Company	☐
Emerging Growth Company	☐	Emerging Growth Company	☐

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act. ☐

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act).

NORTHWEST NATURAL HOLDING COMPANY Yes ☐ No ☒ NORTHWEST NATURAL GAS COMPANY Yes ☐ No ☒

At October 31, 2024, 40,132,048 shares of Northwest Natural Holding Company's Common Stock (the only class of Common Stock) were outstanding. All shares of Northwest Natural Gas Company's Common Stock (the only class of Common Stock) outstanding were held by Northwest Natural Holding Company. This combined Form 10-Q is separately filed by Northwest Natural Holding Company and Northwest Natural Gas Company. Information contained in this document relating to Northwest Natural Gas Company is filed by Northwest Natural Holding Company and separately by Northwest Natural Gas Company. Northwest Natural Gas Company makes no representation as to information relating to Northwest Natural Holding Company or its subsidiaries, except as it may relate to Northwest Natural Gas Company and its subsidiaries.

NORTHWEST NATURAL GAS COMPANY
NORTHWEST NATURAL HOLDING COMPANY
For the Quarterly Period Ended September 30, 2024

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PART I. FINANCIAL INFORMATION

FORWARD-LOOKING STATEMENTS

This report contains forward-looking statements within the meaning of the U.S. Private Securities Litigation Reform Act of 1995, which are subject to the safe harbors created by such Act. Forward-looking statements can be identified by words such as anticipates, assumes, may, intends, plans, projects, seeks, should, believes, estimates, expects, will, could, and similar references (including the negatives thereof) to future periods, although not all forward-looking statements contain these words. Examples of forward-looking statements include, but are not limited to, statements regarding the following:

- plans, projections and predictions;
- objectives, goals, visions or strategies;
- assumptions, generalizations and estimates;
- ongoing continuation of past practices or patterns;
- future events or performance;
- trends;
- risks;
- uncertainties;
- timing and cyclicality;
- economic conditions, including impacts of inflation and interest rates, recessionary risk, and general economic uncertainty;
- earnings and dividends;
- capital expenditures and allocation;
- capital markets or access to capital;
- capital or organizational structure;
- matters related to climate change and our role in decarbonization or a low-carbon future;
- renewable natural gas, environmental attributes related thereto, and hydrogen;
- our strategy to reduce greenhouse gas emissions and the efficacy of communicating that strategy to shareholders, investors, stakeholders and communities;
- the policies and priorities of the current presidential administration and U.S. Congress;
- the policies and priorities of the officials elected in the 2024 presidential and congressional elections;
- growth;
- customer rates;
- pandemic and related illness or quarantine and economic conditions related thereto or resulting therefrom;
- labor relations and workforce succession;
- commodity costs;
- desirability and cost competitiveness of natural gas;
- gas reserves;
- operational performance and costs;
- energy policy, infrastructure and preferences;
- public policy approach and involvement;
- efficacy of derivatives and hedges;
- liquidity, financial positions, and planned securities issuances;
- valuations;
- project and program development, expansion, or investment;
- business development efforts, including new business lines such as unregulated renewable natural gas, and acquisitions and integration thereof;
- implementation and execution of our water strategy;
- pipeline capacity, demand, location, and reliability;
- adequacy of property rights and operations center development;
- technology implementation and cybersecurity practices;
- competition;
- procurement and development of gas (including renewable natural gas) and water supplies;
- estimated expenditures, supply chain and third party availability and impairment;
- supply chain disruptions;
- costs of compliance, and our ability to include those costs in rates;
- customers bypassing our infrastructure;
- credit exposures and credit ratings or changes in credit ratings;
- uncollectible account amounts;
- rate or regulatory outcomes, recovery or refunds, and the availability of public utility commissions to take action;
- impacts or changes of executive orders, laws, rules and regulations, or legal challenges related thereto, including the Inflation Reduction Act or other energy climate related legislation;
- tax liabilities or refunds, including effects of tax legislation;
- levels and pricing of gas storage contracts and gas storage markets;
- outcomes, timing and effects of potential claims, litigation, regulatory actions, and other administrative matters;
- projected obligations, expectations and treatment with respect to, and the impact of new legislation on, retirement plans;

- international, federal, state, and local efforts to regulate, in a variety of ways, greenhouse gas emissions, and the effects of those efforts;
- geopolitical factors, including the ongoing conflicts in Europe and the Middle East;
- availability, adequacy, and shift in mix, of gas and water supplies;
- effects of new or anticipated changes in critical accounting policies or estimates;
- approval and adequacy of regulatory deferrals;
- effects and efficacy of regulatory mechanisms; and
- environmental, regulatory, litigation and insurance costs and recoveries, and timing thereof.

Forward-looking statements are based on our current expectations and assumptions regarding our business, the economy, and other future conditions. Because forward-looking statements relate to the future, they are subject to inherent uncertainties, risks, and changes in circumstances that are difficult to predict. Our actual results may differ materially from those contemplated by the forward-looking statements. We therefore caution you against relying on any of these forward-looking statements. They are neither statements of historical fact nor guarantees or assurances of future performance. Important factors that could cause actual results to differ materially from those in the forward-looking statements are discussed in NW Holdings' and NW Natural's 2023 Annual Report on Form 10-K, Part I, Item 1A "*Risk Factors*" and Part II, Item 7 and Item 7A, "*Management's Discussion and Analysis of Financial Condition and Results of Operations*" and "*Quantitative and Qualitative Disclosures about Market Risk*", respectively, and Part I of this report, Items 2 and 3, "*Management's Discussion and Analysis of Financial Condition and Results of Operations*" and "*Quantitative and Qualitative Disclosures About Market Risk*", respectively.

Any forward-looking statement made in this report speaks only as of the date on which it is made. Factors or events that could cause actual results to differ may emerge from time to time, and it is not possible for us to predict all of them. We undertake no obligation to publicly update any forward-looking statement, whether as a result of new information, future developments or otherwise, except as may be required by law.

ITEM 1. CONSOLIDATED FINANCIAL STATEMENTS

NORTHWEST NATURAL HOLDING COMPANY

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME (UNAUDITED)

In thousands, except per share data	Three Months Ended September 30, 2024	Three Months Ended September 30, 2023	Nine Months Ended September 30, 2024	Nine Months Ended September 30, 2023
Operating revenues	$ 136,934	$ 141,479	$ 782,118	$ 841,761
Operating expenses:				
Cost of gas	38,902	49,180	287,589	357,362
Operations and maintenance	63,940	61,524	202,504	200,160
Environmental remediation	1,151	1,032	9,226	8,547
General taxes	10,886	10,577	38,207	35,685
Revenue taxes	5,275	5,523	32,730	33,750
Depreciation	34,552	30,061	101,412	92,819
Other operating expenses	1,560	1,159	4,249	3,664
Total operating expenses	156,266	159,056	675,917	731,987
(Loss) income from operations	(19,332)	(17,577)	106,201	109,774
Other income (expense), net	930	5,004	(198)	13,228
Interest expense, net	19,060	19,406	58,902	56,676
(Loss) income before income taxes	(37,462)	(31,979)	47,101	66,326
Income tax (benefit) expense	(10,295)	(8,292)	13,232	17,098
Net (loss) income	(27,167)	(23,687)	33,869	49,228
Other comprehensive income (loss):				
Change in employee benefit plan liability, net of taxes of $58 and $9 for the three and nine months ended September 30, 2024, respectively	(58)	—	(192)	—
Amortization of non-qualified employee benefit plan liability, net of taxes of $54 and $37 for the three months ended and $155 and $111 for the nine months ended September 30, 2024 and 2023, respectively	153	102	432	307
Unrealized (loss) gain on interest rate swaps, net of taxes of $279 and $62 for the three months ended and $133 and $359 for the nine months ended September 30, 2024 and 2023, respectively	(775)	174	(371)	999
Comprehensive (loss) income	$ (27,847)	$ (23,411)	$ 33,738	$ 50,534
Average common shares outstanding:				
Basic	38,394	36,214	38,356	35,950
Diluted	38,394	36,214	38,412	35,980
(Loss) earnings per share of common stock:				
Basic	$ (0.71)	$ (0.65)	$ 0.88	$ 1.37
Diluted	(0.71)	(0.65)	0.88	1.37

See Notes to Unaudited Consolidated Financial Statements

NORTHWEST NATURAL HOLDING COMPANY

CONSOLIDATED BALANCE SHEETS (UNAUDITED)

In thousands	September 30, 2024	September 30, 2023	December 31, 2023
Assets:			
Current assets:			
Cash and cash equivalents	$ 35,047	$ 156,616	$ 32,920
Accounts receivable	53,123	51,999	121,341
Accrued unbilled revenue	23,818	24,626	83,138
Allowance for uncollectible accounts	(2,885)	(2,312)	(3,455)
Regulatory assets	136,275	108,525	178,270
Derivative instruments	8,948	23,454	11,380
Inventories	108,651	94,585	112,571
Other current assets	45,873	49,947	65,275
Total current assets	408,850	507,440	601,440
Non-current assets:			
Property, plant, and equipment	4,858,066	4,468,602	4,556,609
Less: Accumulated depreciation	1,245,725	1,189,968	1,198,555
Total property, plant, and equipment, net	3,612,341	3,278,634	3,358,054
Regulatory assets	322,781	312,665	333,443
Derivative instruments	1,377	6,188	431
Other investments	82,478	104,562	102,951
Operating lease right of use asset, net	69,402	71,477	71,308
Assets under sales-type leases	126,712	130,952	129,882
Goodwill	181,393	152,399	163,344
Other non-current assets	139,035	100,801	106,239
Total non-current assets	4,535,519	4,157,678	4,265,652
Total assets	$ 4,944,369	$ 4,665,118	$ 4,867,092

See Notes to Unaudited Consolidated Financial Statements

NORTHWEST NATURAL HOLDING COMPANY

CONSOLIDATED BALANCE SHEETS (UNAUDITED)

In thousands, except share information	September 30, 2024	September 30, 2023	December 31, 2023
Liabilities and equity:			
Current liabilities:			
Short-term debt	$ 159,814	$ 71,000	$ 89,780
Current maturities of long-term debt	20,796	190,728	150,865
Accounts payable	96,260	99,326	145,361
Taxes accrued	17,759	17,120	15,454
Interest accrued	12,909	13,940	15,836
Regulatory liabilities	127,640	88,376	84,962
Derivative instruments	70,807	46,603	98,661
Operating lease liabilities	1,868	1,815	2,333
Other current liabilities	59,532	61,149	93,626
Total current liabilities	567,385	590,057	696,878
Long-term debt	1,555,000	1,424,572	1,425,435
Deferred credits and other non-current liabilities:			
Deferred tax liabilities	389,281	375,917	382,673
Regulatory liabilities	708,948	683,262	695,896
Pension and other postretirement benefit liabilities	138,800	145,991	158,116
Derivative instruments	15,714	21,085	28,055
Operating lease liabilities	76,530	77,475	77,167
Other non-current liabilities	135,661	127,219	119,034
Total deferred credits and other non-current liabilities	1,464,934	1,430,949	1,460,941
Commitments and contingencies (Note 16)			
Equity:			
Common stock - no par value; authorized 100,000,000 shares; issued and outstanding 40,120,524, 36,575,797, and 37,631,212 at September 30, 2024 and 2023, and December 31, 2023, respectively	986,545	851,288	890,976
Retained earnings	377,685	373,231	399,911
Accumulated other comprehensive loss	(7,180)	(4,979)	(7,049)
Total equity	1,357,050	1,219,540	1,283,838
Total liabilities and equity	$ 4,944,369	$ 4,665,118	$ 4,867,092

See Notes to Unaudited Consolidated Financial Statements

NORTHWEST NATURAL HOLDING COMPANY
CONSOLIDATED STATEMENTS OF SHAREHOLDERS' EQUITY (UNAUDITED)

In thousands, except per share amounts	Three Months Ended September 30,		Nine Months Ended September 30,	
	2024	2023	2024	2023
Total shareholders' equity, beginning balances	$ 1,346,716	$ 1,240,278	$ 1,283,838	$ 1,175,441
Common stock:				
Beginning balances	929,498	831,135	890,976	805,253
Stock-based compensation	490	251	2,714	3,257
Shares issued pursuant to equity based plans, net of shares withheld for taxes	964	1,046	2,220	1,883
Issuance of common stock, net of issuance costs	55,593	18,856	90,635	40,895
Ending balances	986,545	851,288	986,545	851,288
Retained earnings:				
Beginning balances	423,718	414,398	399,911	376,473
Net (loss) income	(27,167)	(23,687)	33,869	49,228
Dividends on common stock	(18,866)	(17,480)	(56,095)	(52,470)
Ending balances	377,685	373,231	377,685	373,231
Accumulated other comprehensive income (loss):				
Beginning balances	(6,500)	(5,255)	(7,049)	(6,285)
Other comprehensive (loss) income	(680)	276	(131)	1,306
Ending balances	(7,180)	(4,979)	(7,180)	(4,979)
Total shareholders' equity, ending balances	$ 1,357,050	$ 1,219,540	$ 1,357,050	$ 1,219,540
Dividends per share of common stock	$ 0.4875	$ 0.4850	$ 1.4625	$ 1.4550

See Notes to Unaudited Consolidated Financial Statements

NORTHWEST NATURAL HOLDING COMPANY

CONSOLIDATED STATEMENTS OF CASH FLOWS (UNAUDITED)

In thousands	Nine Months Ended September 30, 2024	2023
Operating activities:		
Net income	$ 33,869	$ 49,228
Adjustments to reconcile net income to cash provided by operations:		
Depreciation	101,412	92,819
Amortization	14,544	13,482
Deferred income taxes	5,939	6,678
Qualified defined benefit pension plan expense (benefit)	3,047	(1,823)
Contributions to qualified defined benefit pension plans	(17,850)	—
Deferred environmental expenditures, net	(18,775)	(14,887)
Environmental remediation expense	9,226	8,547
Asset optimization revenue sharing bill credits	(29,198)	(10,471)
Other	8,300	7,129
Changes in assets and liabilities:		
Receivables, net	130,676	182,297
Inventories	4,092	(6,484)
Income and other taxes	9,806	8,770
Accounts payable	(11,501)	(39,695)
Deferred gas costs	(7,703)	(8,678)
Asset optimization revenue sharing	10,743	18,667
Decoupling mechanism	1,989	(12,328)
Cloud-based software	(20,307)	(12,316)
Regulatory accounts	17,312	16,218
RNG facility prepayment	(26,046)	—
Other, net	122	4,350
Cash provided by operating activities	219,697	301,503
Investing activities:		
Capital expenditures	(294,261)	(242,747)
Acquisitions, net of cash acquired	(28,819)	(3,248)
Purchase of equity method investment	(1,000)	(1,000)
Other	(2,215)	(3,525)
Cash used in investing activities	(326,295)	(250,520)
Financing activities:		
Proceeds from common stock issued, net	90,563	40,955
Long-term debt issued	150,000	330,000
Long-term debt retired	(150,000)	(50,000)
Changes in other short-term debt, net	70,034	(187,200)
Cash dividend payments on common stock	(53,781)	(50,114)
Payment of financing fees	(901)	(2,042)
Shares withheld for tax purposes	(1,319)	(1,313)
Other	(814)	(753)
Cash provided by financing activities	103,782	79,533
(Decrease) increase in cash, cash equivalents and restricted cash	(2,816)	130,516
Cash, cash equivalents and restricted cash, beginning of period	49,624	40,964
Cash, cash equivalents and restricted cash, end of period	$ 46,808	$ 171,480
Supplemental disclosure of cash flow information:		
Interest paid, net of capitalization	$ 57,837	$ 51,970
Income taxes paid, net of refunds	15,831	18,963

See Notes to Unaudited Consolidated Financial Statements

NORTHWEST NATURAL GAS COMPANY
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME (UNAUDITED)

	Three Months Ended September 30,				Nine Months Ended September 30,			
In thousands		2024		2023		2024		2023
Operating revenues	$	121,193	$	129,942	$	744,156	$	812,803
Operating expenses:								
Cost of gas		38,743		49,235		287,542		357,530
Operations and maintenance		54,777		53,494		177,037		179,121
Environmental remediation		1,151		1,032		9,226		8,547
General taxes		10,256		10,328		36,652		34,925
Revenue taxes		5,188		5,425		32,581		33,559
Depreciation		32,092		28,446		94,857		88,470
Other operating expenses		552		397		1,810		1,636
Total operating expenses		142,759		148,357		639,705		703,788
(Loss) income from operations		(21,566)		(18,415)		104,451		109,015
Other income (expense), net		219		4,818		(1,533)		11,095
Interest expense, net		15,079		15,597		46,493		45,236
(Loss) income before income taxes		(36,426)		(29,194)		56,425		74,874
Income tax (benefit) expense		(10,078)		(7,707)		15,639		19,037
Net (loss) income		(26,348)		(21,487)		40,786		55,837
Other comprehensive income (loss):								
Change in employee benefit plan liability, net of taxes of $58 and $9 for the three and nine months ended September 30, 2024, respectively		(58)		—		(192)		—
Amortization of non-qualified employee benefit plan liability, net of taxes of $54 and $37 for the three months ended and $155 and $111 for the nine months ended September 30, 2024 and 2023, respectively		153		102		432		307
Comprehensive (loss) income	$	(26,253)	$	(21,385)	$	41,026	$	56,144

See Notes to Unaudited Consolidated Financial Statements

NORTHWEST NATURAL GAS COMPANY

CONSOLIDATED BALANCE SHEETS (UNAUDITED)

In thousands	September 30, 2024	September 30, 2023	December 31, 2023
Assets:			
Current assets:			
Cash and cash equivalents	$ 18,268	$ 145,073	$ 19,841
Accounts receivable	47,094	48,322	117,216
Accrued unbilled revenue	21,548	22,608	81,524
Receivables from affiliates	3,888	2,195	824
Allowance for uncollectible accounts	(2,534)	(2,085)	(3,228)
Regulatory assets	136,250	108,525	178,270
Derivative instruments	9,093	22,679	11,184
Inventories	106,824	92,803	110,855
Other current assets	32,363	38,131	60,138
Total current assets	372,794	478,251	576,624
Non-current assets:			
Property, plant, and equipment	4,654,081	4,328,477	4,393,759
Less: Accumulated depreciation	1,222,218	1,175,283	1,181,962
Total property, plant, and equipment, net	3,431,863	3,153,194	3,211,797
Regulatory assets	322,124	312,640	333,418
Derivative instruments	1,481	5,430	373
Other investments	64,313	87,753	86,145
Operating lease right of use asset, net	68,846	70,852	70,728
Assets under sales-type leases	126,712	130,952	129,882
Other non-current assets	110,352	99,131	102,410
Total non-current assets	4,125,691	3,859,952	3,934,753
Total assets	$ 4,498,485	$ 4,338,203	$ 4,511,377

See Notes to Unaudited Consolidated Financial Statements

NORTHWEST NATURAL GAS COMPANY

CONSOLIDATED BALANCE SHEETS (UNAUDITED)

In thousands	September 30, 2024	September 30, 2023	December 31, 2023
Liabilities and equity:			
Current liabilities:			
Short-term debt	$ 100,114	$ —	$ 16,780
Current maturities of long-term debt	19,993	39,997	—
Accounts payable	87,703	94,922	138,111
Payables to affiliates	464	562	14,850
Taxes accrued	17,186	16,915	15,293
Interest accrued	12,049	13,368	15,111
Regulatory liabilities	127,508	88,326	84,912
Derivative instruments	70,807	46,603	98,661
Operating lease liabilities	1,627	1,658	2,128
Other current liabilities	56,551	59,101	89,371
Total current liabilities	494,002	361,452	475,217
Long-term debt	1,345,240	1,364,556	1,364,732
Deferred credits and other non-current liabilities:			
Deferred tax liabilities	376,321	366,730	371,867
Regulatory liabilities	708,003	682,315	694,947
Pension and other postretirement benefit liabilities	138,800	145,991	158,116
Derivative instruments	15,714	21,085	28,055
Operating lease liabilities	76,217	77,041	76,757
Other non-current liabilities	124,302	116,930	109,066
Total deferred credits and other non-current liabilities	1,439,357	1,410,092	1,438,808
Commitments and contingencies (Note 16)			
Equity:			
Common stock	644,903	644,903	644,903
Retained earnings	581,980	563,307	594,954
Accumulated other comprehensive loss	(6,997)	(6,107)	(7,237)
Total equity	1,219,886	1,202,103	1,232,620
Total liabilities and equity	$ 4,498,485	$ 4,338,203	$ 4,511,377

See Notes to Unaudited Consolidated Financial Statements

NORTHWEST NATURAL GAS COMPANY

CONSOLIDATED STATEMENTS OF SHAREHOLDER'S EQUITY (UNAUDITED)

In thousands	Three Months Ended September 30, 2024	Three Months Ended September 30, 2023	Nine Months Ended September 30, 2024	Nine Months Ended September 30, 2023
Total shareholder's equity, beginning balances	$ 1,264,334	$ 1,210,296	$ 1,232,620	$ 1,191,082
Common stock:				
Beginning balances	644,903	614,903	644,903	614,903
Capital contributions from parent	—	30,000	—	30,000
Ending balances	644,903	644,903	644,903	644,903
Retained earnings:				
Beginning balances	626,523	601,602	594,954	582,593
Net (loss) income	(26,348)	(21,487)	40,786	55,837
Dividends on common stock	(18,195)	(16,808)	(53,760)	(75,123)
Ending balances	581,980	563,307	581,980	563,307
Accumulated other comprehensive income (loss):				
Beginning balances	(7,092)	(6,209)	(7,237)	(6,414)
Other comprehensive income	95	102	240	307
Ending balances	(6,997)	(6,107)	(6,997)	(6,107)
Total shareholder's equity, ending balances	$ 1,219,886	$ 1,202,103	$ 1,219,886	$ 1,202,103

See Notes to Unaudited Consolidated Financial Statements

NORTHWEST NATURAL GAS COMPANY

CONSOLIDATED STATEMENTS OF CASH FLOWS (UNAUDITED)

In thousands	Nine Months Ended September 30, 2024	2023
Operating activities:		
Net income	$ 40,786	$ 55,837
Adjustments to reconcile net income to cash provided by operations:		
Depreciation	94,857	88,470
Amortization	14,213	13,203
Deferred income taxes	3,519	1,411
Qualified defined benefit pension plan expense (benefit)	3,047	(1,823)
Contributions to qualified defined benefit pension plans	(17,850)	—
Deferred environmental expenditures, net	(18,775)	(14,887)
Environmental remediation expense	9,226	8,547
Asset optimization revenue sharing bill credits	(29,198)	(10,471)
Other	7,937	6,660
Changes in assets and liabilities:		
Receivables, net	133,052	183,116
Inventories	4,404	(6,173)
Income and other taxes	635	6,942
Accounts payable	(15,512)	(43,315)
Deferred gas costs	(7,703)	(8,678)
Asset optimization revenue sharing	10,743	18,667
Decoupling mechanism	1,989	(12,328)
Cloud-based software	(20,307)	(12,316)
Regulatory accounts	17,781	16,249
Other, net	(210)	5,057
Cash provided by operating activities	232,634	294,168
Investing activities:		
Capital expenditures	(264,673)	(216,368)
Other	(2,408)	(3,524)
Cash used in investing activities	(267,081)	(219,892)
Financing activities:		
Cash contributions received from parent	—	30,000
Long-term debt issued	—	330,000
Long-term debt retired	—	(50,000)
Changes in other short-term debt, net	83,334	(170,200)
Cash dividend payments on common stock	(53,760)	(75,123)
Shares withheld for tax purposes	(1,319)	(1,313)
Other	(325)	(2,400)
Cash provided by financing activities	27,930	60,964
(Decrease) increase in cash, cash equivalents and restricted cash	(6,517)	135,240
Cash, cash equivalents and restricted cash, beginning of period	36,520	24,671
Cash, cash equivalents and restricted cash, end of period	$ 30,003	$ 159,911
Supplemental disclosure of cash flow information:		
Interest paid, net of capitalization	$ 45,661	$ 39,911
Income taxes paid, net of refunds	29,620	27,745

See Notes to Unaudited Consolidated Financial Statements

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)

1. ORGANIZATION AND PRINCIPLES OF CONSOLIDATION

The accompanying consolidated financial statements represent the respective, consolidated financial results of Northwest Natural Holding Company (NW Holdings) and Northwest Natural Gas Company (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.

Information presented in these interim consolidated financial statements is unaudited, but includes all material adjustments management considers necessary for a fair statement of the results for each period reported including normal recurring accruals. These consolidated financial statements should be read in conjunction with the audited consolidated financial statements and related notes included in NW Holdings' and NW Natural's combined 2023 Annual Report on Form 10-K (2023 Form 10-K). A significant part of NW Holdings' and NW Natural's business is of a seasonal nature; therefore, NW Holdings and NW Natural results of operations for interim periods are not necessarily indicative of full year results. Seasonality affects the comparability of the results of other operations across quarters but not across years.

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

Significant accounting policies are described in Note 2 of the 2023 Form 10-K. There were no material changes to those accounting policies during the nine months ended September 30, 2024 other than those set forth in this Note 2. The following are current updates to certain critical accounting policy estimates and new accounting standards.

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 deferred as regulatory assets and liabilities for NW Holdings and NW Natural were as follows:

	Regulatory Assets		
	September 30,		December 31,
In thousands	2024	2023	2023
NW Natural:			
Current:			
Unrealized loss on derivatives[1]	$ 70,807	$ 46,603	$ 98,661
Gas costs	8,315	11,361	9,301
Environmental costs[2]	10,283	7,047	9,950
Decoupling[3]	690	3,480	2,288
Pension balancing[4]	7,131	7,131	7,131
Income taxes	2,208	2,208	2,208
Washington Climate Commitment Act compliance	8,455	—	20,537
COVID-19 deferrals and expenses, net	1,823	11,127	9,685
Security and systems improvements	2,907	3,131	3,267
Industrial demand side management[5]	13,610	9,972	6,964
Other[6]	10,021	6,465	8,278
Total current - NW Natural	136,250	108,525	178,270
Other (NW Holdings)	25	—	—
Total current - NW Holdings	$ 136,275	$ 108,525	$ 178,270
Non-current:			
Unrealized loss on derivatives[1]	$ 15,715	$ 21,085	$ 28,055
Pension balancing[4]	23,732	29,450	27,460
Income taxes	9,930	10,540	10,731
Pension and other postretirement benefit liabilities	110,293	101,413	114,010
Environmental costs[2]	112,243	108,941	118,619
Gas costs	462	718	1,917
Decoupling[3]	20	212	1,017
Washington Climate Commitment Act compliance	22,396	12,513	—
COVID-19 deferrals and expenses, net	1,097	1,811	1,080
Security and systems improvements	8,715	10,808	9,734
Industrial demand side management[5]	897	672	5,554
Other[6]	16,624	14,477	15,241
Total non-current - NW Natural	322,124	312,640	333,418
Other (NW Holdings)	657	25	25
Total non-current - NW Holdings	$ 322,781	$ 312,665	$ 333,443

In thousands	Regulatory Liabilities September 30, 2024	September 30, 2023	December 31, 2023
NW Natural:			
Current:			
Gas costs	$ 43,361	$ 5,030	$ 6,375
Unrealized gain on derivatives[(1)]	9,093	22,679	11,184
Decoupling[(3)]	8,583	8,616	7,612
Income taxes	4,726	5,946	4,726
Asset optimization revenue sharing	15,453	29,938	31,583
Washington Climate Commitment Act compliance	39,890	9,365	17,199
Other[(6)]	6,402	6,752	6,233
Total current - NW Natural	127,508	88,326	84,912
Other (NW Holdings)	132	50	50
Total current - NW Holdings	$ 127,640	$ 88,376	$ 84,962
Non-current:			
Gas costs	$ 2,899	$ 252	$ 8,556
Unrealized gain on derivatives[(1)]	1,481	5,430	373
Decoupling[(3)]	541	588	2,118
Income taxes[(7)]	167,913	171,843	169,485
Accrued asset removal costs[(8)]	518,379	489,006	496,235
Asset optimization revenue sharing	—	—	2,325
Washington Climate Commitment Act proceeds	—	654	—
Other[(6)]	16,790	14,542	15,855
Total non-current - NW Natural	708,003	682,315	694,947
Other (NW Holdings)	945	947	949
Total non-current - NW Holdings	$ 708,948	$ 683,262	$ 695,896

(1) 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 NGD rates as part of the annual Purchased Gas Adjustment (PGA) mechanism when realized at settlement.
(2) Refer to the Environmental Cost Deferral and Recovery table in Note 17 for a description of environmental costs.
(3) This deferral represents the margin adjustment resulting from differences between actual and expected volumes.
(4) Balance represents deferred net periodic benefit costs as approved by the OPUC.
(5) Energy efficiency program for industrial sales customers in Oregon to provide assistance with reducing their gas usage.
(6) Balances consist of deferrals and amortizations under approved regulatory mechanisms and typically earn a rate of return or carrying charge.
(7) Balance represents excess deferred income tax benefits subject to regulatory flow-through. See Note 11.
(8) Estimated costs of removal on certain regulated properties are collected through rates.

We believe all costs incurred and deferred at September 30, 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.

Supplemental Cash Flow Information

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. As of September 30, 2024, the amount invested in money market funds was $4.6 million at NW Natural and $6.5 million NW Holdings. As of September 30, 2023, the amount invested in money market funds was $132.6 million at NW Natural and NW Holdings. These investments are measured using net asset value per share.

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 September 30, 2024 and 2023 and December 31, 2023:

In thousands	September 30, 2024	September 30, 2023	December 31, 2023
Cash and cash equivalents	$ 35,047	$ 156,616	$ 32,920
Restricted cash included in other current assets	11,761	14,864	16,704
Cash, cash equivalents and restricted cash	$ 46,808	$ 171,480	$ 49,624

The following table provides a reconciliation of the cash, cash equivalents and restricted cash balances at NW Natural as of September 30, 2024 and 2023 and December 31, 2023:

In thousands	September 30, 2024	September 30, 2023	December 31, 2023
Cash and cash equivalents	$ 18,268	$ 145,073	$ 19,841
Restricted cash included in other current assets	11,735	14,838	16,679
Cash, cash equivalents and restricted cash	$ 30,003	$ 159,911	$ 36,520

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:

	As of December 31, 2023	Nine Months Ended September 30, 2024		As of September 30, 2024
In thousands	Beginning Balance	Provision recorded, net of adjustments	Write-offs recognized, net of recoveries	Ending Balance
Allowance for uncollectible accounts:				
Residential	$ 2,397	$ 1,157	$ (1,544)	$ 2,010
Commercial	501	93	(360)	234
Industrial	65	(35)	(2)	28
Accrued unbilled and other	265	66	(69)	262
Total NW Natural	3,228	1,281	(1,975)	2,534
Other - NW Holdings	227	165	(41)	351
Total NW Holdings	$ 3,455	$ 1,446	$ (2,016)	$ 2,885

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.

Greenhouse Gas Allowances

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 and selling 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 September 30, 2024, NW Natural had $41.3 million of emissions allowances for compliance in Washington recorded as inventory.

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. As of September 30, 2024, NW Natural consigned no-cost allowances to Washington auctions and received a total of $22.1 million in cash, which proceeds were recorded as a regulatory liability for the benefit of customers. In October 2024, an additional $3.5 million in proceeds was received.

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 has recognized a $30.9 million liability as of September 30, 2024. 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 $30.9 million of deferred costs as of September 30, 2024.

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 are required beginning with our annual report for the year ending December 31, 2024. The adoption of this standard is not anticipated to have a material impact on our results of operations, liquidity or capital resources.

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 a material impact on our results of operations, liquidity or capital resources.

Recent Securities and Exchange Commission (SEC) Final Rules

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.

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:

	Three Months Ended September 30,		Nine Months Ended September 30,	
In thousands, except per share data	2024	2023	2024	2023
Net (loss) income	$ (27,167)	$ (23,687)	$ 33,869	$ 49,228
Average common shares outstanding - basic	38,394	36,214	38,356	35,950
Additional shares for stock-based compensation plans (See Note 8)	—	—	56	30
Average common shares outstanding - diluted	38,394	36,214	38,412	35,980
(Loss) earnings per share of common stock:				
Basic	$ (0.71)	$ (0.65)	$ 0.88	$ 1.37
Diluted	$ (0.71)	$ (0.65)	0.88	1.37
Additional information:				
Anti-dilutive shares	47	45	11	1

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.

Natural Gas Distribution
NW Natural's local gas distribution segment 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. 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 in Oregon, 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, 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 revenues. Earnings from third-party asset management services 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: NW Natural Water Company, LLC (NW Natural Water or NWN Water), which consolidates the water and wastewater utility operations and water services businesses; NW Natural 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 (NW Natural Renewables) 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. The following table presents summary financial information concerning the reportable segment and other:

	Three Months Ended September 30,				
In thousands	NGD	Other (NW Natural)	NW Natural	Other (NW Holdings)	NW Holdings
2024					
Operating revenues	$ 114,004	$ 7,189	$ 121,193	$ 15,741	$ 136,934
Depreciation	31,826	266	32,092	2,460	34,552
Income (loss) from operations	(27,087)	5,521	(21,566)	2,234	(19,332)
Net income (loss)	(30,404)	4,056	(26,348)	(819)	(27,167)
Capital expenditures	84,219	1,439	85,658	9,674	95,332
2023					
Operating revenues	$ 124,624	$ 5,318	$ 129,942	$ 11,537	$ 141,479
Depreciation	28,169	277	28,446	1,615	30,061
Income (loss) from operations	(22,192)	3,777	(18,415)	838	(17,577)
Net income (loss)	(24,160)	2,673	(21,487)	(2,200)	(23,687)
Capital expenditures	86,017	1,053	87,070	10,814	97,884

	Nine Months Ended September 30,				
In thousands	NGD	Other (NW Natural)	NW Natural	Other (NW Holdings)	NW Holdings
2024					
Operating revenues	$ 726,730	$ 17,426	$ 744,156	$ 37,962	$ 782,118
Depreciation	94,074	783	94,857	6,555	101,412
Income (loss) from operations	92,674	11,777	104,451	1,750	106,201
Net income (loss)	32,324	8,462	40,786	(6,917)	33,869
Capital expenditures	263,186	1,487	264,673	29,588	294,261
Total assets at September 30, 2024	4,445,281	53,204	4,498,485	445,884	4,944,369
2023					
Operating revenues	$ 796,108	$ 16,695	$ 812,803	$ 28,958	$ 841,761
Depreciation	87,650	820	88,470	4,349	92,819
Income (loss) from operations	97,357	11,658	109,015	759	109,774
Net income (loss)	47,520	8,317	55,837	(6,609)	49,228
Capital expenditures	214,874	1,494	216,368	26,379	242,747
Total assets at September 30, 2023	4,285,309	52,894	4,338,203	326,915	4,665,118
Total assets at December 31, 2023	4,458,117	53,260	4,511,377	355,715	4,867,092

Natural Gas Distribution Margin

NGD margin is the primary financial measure used by the Chief Operating Decision Maker (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.

The following table presents additional segment information concerning NGD margin:

In thousands	Three Months Ended September 30, 2024	Three Months Ended September 30, 2023	Nine Months Ended September 30, 2024	Nine Months Ended September 30, 2023
NGD margin calculation:				
NGD distribution revenues	$ 109,124	$ 119,892	$ 712,090	$ 781,941
Other regulated services	4,880	4,732	14,640	14,167
Total NGD operating revenues	114,004	124,624	726,730	796,108
Less: NGD cost of gas	38,743	49,235	287,542	357,530
Environmental remediation	1,151	1,032	9,226	8,547
Revenue taxes	5,188	5,425	32,581	33,559
NGD margin	$ 68,922	$ 68,932	$ 397,381	$ 396,472

5. COMMON STOCK

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 three months ended September 30, 2024, NW Holdings issued and sold 1,429,750 shares of common stock pursuant to the ATM equity program resulting in cash proceeds of $55.5 million, net of fees and commissions paid to agents of $0.9 million. During the nine months ended September 30, 2024, NW Holdings issued and sold 2,382,750 shares of common stock pursuant to the ATM equity program resulting in cash proceeds of $90.4 million, net of fees and commissions paid to agents of $1.5 million. As of September 30, 2024, NW Holdings had $146.7 million of equity available for issuance under the ATM equity 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.

6. REVENUE

The following tables present disaggregated revenue:

	Three Months Ended September 30,				
In thousands	NGD	Other (NW Natural)	NW Natural	Other (NW Holdings)	NW Holdings
2024					
Natural gas sales	$ 106,650	$ —	$ 106,650	$ 24	$ 106,674
Gas storage revenue, net	—	4,516	4,516	—	4,516
Asset management revenue, net	—	1,663	1,663	—	1,663
Appliance retail center revenue	—	1,009	1,009	—	1,009
Renewable natural gas sales	—	—	—	329	329
Other revenue	780	—	780	15,388	16,168
Revenue from contracts with customers	107,430	7,188	114,618	15,741	130,359
Alternative revenue	2,454	—	2,454	—	2,454
Leasing revenue	4,121	—	4,121	—	4,121
Total operating revenues	$ 114,005	$ 7,188	$ 121,193	$ 15,741	$ 136,934
2023					
Natural gas sales	$ 117,004	$ —	$ 117,004	$ —	$ 117,004
Gas storage revenue, net	—	3,014	3,014	—	3,014
Asset management revenue, net	—	1,623	1,623	—	1,623
Appliance retail center revenue	—	680	680	—	680
Other revenue	733	—	733	11,537	12,270

Revenue from contracts with customers	117,737	5,317	123,054	11,537	134,591
Alternative revenue	2,868	—	2,868	—	2,868
Leasing revenue	4,020	—	4,020	—	4,020
Total operating revenues	$ 124,625	$ 5,317	$ 129,942	$ 11,537	$ 141,479

	Nine Months Ended September 30,				
In thousands	NGD	Other (NW Natural)	NW Natural	Other (NW Holdings)	NW Holdings
2024					
Natural gas sales	$ 701,365	$ —	$ 701,365	$ 24	$ 701,389
Gas storage revenue, net	—	10,587	10,587	—	10,587
Asset management revenue, net	—	3,593	3,593	—	3,593
Appliance retail center revenue	—	3,246	3,246	—	3,246
Renewable natural gas sales	—	—	—	329	329
Other revenue	2,334	—	2,334	37,609	39,943
Revenue from contracts with customers	703,699	17,426	721,125	37,962	759,087
Alternative revenue	10,661	—	10,661	—	10,661
Leasing revenue	12,370	—	12,370	—	12,370
Total operating revenues	$ 726,730	$ 17,426	$ 744,156	$ 37,962	$ 782,118
2023					
Natural gas sales	$ 783,506	$ —	$ 783,506	$ —	$ 783,506
Gas storage revenue, net	—	9,014	9,014	—	9,014
Asset management revenue, net	—	4,879	4,879	—	4,879
Appliance retail center revenue	—	2,802	2,802	—	2,802
Other revenue	2,195	—	2,195	28,958	31,153
Revenue from contracts with customers	785,701	16,695	802,396	28,958	831,354
Alternative revenue	(1,623)	—	(1,623)	—	(1,623)
Leasing revenue	12,030	—	12,030	—	12,030
Total operating revenues	$ 796,108	$ 16,695	$ 812,803	$ 28,958	$ 841,761

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 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 September 30, 2024, unrecognized revenue for the fixed component of the transaction price related to gas storage and asset management revenue was approximately $70.9 million. Of this amount, approximately $7.5 million will be recognized during the remainder of 2024, $22.6 million in 2025, $16.1 million in 2026, $7.8 million in 2027, $3.9 million in 2028 and $13.0 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 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

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 and NW Holdings 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:

	Three Months Ended September 30,		Nine Months Ended September 30,	
In thousands	2024	2023	2024	2023
Lease revenue				
Operating leases	$ 23	$ 19	$ 65	$ 57
Sales-type leases	4,098	4,001	12,305	11,973
Total lease revenue	$ 4,121	$ 4,020	$ 12,370	$ 12,030

Additionally, lease revenue of $0.2 million and $0.1 million was recognized for the three months ended September 30, 2024 and 2023, respectively, and lease revenue of $0.5 million was recognized for both the nine months ended September 30, 2024 and 2023 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 September 30, 2024 are as follows:

In thousands	Operating	Sales-Type	Total
NW Natural:			
Remainder of 2024	$ 159	$ 3,893	$ 4,052
2025	632	15,306	15,938
2026	43	14,901	14,944
2027	27	14,521	14,548
2028	—	13,983	13,983
Thereafter	—	208,316	208,316
Total minimum lease payments	$ 861	270,920	$ 271,781
Less: imputed interest		145,494	
Total leases receivable		$ 125,426	

Other (NW Holdings):			
Remainder of 2024	$ 13	$ —	$ 13
2025	53	—	53
2026	56	—	56
2027	57	—	57
2028	58	—	58
Thereafter	800	—	800
Total minimum lease payments	$ 1,037	$ —	$ 1,037
NW Holdings:			
Remainder of 2024	$ 172	$ 3,893	$ 4,065
2025	685	15,306	15,991
2026	99	14,901	15,000
2027	84	14,521	14,605
2028	58	13,983	14,041
Thereafter	800	208,316	209,116
Total minimum lease payments	$ 1,898	270,920	$ 272,818
Less: imputed interest		145,494	
Total leases receivable		$ 125,426	

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 $5.9 million, $5.4 million and $5.5 million at September 30, 2024 and 2023 and December 31, 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 3 months to 16 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:

	Three Months Ended September 30,		Nine Months Ended September 30,	
In thousands	2024	2023	2024	2023
NW Natural:				
Operating lease expense	$ 1,904	$ 1,817	$ 5,641	$ 5,382
Short-term lease (benefit) expense	(22)	198	443	556
Other (NW Holdings):				
Operating lease expense	$ 49	$ 51	$ 140	$ 131
NW Holdings:				
Operating lease expense	$ 1,953	$ 1,868	$ 5,781	$ 5,513
Short-term lease (benefit) expense	(22)	198	443	556

Supplemental balance sheet information related to operating leases as of September 30, 2024 and 2023 and December 31, 2023 is as follows:

In thousands	September 30,		December 31,
	2024	2023	2023
NW Natural:			
Operating lease right of use asset	$ 68,846	$ 70,852	$ 70,728
Operating lease liabilities - current liabilities	$ 1,627	$ 1,658	$ 2,128
Operating lease liabilities - non-current liabilities	76,217	77,041	76,757
Total operating lease liabilities	$ 77,844	$ 78,699	$ 78,885
Other (NW Holdings):			
Operating lease right of use asset	$ 556	$ 625	$ 580
Operating lease liabilities - current liabilities	$ 241	$ 157	$ 205
Operating lease liabilities - non-current liabilities	313	434	410
Total operating lease liabilities	$ 554	$ 591	$ 615
NW Holdings:			
Operating lease right of use asset	$ 69,402	$ 71,477	$ 71,308
Operating lease liabilities - current liabilities	$ 1,868	$ 1,815	$ 2,333
Operating lease liabilities - non-current liabilities	76,530	77,475	77,167
Total operating lease liabilities	$ 78,398	$ 79,290	$ 79,500

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

In thousands	September 30,		December 31,
	2024	2023	2023
Weighted-average remaining lease term (years)	15.5	16.5	16.2
Weighted-average discount rate	7.3 %	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 deferred regulatory asset on our balance sheet. The balance of the regulatory asset was $8.7 million, $7.8 million and $8.0 million as of September 30, 2024 and 2023 and December 31, 2023, respectively.

Maturities of operating lease liabilities at September 30, 2024 were as follows:

In thousands	NW Natural	Other (NW Holdings)	NW Holdings
Remainder of 2024	$ 1,993	$ 57	$ 2,050
2025	7,495	225	7,720
2026	7,486	191	7,677
2027	7,538	107	7,645
2028	7,719	6	7,725
Thereafter	101,272	6	101,278
Total lease payments	133,503	592	134,095
Less: imputed interest	55,659	38	55,697
Total lease obligations	77,844	554	78,398
Less: current obligations	1,627	241	1,868
Long-term lease obligations	$ 76,217	$ 313	$ 76,530

Supplemental cash flow information related to leases was as follows:

	Nine Months Ended September 30,	
In thousands	2024	2023
NW Natural:		
Cash paid for amounts included in the measurement of lease liabilities		
Operating cash flows from operating leases	$ 5,502	$ 5,374
Finance cash flows from finance leases	325	369
Right of use assets obtained in exchange for lease obligations		
Operating leases	$ 250	$ 81
Finance leases	325	369
Other (NW Holdings):		
Cash paid for amounts included in the measurement of lease liabilities		
Operating cash flows from operating leases	$ 142	$ 132
Right of use assets obtained in exchange for lease obligations		
Operating leases	$ 97	$ —
Finance leases	—	101
NW Holdings:		
Cash paid for amounts included in the measurement of lease liabilities		
Operating cash flows from operating leases	$ 5,644	$ 5,506
Finance cash flows from finance leases	325	369
Right of use assets obtained in exchange for lease obligations		
Operating leases	$ 347	$ 81
Finance leases	325	470

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 assets for finance leases were $2.9 million, $2.6 million and $2.6 million at September 30, 2024 and 2023 and at December 31, 2023, respectively.

8. STOCK-BASED COMPENSATION

Stock-based compensation plans are designed to promote stock ownership in NW Holdings by employees, including officers. These compensation plans include a Long Term Incentive Plan (LTIP) and an Employee Stock Purchase Plan (ESPP). For additional information on stock-based compensation plans, see Note 8 in the 2023 Form 10-K and the updates provided below.

Long Term Incentive Plan

Performance Shares

LTIP performance shares incorporate a combination of market, performance, and service-based factors. During the nine months ended September 30, 2024, the final performance factor under the 2022 LTIP was approved and 46,156 performance-based shares were granted under the 2022 LTIP for accounting purposes. As such, NW Natural and other subsidiaries began recognizing compensation expense. In February 2023 and 2024, LTIP shares were awarded to participants; however, the agreements allow 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 quarters of 2025 and 2026, respectively, there is not a mutual understanding of the awards' key terms and conditions between NW Holdings and the participants as of September 30, 2024, and therefore, no expense was recognized for the 2023 and 2024 awards. NW Holdings will calculate the grant date fair value and NW Natural will recognize expense over the remaining service period for each award once the final performance factor has been approved.

For the 2023 and 2024 LTIP awards, share payouts range from a threshold of 0% to a maximum of 200% based on achievement of pre-established goals. The performance criteria for the 2023 and 2024 performance shares consists of a three-year Return on Invested Capital (ROIC) threshold that must be satisfied and a cumulative EPS factor, which can be modified by a total shareholder return factor (TSR modifier) relative to the performance of peer group companies over the performance period of three years for each respective award. If the targets were achieved for the 2023 and 2024 awards, NW Holdings would grant for accounting purposes 50,542 and 73,150 shares in the first quarters of 2025 and 2026, respectively.

As of September 30, 2024, there was $0.1 million of unrecognized compensation cost associated with the 2022 LTIP grant, which is expected to be recognized through 2024.

Restricted Stock Units

During the nine months ended September 30, 2024, 68,577 RSUs were granted under the LTIP with a weighted-average grant date fair value of $39.09 per share. 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. As of September 30, 2024, there was $4.0 million of unrecognized compensation cost from grants of RSUs, which is expected to be recognized over a period extending through 2028.

9. DEBT

Short-Term Debt

At September 30, 2024, September 30, 2023 and December 31, 2023, short-term debt consisted of the following:

	September 30, 2024		September 30, 2023		December 31, 2023	
In millions	Balance Outstanding	Weighted Average Interest Rate[1]	Balance Outstanding	Weighted Average Interest Rate[1]	Balance Outstanding	Weighted Average Interest Rate[1]
NW Natural:						
Commercial paper	$ 100.1	5.2 %	$ —	— %	$ 16.8	5.5 %
Other (NW Holdings):						
Credit agreement	59.7	6.0 %	71.0	6.4 %	73.0	6.4 %
NW Holdings	$ 159.8		$ 71.0		$ 89.8	

[1] Weighted average interest rate on outstanding short-term debt

At September 30, 2024, NW Natural's commercial paper had a maximum remaining maturity of 39 days and an average remaining maturity of 25 days.

Long-Term Debt
At September 30, 2024, September 30, 2023 and December 31, 2023, NW Holdings' long-term debt consisted of the following:

	September 30, 2024		September 30, 2023		December 31, 2023	
In millions	Balance Outstanding	Weighted Average Interest Rate[1]	Balance Outstanding	Weighted Average Interest Rate[1]	Balance Outstanding	Weighted Average Interest Rate[2]
NW Natural first mortgage bonds	$ 1,374.7	4.6 %	$ 1,414.7	4.7 %	$ 1,374.7	4.7 %
NW Holdings unsecured senior bonds	150.0	5.8 %	—	— %	—	— %
NW Holdings credit agreement	—	— %	100.0	5.5 %	100.0	5.5 %
NWN Water credit agreement	—	— %	50.0	5.7 %	50.0	5.8 %
NWN Water term loan	55.0	4.7 %	55.0	4.8 %	55.0	4.7 %
Other long-term debt	6.2		5.8		6.6	
Long-term debt, gross	1,585.9		1,625.5		1,586.3	
Less: unamortized debt issuance costs	10.1		10.2		10.0	
Less: current maturities	20.8		190.7		150.9	
Total long-term debt	$ 1,555.0		$ 1,424.6		$ 1,425.4	

(1) Weighted average interest rate for the nine months ended September 30, 2024 and September 30, 2023
(2) Weighted average interest rate for the year ended December 31, 2023

NW Natural's first mortgage bonds (FMBs) have maturity dates ranging from 2025 through 2053 and interest rates ranging from 2.82% to 7.85%. NW Holdings' unsecured senior bonds have maturity dates ranging from 2028 through 2029 and interest rates ranging from 5.78% to 5.84%. NWN Water's term loan is due in 2026. In March 2024, NW Holdings retired a $100.0 million credit agreement and NWN Water retired a $50.0 million credit agreement. $20.0 million of debt is scheduled to mature in the next twelve months as of September 30, 2024 at NW Natural and $0.8 million of debt is scheduled to mature in the next twelve months at other NW Holdings.

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 provided for the issuance of (i) $100.0 million aggregate principal amount of NW Holdings’ 5.78% Senior Notes, Series A, due March 2028 (5.78% Notes) and (ii) $50.0 million aggregate principal amount of NW Holdings’ 5.84% Senior Notes, Series B, due March 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 million.

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 3.8%. 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.

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. These valuations are based on Level 2 inputs as defined in the fair value hierarchy. See Note 2 in the 2023 Form 10-K for a description of the fair value hierarchy.

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:

In thousands	September 30, 2024	September 30, 2023	December 31, 2023
NW Natural:			
Gross long-term debt	$ 1,374,700	$ 1,414,700	$ 1,374,700
Unamortized debt issuance costs	(9,467)	(10,147)	(9,968)
Carrying amount	1,365,233	1,404,553	1,364,732
Estimated fair value[1]	1,259,711	1,176,212	1,236,559
NW Holdings:			
Gross long-term debt	$ 1,585,943	$ 1,625,545	$ 1,586,344
Unamortized debt issuance costs	(10,147)	(10,245)	(10,044)
Carrying amount	1,575,796	1,615,300	1,576,300
Estimated fair value[1]	1,475,461	1,385,144	1,447,941

[1] 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), 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.

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 (credit) for the pension and other postretirement benefit plans:

	Three Months Ended September 30,				Nine Months Ended September 30,			
	Pension Benefits		Other Postretirement Benefits		Pension Benefits		Other Postretirement Benefits	
In thousands	2024	2023	2024	2023	2024	2023	2024	2023
Service cost	$ 915	$ 842	$ 25	$ 27	$ 2,874	$ 2,940	$ 74	$ 83
Interest cost	5,110	5,283	248	247	15,429	15,719	743	743
Expected return on plan assets	(5,940)	(6,421)	—	—	(17,811)	(19,292)	—	—
Amortization of net actuarial loss	1,416	139	—	—	4,407	418	—	—
Net periodic benefit cost (credit)	1,501	(157)	273	274	4,899	(215)	817	826
Amount allocated to construction	(485)	(326)	(11)	(9)	(1,386)	(1,239)	(29)	(29)
Net periodic benefit cost (credit) charged to expense	1,016	(483)	262	265	3,513	(1,454)	788	797
Amortization of regulatory balancing account	675	675	—	—	4,757	4,757	—	—
Net amount charged to expense	$ 1,691	$ 192	$ 262	$ 265	$ 8,270	$ 3,303	$ 788	$ 797

Net periodic benefit costs are reduced by amounts capitalized to NGD plant. In addition, net periodic benefit costs were recorded to a regulatory balancing account as approved by the OPUC and amortized accordingly.

The following table presents amounts recognized in accumulated other comprehensive loss (AOCL) and the changes in AOCL related to non-qualified employee benefit plans:

	Three Months Ended September 30,		Nine Months Ended September 30,	
In thousands	2024	2023	2024	2023
Beginning balance	$ (7,092)	$ (6,209)	$ (7,237)	$ (6,414)
Amounts reclassified to AOCL	—	—	(183)	—
Amounts reclassified from AOCL:				
Amortization of actuarial losses	207	139	587	418
Total reclassifications before tax	207	139	404	418
Tax benefit	(112)	(37)	(164)	(111)
Total reclassifications for the period	95	102	240	307
Ending balance	$ (6,997)	$ (6,107)	$ (6,997)	$ (6,107)

Employer Contributions to Company-Sponsored Defined Benefit Pension Plans
NW Natural made $17.9 million of cash contributions to its qualified defined benefit pension plans during the nine months ended September 30, 2024 and no cash contributions during the nine months ended September 30, 2023. In October 2024, NW Natural made a $2.6 million cash contribution and does not expect to make further contributions to the Pension Plan during the remainder of 2024.

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 $8.5 million and $8.0 million for the nine months ended September 30, 2024 and 2023, respectively.

See Note 10 in the 2023 Form 10-K for more information concerning these retirement and other postretirement benefit plans.

11. INCOME TAX

An estimate of annual income tax expense is made each interim period using estimates for annual pre-tax income, regulatory flow-through adjustments, tax credits, and other items. The estimated annual effective tax rate is applied to year-to-date, pre-tax income to determine income tax expense for the interim period consistent with the annual estimate. Discrete events are recorded in the interim period in which they occur or become known.

The effective income tax rate varied from the federal statutory rate due to the following:

	Three Months Ended September 30,			
	NW Holdings		NW Natural	
In thousands	2024	2023	2024	2023
Income tax at statutory rate (federal)	$ (7,867)	$ (6,716)	$ (7,650)	$ (6,131)
State income tax	(3,219)	(2,742)	(3,215)	(2,633)
Increase (decrease):				
Differences required to be flowed-through by regulatory commissions	677	1,015	681	1,018
Other, net	114	151	106	39
Total benefit for income taxes	$ (10,295)	$ (8,292)	$ (10,078)	$ (7,707)
Effective income tax rate	27.5 %	25.9 %	27.7 %	26.4 %

	Nine Months Ended September 30,			
	NW Holdings		NW Natural	
In thousands	2024	2023	2024	2023
Income tax at statutory rate (federal)	$ 9,891	$ 13,928	$ 11,849	$ 15,723
State income tax	4,013	5,618	4,467	5,990
Increase (decrease):				
Differences required to be flowed-through by regulatory commissions	(795)	(2,055)	(791)	(2,051)
Other, net	123	(393)	114	(625)
Total provision for income taxes	$ 13,232	$ 17,098	$ 15,639	$ 19,037
Effective income tax rate	28.1 %	25.8 %	27.7 %	25.4 %

The NW Holdings and NW Natural effective income tax rates for the nine months ended September 30, 2024 compared to the same period in 2023 changed primarily as a result of lower regulatory flow-through. The income tax benefit resulting from applying a lower U.S. corporate income tax rate to gas reserves investments, that originally occurred in 2017 as a result of the TCJA, was completely amortized to the benefit of customers in 2023. See Note 11 in the 2023 Form 10-K for more detail on income taxes and effective tax rates.

The IRS Compliance Assurance Process (CAP) examination of the 2022 tax year was completed during the first quarter of 2024. There were no material changes to the return as filed. The 2023 and 2024 tax years are subject to examination under CAP.

12. PROPERTY, PLANT, AND EQUIPMENT

The following table sets forth the major classifications of property, plant, and equipment and accumulated depreciation:

	September 30,		December 31,
In thousands	2024	2023	2023
NW Natural:			
NGD plant in service	$ 4,414,226	$ 4,096,560	$ 4,206,455
NGD construction work in progress	158,334	153,231	105,166
Less: Accumulated depreciation	1,199,565	1,152,952	1,159,367
NGD plant, net	3,372,995	3,096,839	3,152,254
Other plant in service	69,919	70,363	71,175
Other construction work in progress	11,602	8,323	10,963
Less: Accumulated depreciation	22,653	22,331	22,595
Other plant, net	58,868	56,355	59,543
Total property, plant, and equipment, net	$ 3,431,863	$ 3,153,194	$ 3,211,797
Other (NW Holdings):			
Other plant in service	$ 187,265	$ 127,721	$ 147,040
Other construction work in progress	16,720	12,404	15,810
Less: Accumulated depreciation	23,507	14,685	16,593
Other plant, net	180,478	125,440	146,257
NW Holdings:			
Total property, plant, and equipment, net	$ 3,612,341	$ 3,278,634	$ 3,358,054
NW Natural:			
Capital expenditures in accrued liabilities	$ 24,348	$ 21,402	$ 24,168
NW Holdings:			
Capital expenditures in accrued liabilities	$ 27,929	$ 22,686	$ 27,879

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

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:

	NW Holdings			NW Natural		
	September 30,		December 31,	September 30,		December 31,
In thousands	2024	2023	2023	2024	2023	2023
Investments in life insurance policies	$ 45,447	$ 46,870	$ 45,713	$ 45,447	$ 46,870	$ 45,713
Investments in gas reserves, non-current	18,866	21,439	20,893	18,866	21,439	20,893
Investment in unconsolidated affiliates	18,165	36,253	36,345	—	19,444	19,539
Total other investments	$ 82,478	$ 104,562	$ 102,951	$ 64,313	$ 87,753	$ 86,145

Investment in Life Insurance Policies

Other investments include financial investments in life insurance policies, which are accounted for at cash surrender value, net of policy loans. See Note 13 in the 2023 Form 10-K.

NW Natural Gas Reserves

NW Natural has invested $188 million through the gas reserves program in the Jonah Field located in Wyoming as of September 30, 2024. Gas reserves are stated at cost, net of regulatory amortization, with the associated deferred tax benefits of $3.1 million, $4.4 million, and $4.0 million, which are recorded as liabilities in the September 30, 2024, September 30, 2023, and December 31, 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, $2.4 million, and $2.3 million as of September 30, 2024, September 30, 2023, and December 31, 2023, respectively. See Note 13 in the 2023 Form 10-K.

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:

In millions	Amount	Ownership %
July 2022	$ 1.0	40.3 %
June 2023	$ 1.0	43.1 %
January 2024	$ 1.0	45.6 %

Avion Water operates in Bend, Oregon and the surrounding communities, serving approximately 16,000 customer connections and employing 35 people. The carrying value of the equity method investment is $9.9 million higher than the underlying equity in the net assets of the investee at September 30, 2024 due to equity method goodwill. NW Natural 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 totaling $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 three and nine months ended September 30, 2024.

14. BUSINESS COMBINATIONS

2024 Business Combinations

In September 2024, NWN Water completed the acquisition of Infrastructure Capital Holdings (ICH), which includes 100% of the membership interests of the following entities:

- Avimore 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

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 $28.9 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 September 30, 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 $18.2 million was recognized from this acquisition. The goodwill recognized is attributable to ICH's non-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 $17.6 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	$	520
Property, plant and equipment		10,560
Goodwill		18,227
Non-current assets		394
Current liabilities		(765)
Non-current liabilities		(53)
Total net assets acquired	$	28,883

The amount of ICH revenues included in NW Holdings' consolidated statements of comprehensive income is $0.8 million for the three and nine months ended September 30, 2024. Earnings from ICH activities for the three and nine months ended September 30, 2024 were not material to the results of NW Holdings.

In November 2024, NWN Water completed the acquisition of three water utilities with approximately 200 connections in Oregon.

NWN Water did not acquire any other businesses qualifying as business combinations during the nine months ended September 30, 2024.

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 preliminary 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 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

As each of these acquisitions met the criteria of a business combination, a preliminary allocation of the consideration to the acquired net assets based on their estimated fair value as of the acquisition date was performed. The allocation for each of these business combinations is considered preliminary as of September 30, 2024, except for Pedersen Family, LLC and King Water Corporation. 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. These allocations are considered preliminary as of September 30, 2024, as facts and circumstances that existed as of the acquisition date may be discovered as we continue to integrate the acquired businesses. 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 for all acquisitions described above.

Intangible Assets
In connection with the acquisition of King Water Corporation, NWN 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 for the nine months ended September 30, 2024. Projected amortization expense at NW Holdings for customer relationship intangible assets for each of the next five years is $0.1 million in each year. 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.

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 $181.4 million, $152.4 million, and $163.3 million as of September 30, 2024, September 30, 2023, and December 31, 2023, respectively. 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 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 gas volumes and foreign currency forward 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:

	September 30,		December 31,
In thousands	2024	2023	2023
Natural gas (in therms):			
Financial	926,617	1,080,345	948,425
Physical	760,100	749,838	571,610
Foreign exchange	$ 10,408	$ 10,483	$ 11,926

Purchased Gas Adjustment (PGA)
Rates and hedging approaches vary between states due to different rate structures and hedging 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 full regulatory deferral accounting treatment for all of its hedges in Washington.

NW Natural entered the 2023-24 gas year with forecasted sales volume hedged at approximately 82% in total, including 66% in financial hedges and 16% in physical gas supplies. The total hedged for Oregon was approximately 85%, including 69% in financial hedges and 16% in physical gas supplies. The total hedged for Washington was approximately 55%, including 42% in financial hedges and 13% in physical gas supplies.

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:

	Three Months Ended September 30,			
	2024		2023	
In thousands	Natural gas commodity	Foreign Exchange	Natural gas commodity	Foreign Exchange
Benefit (expense) to cost of gas	$ (22,755)	$ 166	$ 14,516	$ (276)
Amounts deferred to regulatory accounts on balance sheet	22,755	(166)	(14,516)	276
Total gain (loss) in pre-tax earnings	$ —	$ —	$ —	$ —

	Nine Months Ended September 30,			
	2024		2023	
In thousands	Natural gas commodity	Foreign exchange	Natural gas commodity	Foreign exchange
Benefit (expense) to cost of gas	$ 15,702	$ 4	$ (58,741)	$ (95)
Amounts deferred to regulatory accounts on balance sheet	(15,702)	(4)	58,741	95
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 net losses of $14.1 million and net losses of $83.2 million for the three and nine months ended September 30, 2024, respectively, from the settlement of natural gas financial derivative contracts, whereas, net losses of $7.5 million and net gains of $145.7 million were realized for the three and nine months ended September 30, 2023, respectively. 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 September 30, 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 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 $6.1 million and a liability of $82.0 million as of September 30, 2024, an asset of $10.1 million and a liability of $48.1 million as of September 30, 2023, 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. See Note 15 in the 2023 Form 10-K for additional information.

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 adjustment for all financial derivatives outstanding to the fair value calculation was $0.3 million, which decreased the liability at September 30, 2024. The net fair value was a liability of $75.9 million, a liability of $38.0 million, and a liability of $115.2 million as of September 30, 2024 and 2023, and December 31, 2023, respectively. No Level 3 inputs were used in our derivative valuations during the nine months ended September 30, 2024, and 2023. See Note 2 in the 2023 Form 10-K.

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 3.8%. 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.

Unrealized gains (losses) related to the interest rate swap agreement are recorded in AOCI on the consolidated balance sheet and totaled $(0.2) million, $1.1 million and $0.2 million, net of tax, as of September 30, 2024 and 2023 and December 31, 2023, respectively. Realized gains or losses occur as a result of monthly swap settlements. Gains of $0.2 million and $0.8 million were reclassified from AOCI to net income during the three and nine months ended September 30, 2024, respectively. The estimated amount of gains recorded in AOCI as of September 30, 2024 that are expected to be reclassified to net income within the next twelve months is $50 thousand.

16. COMMITMENTS AND CONTINGENCIES

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 payment was recorded as a long-term prepaid asset 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 from both facilities based on prices and quantities specified in the agreements to be as follows: approximately $0.4 million in 2024, $18.9 million in 2025, $18.9 million in 2026, $22.8 million in 2027, $22.8 million in 2028 and $556.5 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*.

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:

In thousands	2024	2025	2026
Cap Amount	$ 56,168	$ 44,226	$ 21,113

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.

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:

	Current Liabilities			Non-Current Liabilities		
	September 30,		December 31,	September 30,		December 31,
In thousands	2024	2023	2023	2024	2023	2023
Portland Harbor site:						
Gasco/Siltronic Sediments	$ 8,407	$ 18,679	$ 12,428	$ 40,665	$ 41,392	$ 42,550
Other Portland Harbor	3,371	3,524	3,035	9,580	9,580	11,270
Gasco/Siltronic Upland site	10,201	8,908	16,304	31,450	32,512	34,235
Front Street site	905	812	687	333	939	939
Oregon Steel Mills	—	—	—	179	179	179
Total	$ 22,884	$ 31,923	$ 32,454	$ 82,207	$ 84,602	$ 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 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 $49.1 million to $350 million. NW Natural has recorded a liability of $49.1 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 2024, NW Natural proposed to perform additional source control measures at Gasco intended to integrate upland source control with in-water cleanup work being designed for EPA at the Gasco Sediments Site described above. ODEQ is currently evaluating NW Natural's proposed Basis of Design for those Interim Removal Action Measures.

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 $1.2 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. See Note 17 in the 2023 Form 10-K for a description of SRRM and ECRM collection processes.

The following table presents information regarding the total regulatory asset deferred:

	September 30,		December 31,
In thousands	2024	2023	2023
Deferred costs and interest [1]	$ 62,668	$ 49,899	$ 57,758
Accrued site liabilities [2]	105,052	116,469	121,575
Insurance proceeds and interest	(45,194)	(50,380)	(50,764)
Total regulatory asset deferral[1]	122,526	115,988	128,569
Current regulatory assets[3]	10,283	7,047	9,950
Long-term regulatory assets[3]	112,243	108,941	118,619

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

(2) 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 $40 thousand at September 30, 2024, $57 thousand at September 30, 2023, and $53 thousand at December 31, 2023.

(3) 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 for 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.

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.

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 Count, 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 intends to vigorously defend 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 intend to vigorously defend 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 II, Item 1, *“Legal Proceedings".*

Oregon Steel Mills Site
See Note 17 in the 2023 Form 10-K.

For additional information regarding other commitments and contingencies, see Note 16 in the 2023 Form 10-K.

18. SUBSEQUENT EVENT

Oregon Rate Case
On December 29, 2023, NW Natural filed a request for a general rate case (Rate Case) with the OPUC. The filing requested a $154.9 million annual revenue requirement increase, which included $34.0 million related to an updated depreciation study.

On July 24, 2024, NW Natural, the OPUC staff, the Oregon Citizens’ Utility Board (CUB), the Alliance of Western Energy Consumers (AWEC), the Coalition of Communities of Color, Climate Solutions, Verde, Columbia Riverkeeper, Oregon Environmental Council, Community Energy Project, and Sierra Club (Coalition), which comprise all of the parties to the rate case, filed a stipulation (Second Stipulation) with the OPUC which addressed the majority of issues in the Rate Case.

Prior to the Second Stipulation, NW Natural, the OPUC staff, CUB and AWEC reached a partial settlement on the cost of long-term debt of 4.712% (First Stipulation and together with the Second Stipulation, the Stipulations).

The Second Stipulation provides for a total revenue requirement increase of $95.0 million over revenues from existing rates, which includes $9.6 million related to an updated depreciation study, subject to completion of capital projects identified as being placed in service prior to the rate effective date. The revenue requirement is based on the following assumptions:

- Capital structure of 50% common equity and 50% long-term debt;
- Return on equity of 9.4%;
- Cost of capital of 7.056%; and
- Average rate base of $2.11 billion or an increase of $357 million since the last rate case.

On October 25, 2024, the OPUC issued an order approving the Stipulations and resolving the remaining open items in the Rate Case. Along with resolving several non-revenue items, the OPUC ordered the phase out of NW Natural’s line extension allowance by November 1, 2027. Additionally, the OPUC ordered a downward adjustment to rate base of $13.7 million of undepreciated line extension costs, which we expect to result in a non-cash, pre-tax charge of approximately $13.7 million in the fourth quarter of 2024.

The final order and adjustments for completed capital projects resulted in a revenue requirement increase of $93.3 million over existing rates. Average rate base after final adjustments for completed capital projects was $2.09 billion or an increase of $334 million since the last rate case.

New rates authorized by the OPUC order were effective November 1, 2024.

ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

The following is management's assessment of NW Holdings' and NW Natural's financial condition, including the principal factors that affect results of operations. The discussion refers to the consolidated results for the three and nine months ended September 30, 2024 and 2023 of NW Holdings, the substantial majority of which consist of the operating results of NW Natural. When significant activity exists at NW Holdings that does not exist at NW Natural, additional disclosure has been provided. References in this discussion to "Notes" are to the Notes to Unaudited Consolidated Financial Statements in this report. A significant portion of the business results are seasonal in nature, and, as such, the results of operations for the three month period is not necessarily indicative of expected fiscal year results. Therefore, this discussion should be read in conjunction with NW Holdings' and NW Natural's 2023 Annual Report on Form 10-K, as applicable (2023 Form 10-K).

NW Natural's natural gas distribution activities are reported in the natural gas distribution (NGD) segment. The NGD segment also includes NWN Gas Reserves, which is a wholly-owned subsidiary of Energy Corp, the NGD-portion of NW Natural's Mist storage facility in Oregon, and NW Natural RNG Holding Company, LLC. 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. Other activities aggregated and reported as other at NW Holdings include NNG Financial's investment in Kelso-Beaver Pipeline (KB Pipeline) and NWN Water's investment in Avion Water Company, Inc., which are accounted for under the equity method, NW Natural Renewables Holdings, LLC and its non-regulated renewable natural gas activities; and NWN Water, which through itself or its subsidiaries, owns and continues to pursue investments in the water, wastewater, and water services sectors. See Note 4 for further discussion of our business segment and other, as well as our direct and indirect wholly-owned subsidiaries.

NON-GAAP FINANCIAL MEASURES. In addition to presenting the results of operations and earnings amounts in total, certain financial measures are expressed in cents per share, which are non-GAAP financial measures. All references in this section to earnings per share (EPS) are on the basis of diluted shares. We use such non-GAAP financial measures to analyze our financial performance because we believe they provide useful information to our investors, analysts and creditors in evaluating our financial condition and results of operations. Our non-GAAP financial measures should not be considered a substitute for, or superior to, measures calculated in accordance with U.S. GAAP. Moreover, these non-GAAP financial measures have limitations in that they do not reflect all the items associated with the operations of the business as determined in accordance with GAAP. Other companies may calculate similarly titled non-GAAP financial measures differently than how such measures are calculated in this report, limiting the usefulness of those measures for comparative purposes. A reconciliation of each non-GAAP financial measure to the most directly comparable GAAP financial measure is provided below.

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2024	2023	2024	2023
Diluted (loss) earnings per share - Total[(1)]	$ (0.71)	$ (0.65)	$ 0.88	$ 1.37
Diluted (loss) earnings per share - NGD segment[(2)]	(0.79)	(0.66)	0.84	1.32
Diluted earnings per share - NW Holdings - other[(2)]	0.08	0.01	0.04	0.05

[(1)] Total Diluted EPS is equal to the sum of Diluted EPS - NGD segment and Diluted EPS - NW Holdings – other.
[(2)] Non-GAAP financial measure

EXECUTIVE SUMMARY

NW Holdings' financial results and highlights include:

- Reported a net loss of $27.2 million or $0.71 per share (diluted) for the third quarter of 2024, compared to a net loss of $23.7 million or $0.65 per share (diluted) in the prior year;
- Reported net income of $33.9 million or $0.88 per share (diluted) for the first nine months of 2024, compared to net income of $49.2 million or $1.37 per share (diluted) in the prior year;
- Added nearly 17,000 gas and water utility connections during the past twelve months for a combined growth rate of 1.9% at September 30, 2024 mainly driven by strong water acquisitions;
- Closed ICH water acquisition adding wastewater and recycled water customers across Oregon, Idaho and California;
- EDL completed first unregulated RNG facility and commenced delivery of RNG to NW Natural Renewables; and
- Invested $294 million in our gas and water systems in the first nine months of 2024 to support growth and greater reliability and resiliency.

Key quarter-to-date financial highlights for NW Holdings include:

	Three Months Ended September 30,				
	2024		2023		QTD
In thousands, except per share data	Amount	Per Share	Amount	Per Share	Change
Consolidated net loss	$ (27,167)	$ (0.71)	$ (23,687)	$ (0.65)	$ (3,480)

Key quarter-to-date financial highlights for NW Natural include:

	Three Months Ended September 30,		
	2024	2023	QTD
In thousands	Amount	Amount	Change
Consolidated net loss	$ (26,348)	$ (21,487)	$ (4,861)
Natural gas distribution margin	$ 68,922	$ 68,932	$ (10)

THREE MONTHS ENDED SEPTEMBER 30, 2024 COMPARED TO SEPTEMBER 30, 2023.

Consolidated net income decreased $4.9 million at NW Natural primarily due to the following factors:
- $4.6 million decrease in other income, net primarily due to higher pension costs, lower interest income from invested cash and lower regulatory interest income;
- $3.6 million increase in depreciation expense due to additional capital investments; and
- $1.3 million increase in operations and maintenance expenses due to higher payroll and benefit costs and an increase in amortization expense related to cloud computing arrangements, partially offset by lower contract labor costs;

  partially offset by
- $2.4 million decrease in income tax expense due to lower pre-tax income; and
- $1.5 million increase in gas storage revenue.

Consolidated net income decreased $3.5 million at NW Holdings primarily due to the following factors:
- $4.9 million decrease in consolidated net income at NW Natural as discussed above; partially offset by
- $1.4 million increase in other net income primarily reflecting net income from the recently acquired ICH business and lower business development costs at the holding company.

Key year-to-date financial highlights for NW Holdings include:

	Nine Months Ended September 30,				
	2024		2023		YTD
In thousands, except per share data	Amount	Per Share	Amount	Per Share	Change
Consolidated net income	$ 33,869	$ 0.88	$ 49,228	$ 1.37	$ (15,359)

Key year-to-date financial highlights for NW Natural include:

	Nine Months Ended September 30,		
	2024	2023	YTD
In thousands	Amount	Amount	Change
Consolidated net income	$ 40,786	$ 55,837	$ (15,051)
Natural gas distribution margin	397,381	396,472	909

NINE MONTHS ENDED SEPTEMBER 30, 2024 COMPARED TO SEPTEMBER 30, 2023.

Consolidated net income decreased $15.1 million at NW Natural primarily due to the following factors:
- $12.6 million decrease in other income, net primarily due to higher pension costs, lower interest income from invested cash, lower regulatory interest income and a decline in the equity portion of Allowance for Funds Used During Construction (AFUDC);
- $6.4 million increase in depreciation expense due to additional capital investments;
- $1.7 million increase in general taxes primarily driven by higher regulatory commission fees;
- $1.3 million increase in interest expense, net due to higher long-term debt balances; and
- $1.3 million decrease in asset management revenue, partially offset by
- $2.1 million decrease in operations and maintenance expenses due to lower benefit and contract labor costs and other employee-related expenses, partially offset by the amortization of deferred balances (which is primarily offset in revenues) and an increase in amortization expense related to cloud computing arrangements;
- $3.4 million decrease in income tax expense due to lower pre-tax income; and
- $1.6 million increase in gas storage revenue.

Consolidated net income decreased $15.4 million at NW Holdings primarily due to the following factors:
- $15.1 million decrease in consolidated net income at NW Natural as discussed above; and
- $0.3 million decrease in other net income primarily as a result of a gain from a settlement recognized in the prior year and higher interest expense at NW Holdings, partially offset by lower contributions to fund community outreach initiatives.

CURRENT ECONOMIC AND POLITICAL CONDITIONS. We continuously review and monitor current economic conditions, which include but are not limited to: inflation and interest rates, supply chain disruptions, and other regulatory, physical or cyber related risks impacting our business. We have experienced higher material and labor costs as a result of inflation as well as increased interest costs from higher rates over the past year. While we have experienced long lead times on certain materials, including meter parts, microchips, semi-conductors, and IT equipment over the past year, more recently we have seen these lead times reduce and return to more typical levels. Through advanced planning, carrying additional levels of inventory, diversifying our vendors, and making contingency plans to address risks, we are striving to mitigate supply chain risks.

NW Holdings and NW Natural continue to monitor interest rates and financing options for all of its businesses. Interest rates have increased over the past few years resulting from actions taken by the U.S. Federal Reserve to increase short-term rates as inflation was elevated. While recently the U.S. Federal Reserve lowered the short-term rate, interest rates remain elevated compared to years past. NW Natural generally recovers interest expense on its long-term debt through its authorized cost of capital. Certain working capital items, such as the cost of gas, are deferred and accrue interest in Oregon and Washington. Additionally, short-term debt is incorporated in the capital structure in Washington. NW Natural Water's regulated water and wastewater utilities generally recover interest expense from long-term debt through their respective authorized cost of capital.

Leadership changes as a result of the 2024 presidential and congressional elections may result in a wide range of new policies, executive orders, rules, initiatives and other changes to fiscal, tax, regulation, environmental, climate and other federal policies that may impact NW Natural and NW Holdings. Similarly, we could face significant legislative, regulatory and other policy changes at the state level or in the local jurisdictions in which we operate. Changes in federal, state, or local governmental leadership could accelerate or amplify changes in existing laws or regulations, or the manner in which they are interpreted or enforced, or otherwise affect the macroeconomic conditions in which we operate.

See the discussion in "*Results of Operations*", "*Regulatory Matters*" and "*Financial Condition*" below for additional detail regarding all significant activity that occurred during the third quarter of 2024.

DIVIDENDS

Dividend highlights include:

	Three Months Ended September 30,		Nine Months Ended September 30,			
Per common share	2024	2023	2024	2023	QTD Change	YTD Change
Dividends paid	$ 0.4875	$ 0.4850	$ 1.4625	$ 1.4550	$ 0.0025	$ 0.0075

In October 2024, the Board of Directors of NW Holdings declared a quarterly dividend on NW Holdings common stock of $0.4900 per share. The dividend is payable on November 15, 2024 to shareholders of record on October 31, 2024, reflecting an annual indicated dividend rate of $1.96 per share.

RESULTS OF OPERATIONS

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. Both mechanisms are designed to reduce, but not eliminate, the volatility of customer bills and natural gas distribution earnings. For additional information, see Part II, Item 7 "Results of Operations—Regulatory Matters—*Rate Mechanisms"* in NW Natural's 2023 Form 10-K. 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:

In thousands, except EPS data	Three Months Ended September 30, 2024	Three Months Ended September 30, 2023	Nine Months Ended September 30, 2024	Nine Months Ended September 30, 2023	QTD Change	YTD Change
NGD net (loss) income	$ (30,404)	$ (24,160)	$ 32,324	$ 47,520	$ (6,244)	$ (15,196)
Diluted (loss) earnings per share - NGD segment	$ (0.79)	$ (0.66)	$ 0.84	$ 1.32	$ (0.13)	$ (0.48)
Gas sold and delivered (in therms)	157,758	158,694	815,821	858,109	(936)	(42,288)
NGD margin[1]	$ 68,922	$ 68,932	$ 397,381	$ 396,472	$ (10)	$ 909

[1] See Natural Gas Distribution Margin Table below for additional detail.

THREE MONTHS ENDED SEPTEMBER 30, 2024 COMPARED TO SEPTEMBER 30, 2023. The primary factors contributing to the $6.2 million, or $0.13 per share, decrease in NGD net income were as follows:

- $4.6 million decrease in other income, net driven by lower interest income from invested cash, higher pension non-service costs and lower regulatory interest income;
- $3.7 million increase in depreciation expense due to additional capital investments; and
- $1.3 million increase in operations and maintenance expenses due to higher payroll and benefit costs and an increase in amortization expense related to cloud computing arrangements, partially offset by lower contract labor costs; partially offset by
- $2.8 million decrease in income tax expense due to lower pre-tax income.

For the three months ended September 30, 2024, total NGD volumes sold and delivered decreased 0.9 million compared to the same period in 2023 primarily due to lower usage from industrial sales customers in the third quarter of 2024 compared to the prior period.

NINE MONTHS ENDED SEPTEMBER 30, 2024 COMPARED TO SEPTEMBER 30, 2023. The primary factors contributing to the $15.2 million, or $0.48 per share, decrease in NGD net income were as follows:

- $12.6 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;
- $6.4 million increase in depreciation expense due to additional capital investments;
- $1.7 million increase in general taxes primarily driven by higher regulatory commission fees; and
- $1.4 million increase in interest expense, net primarily due to higher long-term debt balances; partially offset by
- $3.5 million decrease in income tax expense due to lower pre-tax income;
- $2.5 million decrease in operations and maintenance expenses due to lower benefit and contract labor costs and other employee-related expenses, partially offset by the amortization of deferred balances (which is primarily offset in revenues) and an increase in amortization expense related to cloud computing arrangements; and
- $0.9 million increase in NGD margin due to:
  - $5.5 million increase due to the amortization of deferred balances primarily related to COVID-19, cybersecurity, and ERP upgrades (which is primarily offset in operations and maintenance expenses and interest expense);
  - $1.7 million increase driven by customer growth among other miscellaneous items; partially offset by
  - $4.5 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 tighter market spreads compared to the PGA and higher than estimated gas costs during the cold weather event in January 2024.

For the nine months ended September 30, 2024, total NGD volumes sold and delivered decreased 42.3 million therms over the same period in 2023 primarily due to 13% warmer than average weather in the first nine months of 2024 compared to 2% colder than average weather in the prior period.

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

In thousands, except degree day and customer data	Three Months Ended September 30, 2024	Three Months Ended September 30, 2023	Nine Months Ended September 30, 2024	Nine Months Ended September 30, 2023	Favorable/ (Unfavorable) QTD Change	Favorable/ (Unfavorable) YTD Change
NGD volumes (therms)						
Residential and commercial sales	55,692	55,555	474,981	509,197	137	(34,216)
Industrial sales and transportation	102,066	103,139	340,840	348,912	(1,073)	(8,072)
Total NGD volumes sold and delivered	157,758	158,694	815,821	858,109	(936)	(42,288)
Operating Revenues						
Residential and commercial sales	$ 90,850	$ 98,327	$ 647,326	$ 705,016	$ (7,477)	$ (57,690)
Industrial sales and transportation	17,504	20,828	61,229	73,210	(3,324)	(11,981)
Other distribution revenues	770	737	3,535	3,715	33	(180)
Other regulated services	4,880	4,732	14,640	14,167	148	473
Total operating revenues	114,004	124,624	726,730	796,108	(10,620)	(69,378)
Less: Cost of gas	38,743	49,235	287,542	357,530	10,492	69,988
Less: Environmental remediation expense	1,151	1,032	9,226	8,547	(119)	(679)
Less: Revenue taxes	5,188	5,425	32,581	33,559	237	978
NGD margin	$ 68,922	$ 68,932	$ 397,381	$ 396,472	$ (10)	$ 909
Margin(1)						
Residential and commercial sales	$ 55,538	$ 55,260	$ 352,679	$ 349,575	$ 278	$ 3,104
Industrial sales and transportation	7,456	7,613	24,892	25,349	(157)	(457)
Gain from gas cost incentive sharing	375	649	1,875	3,723	(274)	(1,848)
Other margin	676	677	3,302	3,660	(1)	(358)
Other regulated services	4,877	4,733	14,633	14,165	144	468
NGD Margin	$ 68,922	$ 68,932	$ 397,381	$ 396,472	$ (10)	$ 909
Degree days(2)						
Average(3)	9	10	1,642	1,629	(1)	13
Actual	—	—	1,424	1,658	— %	(14)%
Percent (warmer) colder than average weather(4)	NM	NM	(13)%	2 %		

	As of September 30, 2024	As of September 30, 2023	Change	Growth
NGD Meters - end of period:				
Residential meters	730,236	726,021	4,215	0.6%
Commercial meters	69,138	68,669	469	0.7%
Industrial meters	1,047	1,064	(17)	(1.6)%
Total number of meters	800,421	795,754	4,667	0.6%

(1) Amounts reported as NGD margin for each category of meters are operating revenues less cost of gas, environmental remediation expense and revenue taxes, subject to earnings test considerations, as applicable.

(2) 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.

(3) Average weather represents the 25-year average of heating degree days. Beginning November 1, 2022, average weather is calculated over the period June 1, 1996 through May 31, 2021, as determined in NW Natural's 2022 Oregon general rate case.

(4) NM indicates that the calculated value is not meaningful.

Residential and Commercial Sales

Residential and commercial sales highlights include:

In thousands	Three Months Ended September 30, 2024	Three Months Ended September 30, 2023	Nine Months Ended September 30, 2024	Nine Months Ended September 30, 2023	QTD Change	YTD Change
Volumes (therms)						
Residential sales	29,595	29,715	290,859	312,155	(120)	(21,296)
Commercial sales	26,097	25,840	184,122	197,042	257	(12,920)
Total volumes	55,692	55,555	474,981	509,197	137	(34,216)
Operating revenues						
Residential sales	$ 57,898	$ 63,191	$ 440,419	$ 469,356	$ (5,293)	$ (28,937)
Commercial sales	32,952	35,136	206,907	235,660	(2,184)	(28,753)
Total operating revenues	$ 90,850	$ 98,327	$ 647,326	$ 705,016	$ (7,477)	$ (57,690)
NGD margin						
Residential NGD margin	$ 38,453	$ 38,257	$ 255,737	$ 251,036	$ 196	$ 4,701
Commercial NGD margin	17,085	17,003	96,942	98,539	82	(1,597)
Total NGD margin	$ 55,538	$ 55,260	$ 352,679	$ 349,575	$ 278	$ 3,104

THREE MONTHS ENDED SEPTEMBER 30, 2024 COMPARED TO SEPTEMBER 30, 2023. Residential and commercial margin increased $0.3 million compared to the prior period. The increase was primarily driven by 0.6% growth in residential customer meters. Volumes increased 0.1 million therms due to slightly higher usage from commercial sales customers.

NINE MONTHS ENDED SEPTEMBER 30, 2024 COMPARED TO SEPTEMBER 30, 2023. Residential and commercial margin increased $3.1 million compared to the prior period. The increase was primarily driven by 0.6% growth in residential customer meters. Volumes decreased 34.2 million therms due to lower usage driven by comparatively warmer weather.

Industrial Sales and Transportation

Industrial sales and transportation highlights include:

In thousands	Three Months Ended September 30, 2024	Three Months Ended September 30, 2023	Nine Months Ended September 30, 2024	Nine Months Ended September 30, 2023	QTD Change	YTD Change
Volumes (therms)						
Firm and interruptible sales	18,882	20,733	68,644	75,355	(1,851)	(6,711)
Firm and interruptible transportation	83,184	82,406	272,196	273,557	778	(1,361)
Total volumes - sales and transportation	102,066	103,139	340,840	348,912	(1,073)	(8,072)
NGD margin						
Firm and interruptible sales	$ 2,755	$ 2,897	$ 9,754	$ 9,942	$ (142)	$ (188)
Firm and interruptible transportation	4,701	4,716	15,138	15,407	(15)	(269)
Total margin - sales and transportation	$ 7,456	$ 7,613	$ 24,892	$ 25,349	$ (157)	$ (457)

THREE MONTHS ENDED SEPTEMBER 30, 2024 COMPARED TO SEPTEMBER 30, 2023. Industrial sales and transportation margin decreased $0.2 million compared to the prior period primarily driven by lower sales volumes. Volumes decreased 1.1 million therms primarily due to lower usage from multiple customers, most notably in the chemical manufacturing and forest products industries, partially offset by higher usage from the pulp and paper industry.

NINE MONTHS ENDED SEPTEMBER 30, 2024 COMPARED TO SEPTEMBER 30, 2023. Industrial sales and transportation margin decreased $0.5 million compared to the prior period primarily driven by lower sales and transportation volumes. Volumes decreased 8.1 million therms primarily due to lower usage from multiple customers, most notably in the forest products, pulp and paper, chemical manufacturing, and food processing industries.

Cost of Gas

Cost of gas highlights include:

	Three Months Ended September 30,		Nine Months Ended September 30,			
In thousands	2024	2023	2024	2023	QTD Change	YTD Change
Cost of gas	$ 38,743	$ 49,235	$ 287,542	$ 357,530	$ (10,492)	$ (69,988)
Volumes sold (therms)[1]	74,574	76,288	543,625	584,552	(1,714)	(40,927)
Average cost of gas (cents per therm)	$ 0.52	$ 0.65	$ 0.53	$ 0.61	$ (0.13)	$ (0.08)
Gain from gas cost incentive sharing[2]	$ 375	$ 649	$ 1,875	$ 3,723	$ (274)	$ (1,848)

(1) This calculation excludes volumes delivered to industrial transportation customers.

(2) For additional information regarding NW Natural's gas cost incentive sharing mechanism, see Part II, Item 7 "Results of Operations—Regulatory Matters—Rate Mechanisms—*Gas Reserves*" in NW Natural's 2023 Form 10-K.

THREE MONTHS ENDED SEPTEMBER 30, 2024 COMPARED TO SEPTEMBER 30, 2023. Cost of gas decreased $10.5 million primarily due to a 20% decrease in average cost of gas and a 2% decrease in volumes sold. Volumes sold decreased 1.7 million therms due to lower usage from industrial sales customers. The gain from the Oregon gas cost incentive sharing mechanism declined $0.3 million due to tighter market spreads compared to the PGA.

NINE MONTHS ENDED SEPTEMBER 30, 2024 COMPARED TO SEPTEMBER 30, 2023. Cost of gas decreased $70.0 million primarily due to a 13% decrease in average cost of gas and a 7% decrease in volumes sold. Volumes sold decreased 40.9 million therms due to lower usage driven by comparatively warmer weather. The gain from the Oregon gas cost incentive sharing mechanism declined $1.8 million due to tighter market spreads compared to the PGA and higher than estimated gas costs during the cold weather event in January 2024.

Other Regulated Services Margin

Other regulated services margin highlights include:

	Three Months Ended September 30,		Nine Months Ended September 30,			
In thousands	2024	2023	2024	2023	QTD Change	YTD Change
North Mist storage services	$ 4,807	$ 4,662	$ 14,421	$ 13,987	$ 145	$ 434
Other services	70	71	212	178	(1)	34
Total other regulated services	$ 4,877	$ 4,733	$ 14,633	$ 14,165	$ 144	$ 468

THREE MONTHS ENDED SEPTEMBER 30, 2024 COMPARED TO SEPTEMBER 30, 2023. Other regulated services margin increased $0.1 million compared to the prior period due to an increase in storage service revenue from the North Mist facility. See Note 7 for information regarding North Mist expansion lease accounting.

NINE MONTHS ENDED SEPTEMBER 30, 2024 COMPARED TO SEPTEMBER 30, 2023. Other regulated services margin increased $0.5 million compared to the prior period due to an increase in storage service revenue from the North Mist facility.

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.

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

	Three Months Ended September 30,		Nine Months Ended September 30,			
In thousands, except EPS data	2024	2023	2024	2023	QTD Change	YTD Change
NW Natural other - net income	$ 4,056	$ 2,673	$ 8,462	$ 8,317	$ 1,383	$ 145
Other NW Holdings activity	(819)	(2,200)	(6,917)	(6,609)	1,381	(308)
NW Holdings other - net income	$ 3,237	$ 473	$ 1,545	$ 1,708	$ 2,764	$ (163)
Diluted earnings per share - NW Holdings - other	$ 0.08	$ 0.01	$ 0.04	$ 0.05	$ 0.07	$ (0.01)

THREE MONTHS ENDED SEPTEMBER 30, 2024 COMPARED TO SEPTEMBER 30, 2023. Other net income increased $1.4 million at NW Natural and $2.8 million at NW Holdings. The increase at NW Natural was primarily due to higher gas storage revenue in the current period. The increase at other NW Holdings was driven by net income from the recently acquired ICH business and lower business development costs at the holding company.

NINE MONTHS ENDED SEPTEMBER 30, 2024 COMPARED TO SEPTEMBER 30, 2023. Other net income increased $0.1 million at NW Natural and decreased $0.2 million at NW Holdings. The increase at NW Natural was primarily due to higher gas storage revenue, partially offset by lower asset management revenue. The decrease at other NW Holdings was driven by a gain from a settlement recognized in the prior year and higher interest expense at NW Holdings, partially offset by lower contributions to fund community outreach programs.

Consolidated Operations

Operations and Maintenance

Operations and maintenance highlights include:

	Three Months Ended September 30,		Nine Months Ended September 30,		QTD	YTD
In thousands	2024	2023	2024	2023	Change	Change
NW Natural	$ 54,777	$ 53,494	$ 177,037	$ 179,121	$ 1,283	$ (2,084)
Other NW Holdings operations and maintenance	9,163	8,030	25,467	21,039	1,133	4,428
NW Holdings	$ 63,940	$ 61,524	$ 202,504	$ 200,160	$ 2,416	$ 2,344

THREE MONTHS ENDED SEPTEMBER 30, 2024 COMPARED TO SEPTEMBER 30, 2023. Operations and maintenance expense increased $1.3 million at NW Natural. The increase at NW Natural was driven by the following:

- $1.9 million increase related to higher payroll and benefit costs and other employee-related expenses; and
- $0.5 million increase in amortization expense related to cloud computing arrangements; partially offset by
- $1.0 million decrease in contract labor costs.

Operations and maintenance expense increased $2.4 million at NW Holdings primarily due to the following:

- $1.3 million increase in operations and maintenance expense at NW Natural as discussed above; and
- $1.1 million increase in other NW Holdings operations and maintenance expense primarily due to costs associated with recently acquired water and wastewater subsidiaries, partially offset by lower business development costs at the holding company.

NINE MONTHS ENDED SEPTEMBER 30, 2024 COMPARED TO SEPTEMBER 30, 2023. Operations and maintenance expense decreased $2.1 million at NW Natural primarily due to the following:

- $3.4 million decrease related to lower benefit costs and other employee-related expenses; and
- $2.0 million decrease in contract labor costs; partially offset by
- $1.9 million increase due to the amortization of deferred balances (which is primarily offset in revenues) primarily related to COVID-19, cybersecurity and information technology system upgrades; and
- $1.6 million increase in amortization expense related to cloud computing arrangements.

Operations and maintenance expense increased $2.3 million at NW Holdings primarily due to the following:

- $4.4 million increase in other NW Holdings operations and maintenance expense primarily due to costs associated with recently acquired water and wastewater subsidiaries, partially offset by lower business development costs at the holding company; partially offset by
- $2.1 million decrease in operations and maintenance expense at NW Natural as discussed above.

Depreciation

Depreciation highlights include:

	Three Months Ended September 30,		Nine Months Ended September 30,		QTD	YTD
In thousands	2024	2023	2024	2023	Change	Change
NW Natural	$ 32,092	$ 28,446	$ 94,857	$ 88,470	$ 3,646	$ 6,387
Other NW Holdings depreciation	2,460	1,615	6,555	4,349	845	2,206
NW Holdings	$ 34,552	$ 30,061	$ 101,412	$ 92,819	$ 4,491	$ 8,593

THREE MONTHS ENDED SEPTEMBER 30, 2024 COMPARED TO SEPTEMBER 30, 2023. Depreciation expense increased $3.6 million at 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 projects in 2023 and 2024.

Depreciation expense increased $4.5 million at NW Holdings, primarily due to a $0.8 million increase in other NW Holdings depreciation related to capital expenditures at water and wastewater utilities and a $3.6 million increase at NW Natural as discussed above.

NINE MONTHS ENDED SEPTEMBER 30, 2024 COMPARED TO SEPTEMBER 30, 2023. Depreciation expense increased $6.4 million at 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 projects in 2023 and 2024.

Depreciation expense increased $8.6 million at NW Holdings, primarily due to a $2.2 million increase in other NW Holdings depreciation related to capital expenditures at water and wastewater utilities and a $6.4 million increase at NW Natural as discussed above.

Other Income (Expense), Net

Other income (expense), net highlights include:

	Three Months Ended September 30,		Nine Months Ended September 30,		QTD	YTD
In thousands	2024	2023	2024	2023	Change	Change
NW Natural other income (expense), net	$ 219	$ 4,818	$ (1,533)	$ 11,095	$ (4,599)	$ (12,628)
Other NW Holdings activity	711	186	1,335	2,133	525	(798)
NW Holdings other income (expense), net	$ 930	$ 5,004	$ (198)	$ 13,228	$ (4,074)	$ (13,426)

THREE MONTHS ENDED SEPTEMBER 30, 2024 COMPARED TO SEPTEMBER 30, 2023. Other income, net decreased $4.6 million at NW Natural primarily due to $1.7 million of lower interest income from a lower level of invested cash, $1.5 million of higher pension non-service costs, $0.8 million of lower regulatory interest income and a $0.7 million decline from the equity portion of AFUDC. Costs related to our defined benefit pension plan for the three months ended September 30, 2024 increased compared to the prior year due to an increase in amortization of actuarial losses.

Other income, net decreased $4.1 million at NW Holdings driven by the decrease at NW Natural discussed above, partially offset by lower contributions to fund community outreach initiatives at NW Holdings.

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.

NINE MONTHS ENDED SEPTEMBER 30, 2024 COMPARED TO SEPTEMBER 30, 2023. Other income, net decreased $12.6 million at NW Natural primarily due to $4.9 million of higher pension non-service costs, $3.4 million of lower interest income from a lower level of invested cash, $1.8 million of lower regulatory interest income and a $1.7 million decline from the equity portion of AFUDC. Costs related to our defined benefit pension plan for the nine months ended September 30, 2024 increased compared to the prior year due to an increase in amortization of actuarial losses.

Other income, net decreased $13.4 million at NW Holdings driven by the decrease at NW Natural discussed above and a $2.7 million gain from a settlement recognized in the prior year, partially offset by lower contributions to fund community outreach initiatives at NW Holdings.

Interest Expense, Net

Interest expense, net highlights include:

	Three Months Ended September 30,		Nine Months Ended September 30,		QTD	YTD
In thousands	2024	2023	2024	2023	Change	Change
NW Natural	$ 15,079	$ 15,597	$ 46,493	$ 45,236	$ (518)	$ 1,257
Other NW Holdings interest expense, net	3,981	3,809	12,409	11,440	172	969
NW Holdings	$ 19,060	$ 19,406	$ 58,902	$ 56,676	$ (346)	$ 2,226

THREE MONTHS ENDED SEPTEMBER 30, 2024 COMPARED TO SEPTEMBER 30, 2023. Interest expense, net decreased $0.5 million at NW Natural primarily due to a benefit from the debt portion of AFUDC, partially offset by higher short-term debt balances.

Interest expense, net decreased $0.3 million at NW Holdings due to the decrease at NW Natural discussed above, partially offset by higher interest expense at NW Holdings.

NINE MONTHS ENDED SEPTEMBER 30, 2024 COMPARED TO SEPTEMBER 30, 2023. Interest expense, net increased $1.3 million at NW Natural primarily due to higher interest expense on a higher level of short and long-term debt, partially offset by a benefit from the debt portion of AFUDC.

Interest expense, net increased $2.2 million at NW Holdings due to the increase at NW Natural discussed above and higher interest expense at NW Holdings.

Income Tax Expense

Income tax expense highlights include:

	Three Months Ended September 30,		Nine Months Ended September 30,		QTD	YTD
In thousands	2024	2023	2024	2023	Change	Change
NW Natural income tax (benefit) expense	$ (10,078)	$ (7,707)	$ 15,639	$ 19,037	$ (2,371)	$ (3,398)
NW Holdings income tax (benefit) expense	$ (10,295)	$ (8,292)	13,232	17,098	$ (2,003)	(3,866)

THREE MONTHS ENDED SEPTEMBER 30, 2024 COMPARED TO SEPTEMBER 30, 2023. Income tax expense decreased $2.4 million at NW Natural and $2.0 million at NW Holdings. The decrease in income tax expense is primarily due to lower pre-tax income in the current period compared to the prior year.

NINE MONTHS ENDED SEPTEMBER 30, 2024 COMPARED TO SEPTEMBER 30, 2023. Income tax expense decreased $3.4 million at NW Natural and $3.9 million at NW Holdings. The decrease in income tax expense is primarily due to lower pre-tax income in the current period compared to the prior year.

Regulatory Matters

For additional information, see Part II, Item 7 "Results of Operations—*Regulatory Matters"* in the 2023 Form 10-K.

Regulation and Rates

NATURAL GAS DISTRIBUTION. NW Natural's natural gas distribution business is subject to regulation by the OPUC and WUTC with respect to, among other matters, rates and terms of service, systems of accounts, and issuances of securities by NW Natural. At September 30, 2024, approximately 88% of NGD customers were located in Oregon, with the remaining 12% in Washington. Earnings and cash flows from natural gas distribution operations are largely determined by rates set in general rate cases and other proceedings in Oregon and Washington. They are also affected by weather, the local economies in Oregon and Washington, the pace of customer growth in the residential, commercial, and industrial markets, legislation and policy, customer preferences and NW Natural's ability to remain price competitive, control expenses, and obtain reasonable and timely regulatory recovery of its natural gas distribution-related costs, including operating expenses and investment costs in plant and other regulatory assets. See "*Most Recent Completed Rate Cases"* below.

MIST INTERSTATE GAS STORAGE. NW Natural's interstate storage activity at Mist is subject to regulation by the OPUC, WUTC, and the Federal Energy Regulatory Commission (FERC) with respect to, among other matters, rates and terms of service. The OPUC also regulates intrastate storage services at Mist, while FERC regulates interstate storage services at Mist. The FERC uses a maximum cost of service model which allows for gas storage prices to be set at or below the cost of service as approved by each agency in their last regulatory filing. The OPUC Schedule 80 rates are tied to the FERC rates, and are updated whenever NW Natural modifies FERC maximum rates. See "*Most Recent Completed Rate Cases"* below.

OTHER. The wholly-owned regulated water businesses of NWN Water, a wholly-owned subsidiary of NW Holdings, are subject to regulation by the utility commissions in the states in which they are located, which currently includes Oregon, Washington, Arizona, Idaho, and Texas. The wholly-owned regulated wastewater businesses of NWN Water are subject to regulation by the utility commissions in the states in which they are located, which currently includes Texas and Arizona.

Most Recent Completed Rate Cases

OREGON. On December 29, 2023, NW Natural filed a request for a general rate case (Rate Case) with the OPUC. The filing requested a $154.9 million annual revenue requirement increase, which included $34.0 million related to an updated depreciation study.

On July 24, 2024, NW Natural, the OPUC staff, the Oregon Citizens' Utility Board (CUB), the Alliance of Western Energy Consumers (AWEC), the Coalition of Communities of Color, Climate Solutions, Verde, Columbia Riverkeeper, Oregon Environmental Council, Community Energy Project, and Sierra Club (Coalition), which comprise all of the parties to the rate case, filed a stipulation (Second Stipulation) with the OPUC which addressed the majority of issues in the Rate Case.

Prior to the Second Stipulation, NW Natural, the OPUC staff, CUB and AWEC reached a partial settlement on the cost of long-term debt of 4.712% (First Stipulation and together with the Second Stipulation, the Stipulations).

The Second Stipulation provides for a total revenue requirement increase of $95.0 million over revenues from existing rates, which includes $9.6 million related to an updated depreciation study, subject to completion of capital projects identified as being placed in service prior to the rate effective date. The revenue requirement is based on the following assumptions:

- Capital structure of 50% common equity and 50% long-term debt;
- Return on equity of 9.4%;
- Cost of capital of 7.056%; and
- Average rate base of $2.11 billion or an increase of $357 million since the last rate case.

On October 25, 2024, the OPUC issued an order approving the Stipulations and resolving the remaining open items in the Rate Case. Along with resolving several non-revenue items, the OPUC ordered the phase out of NW Natural’s line extension allowance by November 1, 2027. Additionally, the OPUC ordered a downward adjustment to rate base of $13.7 million of undepreciated line extension costs, which we expect to result in a non-cash, pre-tax charge of approximately $13.7 million in the fourth quarter of 2024.

The final order and adjustments for completed capital projects resulted in a revenue requirement increase of $93.3 million over existing rates. Average rate base after final adjustments for completed capital projects was $2.09 billion or an increase of $334 million since the last rate case.

New rates authorized by the OPUC order were effective November 1, 2024.

WASHINGTON. On October 21, 2021, the WUTC issued an order concluding NW Natural's general rate case filed in December 2020 (WUTC Order). The WUTC Order provides for an annual revenue requirement increase over two years, consisting of a 6.4% or $5.0 million increase in the first year beginning November 1, 2021 (Year One), and a 3.5% or $3.0 million increase in the second year beginning November 1, 2022 (Year Two). The increase is based on the following assumptions:

- Cost of capital of 6.814%; and
- Average rate base of $194.7 million, an increase of $20.9 million since the last rate case for capital expenditures already expended at the time of filing, with an additional expected $31.2 million increase in Year One, and an additional expected $21.4 million increase in Year Two, with the increases in Year One and Year Two relating to expected capital expenditures in those years.

The WUTC Order does not specify the underlying inputs to the cost of capital, including capital structure and return on equity. New rates authorized by the WUTC Order were effective November 1, 2021. In September 2023, NW Natural received a letter of compliance from the WUTC acknowledging that the Year Two rates are no longer subject to review and refund.

FERC. NW Natural is required under its Mist interstate storage certificate authority and rate approval orders to file every five years either a petition for rate approval or a cost and revenue study to change or justify maintaining the existing rates for its interstate storage services. NW Natural filed a rate petition with the FERC in August 2023 and the revised rates were effective beginning September 1, 2023.

NW Natural continuously evaluates the need for rate cases in its jurisdictions.

Rate Mechanisms

During 2024 and 2023, NW Natural's key approved rates and recovery mechanisms for each service area included:

	Oregon	Washington
	2022 Rate Case (effective 11/1/2022)	2021 Rate Case (effective 11/1/2021)
Authorized Rate Structure:		
Return on Equity	9.4%	**
Rate of Return	6.8%	6.8%
Debt/Equity Ratio	50%/50%	**
Key Regulatory Mechanisms:		
Purchased Gas Adjustment (PGA)	X	X
Gas Cost Incentive Sharing	X	
Decoupling	X	
Weather Normalization (WARM)	X	
RNG Automatic Adjustment Clause	X	
Environmental Cost Recovery	X	X
Interstate Storage and Asset Management Sharing	X	X

** The WUTC Order does not specify the underlying inputs to the cost of capital, including capital structure and return on equity.

PURCHASED GAS ADJUSTMENT. Rate changes are established for NW Natural each year under purchased gas adjustment (PGA) mechanisms in Oregon and Washington to reflect changes in the expected cost of natural gas commodity purchases. The PGA filings include costs for gas purchases, gas commodity derivative contracts, gas storage costs, gas reserves costs, pipeline demand costs, renewable natural gas and its environmental attributes, including renewable thermal certificates, and temporary rate adjustments, which amortize balances of deferred regulatory accounts.

In September 2024, NW Natural filed its annual PGAs and received OPUC and WUTC approval in October 2024. PGA rate changes were effective November 1, 2024. Rates vary between states due to different rate structures, rate mechanisms and hedging policies.

Each year, NW Natural hedges gas prices on a portion of NW Natural's annual sales requirement based on normal weather, including both physical and financial hedges. As of September 30, 2024, NW Natural's forecasted sales volume was hedged at approximately 77% in total for the 2024-25 gas year, including 61% in financial hedges and 16% in physical gas supplies. The total hedged was approximately 83% in Oregon and 32% in Washington.

For the subsequent two gas years, NW Natural is hedged in total between 13% and 31% for annual requirements, which consists of between 14% and 34% in Oregon and between 0% and 5% in Washington. Hedge levels are subject to change based on actual load volumes, which depend to a certain extent on weather, economic conditions, and estimated gas reserve production. Also, gas storage inventory levels may increase or decrease with storage expansion, changes in storage contracts with third parties, variations in the heat content of the gas, and/or storage recall by NW Natural. We will continue to monitor gas prices as we fill storage and look at hedging plans for future gas years. Gas purchases and hedges entered into for the upcoming PGA year were 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, core customers recalled non-utility Mist gas storage capacity of 0.2 million therms per day of deliverability and 1.15 Bcf of associated storage capacity to serve core utility customer needs. Customer impacts of 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 2023, the WUTC approved a CCA cost recovery mechanism with a rate effective date of January 1, 2024. 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 2024-25 and 2023-24 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 year 2023, the ROE threshold was 10.40%. NW Natural filed the 2023 earnings test in April 2024, indicating no customer credit adjustment based on results, which was approved by the OPUC in July 2024. NW Natural does not expect a customer credit adjustment for 2024 based on results of the earnings test.

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. Decoupling is intended to break the link between earnings 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 Oregon decoupling baseline usage per customer was reset in the 2022 Oregon general rate case.

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 September 30, 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.

RENEWABLE NATURAL GAS AND AUTOMATIC ADJUSTMENT CLAUSE. On June 19, 2019, the Oregon legislature passed Senate Bill 98 (SB 98), which enables natural gas utilities to procure or develop RNG on behalf of their Oregon customers. The bill was signed into law by the governor in July 2019, and subsequently, the OPUC adopted final rules in July 2020.

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.

Pursuant to the 2022 Oregon general rate case, the OPUC ordered that the costs NW Natural sought to recover related to its investment in Lexington Renewables Energy, LLC were reasonable and prudently incurred under SB 98. Furthermore, the OPUC approved 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. NW Natural filed the 2023 earnings test in April 2024, indicating no adjustment based on results. For RNG procurement contracts, NW Natural seeks recovery of the costs in the PGA and other filings, subject to a prudence review.

In February 2023, NW Natural filed a request to include its investment in Dakota City Renewable Energy LLC in the approved RNG mechanism effective November 1, 2023. In October 2023, the OPUC approved an all-party settlement that deems the investment to be prudent and allows NW Natural to begin recovering the investment costs and expenses of the facility. The RNG facility began production in April 2023. Under the RNG mechanism, expenses incurred prior to the rate effective date are not recoverable under this rate mechanism. Additionally, recovery is subject to the earnings test requirements under the RNG recovery mechanism discussed above. The Dakota City investment 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.

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 $9.6 million and $6.8 million of deferred remediation expense approved by the OPUC for collection during the 2023-24 and 2022-23 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). For additional information, see Note 17 in the 2023 Form 10-K.

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(1)
$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(2)
Total amount transferred to post-review

(1) 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.
(2) 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. NW Natural concluded there was no earnings test adjustment for 2023 based on the environmental earnings test that was submitted in April 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 2024, the OPUC approved the annual 2024 bill credit for Oregon customers' share of interstate storage and asset management activities totaling approximately $20.8 million, which was credited to customers' bills in February 2024. An additional $8.4 million was credited to customer's bills in April 2024. These bill credits include revenue generated for the November 2022 through October 2023 PGA year. Credits are given to customers in Washington as reductions in rates through the annual PGA filing in November.

Regulatory Proceeding Updates
During 2024, NW Natural was involved in the regulatory activities discussed below.

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 Second Stipulation executed in July 2024 modified the bill discount percentages 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 September 30, 2024 was approximately $1.5 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 September 30, 2024 was approximately $0.7 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%

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 September 30, 2024 was approximately $0.8 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 most recent full IRP for both Oregon and Washington on September 23, 2022. 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 the 2022 IRP. The OPUC also issued their order on NW Natural's 2022 IRP in August 2023. NW Natural filed an update to the 2022 IRP in Oregon and Washington in August 2024. 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 requires owners and operators to implement cybersecurity incident reporting to the DHS, designate two cybersecurity coordinators, 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. Both directives have been updated several times. The TSA released an update to the second security directive that clarified Operational Technology (OT) scope and providing a risk- and outcome-based framework. The TSA is in the process of formulating regulations with the aim of rendering the requirements within 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 filed requests with the OPUC and WUTC to defer the costs associated with complying with the TSA's security directives. As of September 30, 2024, NW Natural has invested approximately $47.6 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, as well as the potential total cost of implementation, 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 over 188,000 people through approximately 76,000 connections across five 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 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. The WUTC has suspended the effective date of rates pending further review.
- In March 2024, Sunriver Water filed a general rate case with the OPUC. The parties filed a settlement agreement and rates were effective on November 1, 2024.
- In June 2024, Avion Water filed a general rate case with the OPUC. The OPUC suspended the effective date of rates until April 28, 2025. In October 2024, the OPUC filed a motion to suspend the procedural schedule, noting that the parties have reached an agreement in principle on all issues in the proceeding. Upon filing a settlement with the OPUC, the OPUC must issue an order, which may approve or deny the terms of the settlement, or the order may be issued under the OPUC's terms.

Environmental Regulation and Legislation Matters

There is a continued 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 are increasing efforts at the international, federal, state, and local level to regulate GHG emissions. Legislation or other forms of regulation could 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 could 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 limit GHG emissions.

International

In early 2021, the U.S. rejoined the Paris Agreement on Climate, which establishes non-binding targets to reduce GHG emissions from both developed and developing nations. Under the Paris Agreement, signatory countries are expected to submit their nationally determined contributions to curb GHG emissions and meet the agreed temperature objectives every five years. On April 22, 2021, the United States federal administration announced the U.S. nationally determined contribution to achieve a fifty to fifty-two percent reduction from 2005 levels in economy-wide net GHG emissions by 2030.

Federal

President Biden’s administration has issued 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.

For example, the Inflation Reduction Act of 2022 (IRA) includes several climate and energy provisions. The IRA also includes funding for the EPA to improve GHG reporting and enforcement, as well as a methane fee applicable to activities associated with gas production and processing facilities, transmission pipelines and certain storage facilities. Guidance from several federal agencies is pending regarding various aspects of the IRA and the manner in which it will be implemented. We continue to assess effects of the IRA that are relevant to our businesses as it is implemented. The U.S. Congress may also pass other federal climate change legislation in the future. We cannot predict when or if Congress will pass such legislation and in what form, and the amount and type of legislation passed is likely to be significantly influenced by the outcome of the election.

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. Other federal regulatory agencies, including the U.S. Department of Energy, are beginning to address matters related to GHG emissions that may include changes in their regulatory oversight approach, policies and rules.

Other federal agencies have taken or are expected to take actions related to climate change. For example, in March 2024, the Securities and Exchange Commission (SEC) issued new rules relating to the disclosure of a range of climate-related matters, which it voluntarily stayed pending legal challenges to the rules, PHMSA is expected to prepare regulations and other actions to limit methane emissions, and the Commodities Futures Trading Commission (CFTC) has indicated it intends to take actions related to oversight of climate-related financial risks as pertinent to the derivatives and underlying commodities markets. Similarly, other federal agencies and regulations, including but not limited to: the U.S. Department of Treasury, Federal Acquisitions Regulations, and others have indicated impending regulatory actions related to climate change. To the extent these agencies adopt final rules as proposed or in modified form, we or our customers could incur increased costs. These could include internal costs as well as external costs such as the cost of independent experts to provide attestation reports on our GHG emissions data and increased audit costs.

These and other federal regulations, programs and executive actions regarding GHG emissions are likely to be affected by the November 2024 elections.

Washington State

In 2023, Washington comprised approximately 11% of NW Natural’s revenues, as well as 2% and 14% of new meters from commercial and residential customers, respectively. Effective February 1, 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, the Washington State Building Code Council (SBCC) voted in April 2022 to include updates in the state commercial building energy code that would restrict or eliminate the use of gas space and water heating in new commercial construction. In November 2022, the SBCC voted to include updates to the state residential building energy code that are expected to restrict the use of gas space and water heating in residential construction, with certain exceptions including for natural gas-fired heat pumps and hybrid fuel systems. The SBCC commercial and residential rules were expected to become effective July 1, 2023, but the SBCC delayed implementation and has modified those rules. The modified rules went into effect on March 15, 2024, and if determined to be valid are expected to make installation of gas appliances significantly more costly than their electric counterparts, likely affecting the selection of natural gas by developers and builders. The new modified rules are currently subject to legal challenge by a number of companies, organizations and utilities, including NW Natural.

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.

Washington has also enacted the 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. A statewide ballot initiative to repeal the CCA failed in November 2024.

Oregon

On March 10, 2020, the governor of Oregon issued an executive order (EO) establishing GHG emissions reduction goals of at least 45% below 1990 emission levels by 2035 and at least 80% below 1990 emission levels by 2050 and directed state agencies and commissions to facilitate such GHG emission goals targeting a variety of sources and industries. Although the EO does not specifically direct actions of natural gas distribution businesses, the OPUC is directed to prioritize proceedings and activities that advance decarbonization in the utility sector, mitigate the energy burden experienced by utility customers and ensure system reliability and resource adequacy. The EO also directs other state agencies, including the Oregon Department of Environmental Quality (ODEQ), to cap and reduce GHG emissions from transportation fuels and all other liquid and gaseous fuels, including natural gas, adopt building energy efficiency goals for new building construction, reduce methane gas emissions from landfills and food waste, and submit a proposal for adoption of state goals for carbon sequestration and storage by Oregon’s forest, wetlands and agricultural lands. The OPUC is also charged with carrying out the EO to the extent it is consistent with its statutory authority and duties, and to focus on equitable impacts to low-income customers under its current statutory authority.

In December 2021, the ODEQ concluded its rulemaking process and issued final cap and reduce rules for its Climate Protection Program (CPP), which became effective in January 2022. The CPP outlined GHG emissions reduction goals of 50% by 2035 and 90% by 2050 from a 2017-2019 baseline. Those ODEQ rules were held invalid on procedural grounds by the Oregon Court of Appeals in December 2023. In January 2024, ODEQ announced that it would not appeal the Oregon Court of Appeals' decision, but has re-engaged in a rulemaking process and expects to issue new rules in November 2024 with a proposed January 2025 effective date. We currently expect the new rules to be substantially similar to the original CPP rules. NW Natural received an order from the OPUC authorizing deferral of compliance costs for the initial CPP rules and we intend to pursue inclusion of compliance costs for those initial rules prior to their invalidation in rates. We also expect to pursue inclusion in rates of compliance costs for the new CPP rules expected in November 2024.

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, in February 2023, the Eugene City Council passed an ordinance that prohibits the use of natural gas in low rise residential buildings beginning with permits submitted after June 2023. That ordinance was rescinded by the Eugene City Council after it was referred to the November 2023 ballot. In connection with the rescission, the City Council directed the Eugene City Manager to develop a plan to address GHG emissions and align incentives around GHG emissions. Subsequently, the City Council has directed the City Manager 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 and contend 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, including the CCA in Washington or any similar program adopted in Oregon, as well as actions under Oregon Senate Bill 98 (SB 98) or otherwise, will require additional resources and legislative or regulatory tools, and will increase costs. The developing and changing implementation guidance for the CCA and new rulemaking process for an Oregon carbon reduction program under the Oregon EO, 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. In September 2022, NW Natural filed its integrated resource plans (IRPs) with the OPUC and WUTC. Those IRPs comprehensively evaluate resource options available to serve NW Natural's customers' energy, capacity and environmental compliance needs, and are an informative component of the resources selected for compliance with the CCA and any subsequently developed Oregon program. While we model compliance with the CCA and any similar program in our IRPs, the expected costs of compliance are uncertain and subject to significant change. We are currently including costs of compliance with the CCA in rates. Costs to comply currently are increasing non-low income residential bills by approximately 12% to 38%.

These projected customer bill impacts of the CCA are estimates, are likely to increase beyond the first compliance period, and are subject to change as these laws are implemented and compliance begins. The costs are also likely to vary significantly based on forecasting assumptions related to permitted levels of rate recovery, available technologies and equipment, weather patterns and gas usage, customer growth or attrition, allocation of fixed costs among classes of customers, energy efficiency levels, availability, use and cost of renewables, feasibility of broad-scale hydrogen in the natural gas system, and a number of other assumptions used in the complex analysis of integrated resource planning.

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, President Biden has announced his intention to have a carbon-free electricity sector by 2035, 15 years before the target date of the CCA. 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.

NW Natural continues to take proactive steps in seeking to reduce GHG emissions in our region and we diligently communicate with local, state, and federal governments and communities about those steps. NW Natural has been a leader among gas utilities in innovative programs. Notable programs have included a decoupling rate structure designed to weaken the link between revenue and gas consumption by customers adopted in 2007, and establishment of a voluntary Smart Energy carbon offset program for customers established in 2007, and removal of all known cast iron and bare steel to create one of the tightest and most modern distribution systems in the country. We continue to believe that NW Natural has an important role in providing affordable and equitable energy to the communities we serve. NW Natural is an important provider of energy to families and businesses in Oregon and southwest Washington. Natural gas sales to our residential and commercial customers account for approximately 5% of Oregon's GHG emissions according to the preliminary 2021 data from the State of Oregon Department of Environmental Quality In-Boundary GHG Inventory. We intend to continue to provide this necessary energy to our communities with the goal of using our modern pipeline system to help the Pacific Northwest transition to a cleaner energy future.

In 2016, NW Natural initiated a multi-pronged, multi-year strategy to accelerate and deliver greater GHG emission reductions in the communities we serve. Key components of this strategy include customer energy efficiency, continued adoption of NW Natural's voluntary Smart Energy carbon offset program, and seeking to incorporate RNG and hydrogen into our gas supply. RNG is produced from organic materials including food, agricultural and forestry waste, wastewater, or landfills. We believe RNG has the potential to significantly reduce net GHG emissions because methane that would otherwise be released to the atmosphere can be captured from these organic materials as they decompose and then conditioned to pipeline quality and distributed into our existing system. SB 98 enables NW Natural to procure RNG on behalf of customers and provides targets that would allow us to make qualified investments and purchase RNG from third parties, subsequently the OPUC approved an automatic adjustment clause to assist with timely recovery of these investments.

Under SB 98, NW Natural is actively working to procure RNG supply for customers and increase the amount of RNG on our system and is also exploring the development of renewable hydrogen through power to gas. In 2022 and 2023, two RNG development facilities that access biogas derived from water treatment at Tyson Foods' processing plants were commissioned. To date, NW Natural has exclusive rights with options to purchase or develop RNG for utility customers totaling approximately 2.75% of NW Natural's annual sales volume in Oregon based on estimated volumes. This percentage is subject to change as projects are awarded, canceled or modified.

FINANCIAL CONDITION

Capital Structure

NW Holdings' long-term goal is to maintain a strong and balanced consolidated capital structure. NW Natural targets 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, and Washington, which has an allocation of 50% long-term debt, 1% short-term debt, and 49% common equity.

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:

	September 30,		December 31,
	2024	2023	2023
Common equity	46.3 %	43.0 %	44.9 %
Long-term debt (including current maturities)	53.7	57.0	55.1
Total	100.0 %	100.0 %	100.0 %

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

	September 30,		December 31,
	2024	2023	2023
Common equity	47.2 %	46.1 %	47.5 %
Long-term debt (including current maturities)	52.8	53.9	52.5
Total	100.0 %	100.0 %	100.0 %

As of September 30, 2024 and 2023, and December 31, 2023, NW Holdings' consolidated capital structure included common equity of 43.9%, 42.0% and 43.5%; long-term debt of 50.3%, 49.0% and 48.3%; and short-term debt including current maturities of long-term debt of 5.8%, 9.0% and 8.2%, respectively. As of September 30, 2024 and 2023, and December 31, 2023, NW Natural's consolidated capital structure included common equity of 45.4%, 46.1%, and 47.2%; long-term debt of 50.1%, 52.4% and 52.2%; and short-term debt including current maturities of long-term debt of 4.5%, 1.5%, and 0.6%, respectively.

Liquidity and Capital Resources

At September 30, 2024 and 2023, NW Holdings had approximately $35.0 million and $156.6 million, and NW Natural had approximately $18.3 million and $145.1 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 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 August 2027, or will be registered on a subsequent registration statement to be filed by NW Holdings.

During the three months ended September 30, 2024, NW Holdings issued and sold 1,429,750 shares of common stock pursuant to the ATM equity program resulting in cash proceeds of $55.5 million, net of fees and commissions paid to agents of $0.9 million. During the nine months ended September 30, 2024, NW Holdings issued and sold 2,382,750 shares of common stock pursuant to the ATM equity program resulting in cash proceeds of $90.4 million, net of fees and commissions paid to agents of $1.5 million. As of September 30, 2024, NW Holdings had $146.7 million of equity available for issuance under the ATM equity 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. From 2024 through 2026, we estimate NW Holdings' and NW Natural's combined incremental capital needs to be in the range of $500 million to $575 million. We expect to issue debt in the amount of approximately $60 million at NW Holdings and approximately $75 million at NW Natural in the coming 12 months. We issued $90.4 million of equity through our ATM program through September 30, 2024 and do not anticipate any additional equity to be issued through our ATM in 2024. In 2025, we expect our equity need to be lower than our 2024 levels. NW Holdings intends to use raised capital to support NW Natural's, NW Natural Water's, and NW Natural Renewables' operating and capital expenditure programs. 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, NWN Water. See "*Long-Term Debt*" below for more information regarding NWN 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, or more than 10% of its retained earnings over a six-month period, and for special cash dividends paid in addition to regularly quarterly dividends.

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 September 30, 2024, 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 NW Natural 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 September 30, 2024. See "*Credit Ratings*" below and Note 15.

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. For additional information, see Part II, Item 7 "*Financial Condition*" in the 2023 Form 10-K.

Gas Purchase Agreements

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). In July 2024, NW Natural Renewables and EDL executed amendments to the original agreements. Under the amended agreements, Ohio Renewables is committed to make cash payments of approximately $25 million per facility to partially fund the infrastructure required to condition biogas upon the facilities reaching substantial completion, or at Ohio Renewables' election, at an earlier date upon the facilities reaching specified production levels over a defined period. The first facility was completed and commenced delivery of RNG to Ohio Renewables in September 2024. Upon reaching this milestone, Ohio Renewables paid approximately $26.0 million to the EDL subsidiary. NW Natural Renewables expects the second facility to begin delivery of RNG by the end of 2024.

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 $0.4 million in 2024, $18.9 million in 2025, $18.9 million in 2026, $22.8 million in 2027, $22.8 million in 2028 and $556.5 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 2,750,000 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 amount 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.

Collective Bargaining Agreement

At December 31, 2023, 614 of NW Natural's natural gas distribution employees were members of the Office and Professional Employees International Union (OPEIU) Local No. 11. In May 2024, union employees ratified a new collective bargaining agreement that took effect on June 1, 2024, expires on May 31, 2028, and is effective thereafter from year to year unless either party serves notice of its intent to negotiate modifications to the collective bargaining agreement. The terms of the collective bargaining agreement include the following items: a 6.0% wage increase effective June 1, 2024 and scheduled wage increases effective December 1 of each subsequent year of 4.0%; a 401(k) contribution of 4% for employees hired after our pension plan was closed on December 31, 2009; and a 401(k) match of 50% of the first 8% of savings.

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 September 30, 2024, September 30, 2023 and December 31, 2023, short-term debt consisted of the following:

	September 30, 2024		September 30, 2023		December 31, 2023	
In millions	Balance Outstanding	Weighted Average Interest Rate[1]	Balance Outstanding	Weighted Average Interest Rate[1]	Balance Outstanding	Weighted Average Interest Rate[1]
NW Natural:						
Commercial paper	$ 100.1	5.2 %	$ —	— %	$ 16.8	5.5 %
Other (NW Holdings):						
Credit agreement	59.7	6.0 %	71.0	6.4 %	73.0	6.4 %
NW Holdings	$ 159.8		$ 71.0		$ 89.8	

[1] Weighted average interest rate on outstanding short-term debt

Credit Agreements

NW Holdings

At September 30, 2024, NW Holdings had 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. The maturity date of the agreement is November 3, 2026, with available extensions of commitments for two additional one-year periods, 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 September 30, 2024 as follows:

In millions

Lender rating, by category	Loan Commitment
AA/Aa	$ 200
Total	$ 200

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. At September 30, 2024, September 30, 2023 and December 31, 2023, $59.7 million, $71.0 million and $73.0 million were drawn under the NW Holdings Credit Agreement, 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 September 30, 2024 and 2023, with consolidated indebtedness to total capitalization ratios of 56.1% and 58.0%, 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 under the credit agreement at September 30, 2024 and 2023.

<u>NW Natural</u>
At September 30, 2024, NW Natural had 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. The maturity date of the agreement is November 3, 2026 with an available extension of commitments for two additional one-year periods, 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 September 30, 2024 as follows:

In millions

Lender rating, by category	Loan Commitment
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. NW Natural did not have any outstanding balances drawn under this credit facility at September 30, 2024, September 30, 2023 and December 31, 2023.

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 September 30, 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 September 30, 2024 and 2023, with consolidated indebtedness to total capitalization ratios of 54.6% and 53.9%, 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 issued and outstanding under the credit agreement at September 30, 2024 and 2023.

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.

In August 2024, NW Natural issued an $8.0 million letter of credit under the LC facility, which expired October 1, 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 the need to post collateral under 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	Baa1
Corporate credit rating	A+	n/a
Ratings outlook	Stable	Stable

In April 2024, S&P revised NW Natural’s ratings outlook from “negative” to “stable.” Also in April 2024, S&P revised NW Holdings' rating from A+ to A and confirmed a negative outlook.

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 in connection with the holding company reorganization, 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

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 provided for the issuance of (i) $100.0 million aggregate principal amount of NW Holdings’ 5.78% Senior Notes, Series A, due March 2028 (5.78% Notes) and (ii) $50.0 million aggregate principal amount of NW Holdings’ 5.84% Senior Notes, Series B, due March 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 million.

At September 30, 2024, NW Holdings and NW Natural had long-term debt outstanding of $1,575.8 million and $1,365.2 million, respectively, which included $10.1 million and $9.5 million of unamortized debt issuance costs at NW Holdings and NW Natural, respectively. NW Natural's long-term debt consists of FMBs with maturity dates ranging from 2025 through 2053, interest rates ranging from 2.8% to 7.9%, and a weighted average interest rate of 4.6%. NW Holdings' long-term debt primarily consists of the Note Purchase Agreement at NW Holdings and a term loan at NWN Water due in 2026.

$20.0 million of long-term debt is scheduled to mature over the next twelve months as of September 30, 2024 at NW Natural and $0.8 million at other NW Holdings. See Part II, Item 7, "Financial Condition—*Long-Term Debt*" in the 2023 Form 10-K for long-term debt maturing over the next five years.

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 3.8%. 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.

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 September 30, 2024. 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 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.

	Nine Months Ended September 30,		
In thousands	2024	2023	YTD Change
NW Natural cash provided by operating activities	$ 232,634	$ 294,168	$ (61,534)
NW Holdings cash provided by operating activities	219,697	301,503	(81,806)

NINE MONTHS ENDED SEPTEMBER 30, 2024 COMPARED TO SEPTEMBER 30, 2023. Cash provided by operating activities decreased $81.8 million at NW Holdings and $61.5 million at NW Natural. The significant factors contributing to the decrease at NW Natural were as follows:

- $50.1 million decrease in accounts receivable due to comparatively warmer weather in the current year;
- $18.7 million increase in asset optimization revenue sharing bill credits to customers;
- $17.9 million increase in contributions to our defined benefit pension plan; and
- $15.1 million decrease in net income; partially offset by
- $27.8 million decrease in accounts payable resulting from payments of higher priced gas in the prior year;
- $14.3 million increase in the decoupling mechanism primarily due to lower residential customer usage; and
- $10.6 million decrease in inventories due to higher priced gas and more gas withdrawn from storage in the prior year.

The decrease in cash provided by operating activities at NW Holdings was primarily driven by the factors discussed above. In addition, Ohio Renewables paid $26.0 million in September 2024 in connection with the EDL RNG facility agreement.

NW Natural made $17.9 million of cash contributions to its qualified defined benefit pension plans during the nine months ended September 30, 2024 and no cash contributions during the nine months ended September 30, 2023. In October 2024, NW Natural made a $2.6 million cash contribution and does not expect to make further contributions to the pension plan during the remainder of 2024. The amount and timing of future contributions will depend on market interest rates and investment returns on the plans' assets. For additional information, see Note 10.

NW Holdings and NW Natural have lease and purchase commitments relating to their 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 in the 2023 Form 10-K.

Investing Activities

	Nine Months Ended September 30,		
In thousands	2024	2023	YTD Change
NW Natural cash used in investing activities	$ (267,081)	$ (219,892)	$ (47,189)
NW Holdings cash used in investing activities	(326,295)	(250,520)	(75,775)

NINE MONTHS ENDED SEPTEMBER 30, 2024 COMPARED TO SEPTEMBER 30, 2023. Cash used in investing activities increased $75.8 million at NW Holdings and $47.2 million at NW Natural. The increase in cash used in investing activities at NW Natural and NW Holdings was primarily driven by higher capital expenditures as we continue to invest in our natural gas, water and wastewater utility systems. In addition, NWN Water completed the acquisition of ICH in September 2024 and paid $28.9 million in cash consideration.

NW Natural capital expenditures for 2024 are expected to be in the range of $350 million to $400 million and for the five-year period from 2024 to 2028 are expected to range from $1.4 billion to $1.6 billion. NW Natural Water is expected to invest approximately $40 million in 2024 related to maintenance capital expenditures for water and wastewater utilities owned as of December 31, 2023, and for the five-year period from 2024 to 2028 capital expenditures are expected to invest approximately $120 million to $140 million.

The timing and amount of the core capital expenditures and projects for 2024 and the next five years could change based on regulation, growth, and cost estimates. Additional investments in our infrastructure during and after 2024 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

	Nine Months Ended September 30,		
In thousands	2024	2023	YTD Change
NW Natural cash provided by financing activities	$ 27,930	$ 60,964	$ (33,034)
NW Holdings cash provided by financing activities	103,782	79,533	24,249

NINE MONTHS ENDED SEPTEMBER 30, 2024 COMPARED TO SEPTEMBER 30, 2023. Cash provided by financing activities increased $24.2 million at NW Holdings and decreased $33.0 million at NW Natural. The decrease at NW Natural was attributable to a decrease in long-term debt issuances, partially offset by higher short-term debt borrowings and lower retirements of long-term debt.

The increase in cash provided by financing activities at NW Holdings was primarily driven by lower payments on short-term debt and higher proceeds from common stock issuances, partially offset by a decrease in long-term debt issuances and higher payments made to retire long-term debt.

Contingent Liabilities

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. See "*Application of Critical Accounting Policies and Estimates*" in the 2023 Form 10-K. At September 30, 2024, NW Natural's total estimated liability related to environmental sites is $105.1 million. See "Results of Operations—Regulatory Matters—Rate Mechanisms—*Environmental Cost Deferral and Recovery*" in the 2023 Form 10-K and Note 17.

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 if they 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.

There have been no material changes to the information provided in the 2023 Form 10-K with respect to the application of critical accounting policies and estimates. See Part II, Item 7, "*Application of Critical Accounting Policies and Estimates,*" in the 2023 Form 10-K.

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

ITEM 3. 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. Management monitors and manages these financial exposures as an integral part of NW Holdings' and NW Natural's overall risk management program. No material changes have occurred related to disclosures about market risk for the nine months ended September 30, 2024. For additional information, see Part II, Item 1A, "*Risk Factors*" in this report and Part II, Item 7A, "*Quantitative and Qualitative Disclosures about Market Risk*" in the 2023 Form 10-K.

ITEM 4. 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 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 Exchange Act Rule 13a-15(f).

There were no changes in NW Holdings' or NW Natural's internal control over financial reporting during the quarter ended September 30, 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 4(b).

PART II. OTHER INFORMATION

ITEM 1. LEGAL PROCEEDINGS

Other than the proceedings disclosed in Note 17 and those proceedings disclosed and incorporated by reference in Part I, Item 3, "*Legal Proceedings*" in the 2023 Form 10-K, we have only nonmaterial litigation, or litigation that occurs in the ordinary course of our business.

ITEM 1A. RISK FACTORS

There were no material changes from the risk factors discussed in Part I, Item 1A, "Risk Factors" in the 2023 Form 10-K. In addition to the other information set forth in this report, you should carefully consider those risk factors, which could materially affect our business, financial condition, or results of operations.

ITEM 2. UNREGISTERED SALES OF EQUITY SECURITIES AND USE OF PROCEEDS

The following table provides information about purchases of NW Holdings' equity securities that are registered pursuant to Section 12 of the Securities Exchange Act of 1934, as amended, during the quarter ended September 30, 2024:

Issuer Purchases of Equity Securities

Period	Total Number of Shares Purchased[(1)]	Average Price Paid per Share	Total Number of Shares Purchased as Part of Publicly Announced Plans or Programs[(2)]	Maximum Dollar Value of Shares that May Yet Be Purchased Under the Plans or Programs[(2)]
Balance forward			2,124,528	$ 150,000,000
07/01/24-07/31/24	—	—	—	—
08/01/24-08/31/24	—	—	—	—
09/01/24-09/30/24	—	—	—	—
Total	—	$ —	2,124,528	$ 150,000,000

(1) During the quarter ended September 30, 2024, no shares of common stock were purchased on the open market to meet the requirements of NW Holdings' Dividend Reinvestment and Direct Stock Purchase Plan. During the quarter ended September 30, 2024, no shares of NW Holdings common stock were purchased on the open market to meet the requirements of share-based compensation programs.

(2) During the quarter ended September 30, 2024, no shares of NW Holdings common stock were repurchased pursuant to the Board-approved share 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 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. For more information on our prior program, refer to Note 5 in the 2023 Form 10-K.

ITEM 5. OTHER INFORMATION

10b5-1 Trading Plan

On September 16, 2024, David H. Anderson, Chief Executive Officer of NW Holdings and NW Natural, adopted a Rule 10b5-1 trading arrangement for the sale of shares of NW Holdings’ common stock, which is intended to satisfy the affirmative defense conditions of Rule 10b5-1(c) under the Exchange Act. Mr. Anderson’s Rule 10b5-1 trading arrangement provides for the potential sale of up to 130,428 shares of NW Holdings’ common stock between December 20, 2024 and December 20, 2025, subject to conditions set forth in the arrangement, and so long as the market price of NW Holdings’ common stock is higher than certain minimum threshold prices specified in Mr. Anderson’s Rule 10b5-1 trading arrangement.

As previously disclosed, Mr. Anderson has announced his intention to retire from his position as CEO of NW Holdings and NW Natural, effective April 1, 2025. Mr. Anderson currently holds more than 8 times his annual salary in NW Holdings’ stock; an amount greater than required by the NW Holdings’ stock ownership requirements. This trading arrangement allows Mr. Anderson to periodically sell a portion of his NW Holdings common stock to diversify his holdings in connection with his retirement.

As of the date of this filing, Mr. Anderson holds the following shares that are not subject to his trading arrangement: 32,058 shares of which 11,349 are held in the Deferred Compensation Plan for Directors and Officers and 20,709 are held in his trust.

Except as described above, no other director or Section 16 officer adopted or terminated a “Rule 10b5-1 trading arrangement” or “non-Rule 10b5-1 trading arrangement,” as each term is defined in Item 408(a) of Regulation S-K, during the three months ended September 30, 2024.

Chief Information Officer and Chief Information Security Officer

Effective September 23, 2024, the Board of Directors appointed Brian Fellon as Vice President, Chief Information Officer and Chief Information Security Officer of NW Natural. Mr. Fellon reports to our President. Prior to joining NW Natural, Mr. Fellon served as Director of Information Technology at Puget Sound Energy in Bellevue, Washington from 2016 to September 2024, where he was responsible for applications services, artificial intelligence and data. Prior to that, Mr. Fellon held key information technology positions at Eddie Bauer, Recreational Equipment, Inc., and Boeing. Mr. Fellon received a Bachelor of Arts degree from the University of Washington and a Master of Business Administration from Seattle University. Mr. Fellon is supported by Mr. Carlson, our Director of Cybersecurity and Compliance and his team.

ITEM 6. EXHIBITS

See the Exhibit Index below, which is incorporated by reference herein.

NORTHWEST NATURAL GAS COMPANY
NORTHWEST NATURAL HOLDING COMPANY

Exhibit Index to Quarterly Report on Form 10-Q
For the Quarter Ended September 30, 2024

Exhibit Index

Exhibit Number	Document
31.1	Certification of Principal Executive Officer of Northwest Natural Gas Company Pursuant to Rule 13a-14(a)/15-d-14(a), Section 302 of the Sarbanes-Oxley Act of 2002.
31.2	Certification of Principal Financial Officer of Northwest Natural Gas Company Pursuant to Rule 13a-14(a)/15-d-14(a), Section 302 of the Sarbanes-Oxley Act of 2002.
31.3	Certification of Principal Executive Officer of Northwest Natural Holding Company Pursuant to Rule 13a-14(a)/15-d-14(a), Section 302 of the Sarbanes-Oxley Act of 2002.
31.4	Certification of Principal Financial Officer of Northwest Natural Holding Company Pursuant to Rule 13a-14(a)/15-d-14(a), Section 302 of the Sarbanes-Oxley Act of 2002.
*32.1	Certification of Principal Executive Officer and Principal Financial Officer of Northwest Natural Gas Company Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.
*32.2	Certification of Principal Executive Officer and Principal Financial Officer of Northwest Natural Holding Company Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.
101	The following materials formatted in Inline Extensible Business Reporting Language (Inline XBRL): (i) Consolidated Statements of Income; (ii) Consolidated Balance Sheets; (iii) Consolidated Statements of Cash Flows; and (iv) Related notes. The instance document does not appear in the interactive data file because XBRL tags are embedded within the Inline XBRL document.
104	The cover page from the Company's Quarterly Report on Form 10-Q for the quarter ended September 30, 2024, formatted in Inline XBRL.
Executive Compensation Plans and Arrangements	
10a.	Offer of Employment Letter between Northwest Natural Gas Company and an executive officer, dated July 22, 2024.
10b.	Special Restricted Stock Unit Award Agreement between Northwest Natural Holding Company and an executive officer, dated September 1, 2024.
10c.	Special Restricted Stock Unit Award Agreement between Northwest Natural Holding Company and an executive officer, dated September 1, 2024.

* Pursuant to Item 601(b)(32)(ii) of Regulation S-K, this certification is furnished and not filed for purposes of Section 18 of the Securities Exchange Act of 1934, as amended.

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, each Registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized. The signature for each undersigned company shall be deemed to relate only to matters having reference to such company and its subsidiaries.

NORTHWEST NATURAL GAS COMPANY
(Registrant)

Dated: November 12, 2024

/s/ Brody J. Wilson
Brody J. Wilson
Principal Accounting Officer
Vice President, Treasurer, Chief Accounting Officer and Controller

NORTHWEST NATURAL HOLDING COMPANY
(Registrant)

Dated: November 12, 2024

/s/ Brody J. Wilson
Brody J. Wilson
Principal Accounting Officer
Vice President, Treasurer, Chief Accounting Officer and Controller

July 22, 2024

Dear __________,

This letter is to confirm our offer of employment for the position of Senior Vice President and Chief Financial Officer, with a starting salary of $525,000 annually and a start date to be mutually agreed upon, pursuant to NW Natural Board approval. We know you will play an important role in our future growth and success, and we look forward to having you as a part of our executive leadership team.

With this offer, you will be eligible to participate in NW Natural's comprehensive compensation and benefit programs. As a member of our executive team, your vacation time will be coordinated with your manager and is not limited to specific days per year. Our 401(k) plan offers a generous company match of 60% of your first 8% of elective contributions (up to a maximum of 4.8% of annual salary). This match is immediately vested and contributed to your account each pay period. In addition, we offer an Enhanced 401(k) benefit that will contribute an amount equal to 5% of your gross earnings each pay period into your account. This Enhanced contribution is subject to a 3-year cliff vesting.

In addition to salary and benefits, you will be eligible to participate in our executive annual and long term incentive compensation programs. The Executive Annual Incentive Plan (EAIP) will provide you the opportunity to earn an incentive award based on company performance against pre-established goals and targets as well as individual performance. The annual target award opportunity under this program for your position is 60% of your annual salary and the maximum opportunity is 105%. Awards are prorated for partial year participation. Employees hired after September 30th of the current plan year are not eligible to participate in the EAIP until the following plan year.

The long term incentive opportunity is targeted to deliver to you approximately $550,000. In summary, the Performance Share plan provides participants the opportunity to earn company stock and cash dividend equivalents over a three-year period. The performance criteria for the Performance Share award includes the following: (1) A three-year ROIC Threshold which must be achieved before any awards from the cycle can be paid; (2) Cumulative EPS for the cycle relative to annually established targets will determine the payout prior to any modification, and (3) a relative total shareholder return modifier will be applied to payout if the company greatly outperforms or underperforms our peer companies. Additionally, the RSU program provides an annual grant of restricted stock units which vest ratably over four years if a performance threshold is achieved. The details of Performance Shares and RSUs will be provided in an agreement between you and NW Natural and are subject to Board approval in our February 2025 meeting.

You will be eligible to defer up to 50% of your salary and up to 100% of your annual incentive and long term incentives into a non-qualified deferred compensation program. This program has a provision that will make up for any portion of your 401(k) match and Enhanced benefit that cannot be earned due to exceeding IRS recognized income caps.

Subject to Board approval, you will receive a change in control severance agreement which provides 2 times base salary and target annual incentive if there is a change in ownership in the company and, as a result, you lose your job.

In addition to the items described above, you are also being offered the following:

- **A new hire, one-time sign on cash bonus in the amount of $200,000***.* In the event that your employment ends for any reason within the 24-month period after your start date, you agree that you will be liable to and must repay this sign-on bonus back to the company in full. This bonus, less applicable deductions and taxes, will be paid out 30 days from your start date.
- **A one-time relocation cash payment in the amount of $100,000.** In the event that you voluntarily terminate your employment or are terminated for cause within the 12-month period after your start date, you agree that you will be liable to and must repay this relocation payment back to the company in full. This payment, less applicable deductions and taxes, will be paid out 30 days from your start date.
- **Subject to Board approval, a special retention grant of Restricted Stock Units (Special RSUs) approximately valued at $300,000**. This Special RSUs grant would not be subject to performance criteria and would vest one-third on each anniversary of the grant date, assuming continued employment. The details of this grant will be described in a separate agreement and will be awarded to you no later than September 2024.

Please refer to the attached Total Compensation Package Summary for Non-Bargaining Employees for additional details regarding benefit programs and eligibility. If you accept employment with NW Natural and wish to include dependents under your health plans, please note that documentation will be required to verify dependent eligibility. If you do not have copies available of your marriage certificate (to cover a spouse) or birth certificates (to cover children) you may want to request them, as these are necessary to add your dependents to your health coverage. If you wish to cover a domestic partner on your health plans, a domestic partner affidavit must be completed by you and your domestic partner. You can obtain this form by contacting a member of the benefits team. Of course, compensation and benefits programs are subject to change at the Company's discretion.

In accepting our offer of employment, you acknowledge your understanding that your employment at NW Natural will be on an at-will basis, meaning that either you or the Company is free to terminate the employment relationship at any time with or without cause or notice.

This offer is contingent upon NW Natural Holdings Board of Director's approval and appointment of you to the CFO role, satisfactory results from our background check, credit check, references, and I-9 documentation.

I am confident that you will play an integral role in the future growth and success of the Company, and I believe you will find this new role both challenging and rewarding. Please signify your acceptance of this position and agreement to the terms of the offer by signing this letter and returning the original to __________ with a copy to me. If you have any questions, please do not hesitate to contact me.

Sincerely,

Justin Palfreyman
President, NW Natural & Holdings

ACCEPTED:

_________________________________ _________________________________
__________ Date

EXHIBIT 10b

SPECIAL RESTRICTED STOCK UNIT AWARD AGREEMENT

This Agreement is entered into as of September 1, 2024, between Northwest Natural Holding Company, an Oregon corporation (the “Company”), and __________ (“Recipient”).

On September 1, 2024, the Organization and Executive Compensation Committee (the “Committee”) of the Company’s Board of Directors (the “Board”) awarded restricted stock units to Recipient pursuant to Section 6 of the Company’s Long Term Incentive Plan (the “Plan”). Recipient desires to accept the award subject to the terms and conditions of this Agreement.

NOW, THEREFORE, the parties agree as follows:

1. Grant of Restricted Stock Units; Dividend Equivalents. Subject to the terms and conditions of this Agreement, the Company hereby grants to the Recipient 7,815 restricted stock units (the “RSUs”). The grant of RSUs obligates the Company, upon vesting in accordance with this Agreement, to deliver to the Recipient one share of Common Stock of the Company (a “Share”) for each RSU. Upon vesting of each RSU, the Company also agrees to make a dividend equivalent cash payment with respect to each vested RSU in an amount equal to the total amount of dividends paid per share of Company Common Stock for which the dividend record dates occurred after the date of this Agreement and before the date of delivery of the underlying Shares. The RSUs are subject to forfeiture as set forth in Section 2.8 below.

2. Vesting; Forfeiture Restriction.

2.1 Vesting Schedule. All of the RSUs shall initially be unvested. Subject to Sections 2.2, 2.3, 2.8 and 5.2, the RSUs shall vest as follows:

(a) one-third of the RSUs shall vest on September 1, 2025;

(b) an additional one-third of the RSUs shall vest on September 1, 2026;

(c) the remaining one-third of the RSUs shall vest on September 1, 2027.

2.2 Effect of Death or Disability. If Recipient’s employment by the Company or any parent or subsidiary of the Company (the “Employer”) terminates because of death or physical disability (within the meaning of Section 22(e)(3) of the Internal Revenue Code of 1986, as amended, and the regulations and guidance promulgated thereunder (the “Code”)), all outstanding RSUs shall immediately vest. For avoidance of doubt, Recipient’s employment with the Employer will not be deemed terminated for purposes of this Agreement if Recipient remains employed by the Company or a parent or subsidiary of the Company.

2.3 CIC Acceleration. CIC Acceleration if Party to a Severance Agreement. If Recipient is a party to a Change in Control Severance Agreement with the Company or a parent or subsidiary of the Company, all outstanding RSUs shall immediately vest if Recipient becomes entitled to a Change in Control Severance Benefit (as defined below). A "Change in Control Severance Benefit" means the severance benefit provided for in Recipient's Change in Control Severance Agreement with the Company or a parent or subsidiary of the Company; provided, however, that such severance benefit is a "Change in Control Severance Benefit" for purposes of this Agreement only if, under the terms of Recipient's Change in Control Severance Agreement, Recipient becomes entitled to the severance benefit (a) after a change in control of the Company has occurred, (b) because Recipient's employment with the Employer has been terminated by Recipient for good reason in accordance with the terms and conditions of the Change in Control Severance Agreement or by the Employer other than for cause, and (c) because Recipient has satisfied any other conditions or requirements specified in the Change in Control Severance Agreement and necessary for Recipient to become entitled to receive the severance benefit. For purposes of this Section 2.1, the terms "change in control," "good reason," "cause" and "disability" shall have the meanings set forth in Recipient's Change in Control Severance Agreement.

2.4 CIC Acceleration if Not a Party to a Severance Agreement. If Recipient is not a party to a Change in Control Severance Agreement with the Company or a parent or subsidiary of the Company, all outstanding RSUs shall immediately vest if a Change in Control (as defined in Section 2.3 below) occurs and at any time after the earlier of Shareholder Approval (as defined in Section 2.4 below), if any, or the Change in Control and on or before the second anniversary of the Change in Control, (a) Recipient's employment is terminated by the Employer (or its successor) without Cause (as defined in Section 2.5 below), or (b) Recipient's employment is terminated by Recipient for Good Reason (as defined in Section 2.6 below).

2.5 Change in Control. For purposes of this Agreement, a "Change in Control" of the Company shall mean the occurrence of any of the following events:

(a) The consummation of:

(1) any consolidation, merger or plan of share exchange involving the Company (a "Merger") as a result of which the holders of outstanding securities of the Company ordinarily having the right to vote for the election of directors ("Voting Securities") immediately prior to the Merger do not continue to hold at least 50% of the combined voting power of the outstanding Voting Securities of the surviving corporation or a parent corporation of the surviving corporation immediately after the Merger, disregarding any Voting Securities issued to or retained by such holders in respect of securities of any other party to the Merger; or

(2) any consolidation, merger, plan of share exchange or other transaction involving Northwest Natural Gas Company ("NW Natural") as a result of which the Company does not continue to hold, directly or indirectly, at least 50% of the outstanding securities of NW Natural ordinarily having the right to vote for the election of directors; or

(3) any sale, lease, exchange or other transfer (in one transaction or a series of related transactions) of all, or substantially all, the assets of the Company or NW Natural; or

(b) At any time during a period of two consecutive years, individuals who at the beginning of such period constituted the Board ("Incumbent Directors") shall cease for any reason to constitute at least a majority thereof; provided, however, that the term "Incumbent Director" shall also include each new director elected during such two-year period whose nomination or election was approved by two-thirds of the Incumbent Directors then in office; or

(c) Any person (as such term is used in Section 14(d) of the Securities Exchange Act of 1934, other than the Company or any employee benefit plan sponsored by the Company or NW Natural) shall, as a result of a tender or exchange offer, open market purchases or privately negotiated purchases from anyone other than the Company, have become the beneficial owner (within the meaning of Rule 13d-3 under the Securities Exchange Act of 1934), directly or indirectly, of Voting Securities representing twenty percent (20%) or more of the combined voting power of the then outstanding Voting Securities, but disregarding any Voting Securities with respect to which that acquirer has filed SEC Schedule 13G indicating that the Voting Securities were not acquired and are not held for the purpose of or with the effect of changing or influencing, directly or indirectly, the Company's management or policies, unless and until that entity or person files SEC Schedule 13D, at which point this exception will not apply to such Voting Securities, including those previously subject to a SEC Schedule 13G filing.

2.6 Shareholder Approval. For purposes of this Agreement, "Shareholder Approval" shall be deemed to have occurred if the shareholders of the Company approve an agreement entered into by the Company, the consummation of which would result in the occurrence of a Change in Control.

2.7 Cause. For purposes of this Agreement, "Cause" shall mean (a) the willful and continued failure by Recipient to perform substantially Recipient's assigned duties with the Employer (other than any such failure resulting from incapacity due to physical or mental illness) after a demand for substantial performance is delivered to Recipient by the Employer which specifically identifies the manner in which Recipient has not substantially performed such duties, (b) willful commission by Recipient of an act of fraud or dishonesty resulting in economic or financial injury to the Company or the Employer, (c) willful misconduct by Recipient that substantially impairs the business or reputation of the Company or the Employer, or (d) willful gross negligence by Recipient in the performance of his or her duties.

2.8 Good Reason. For purposes of this Agreement, "Good Reason" shall mean the occurrence after Shareholder Approval, if applicable, or the Change in Control, of any of the following circumstances, but only if (x) Recipient gives notice to the Employer of Recipient's intent to terminate employment for Good Reason within 30 days after the later of

(1) notice to Recipient of such circumstances, or (2) the Change in Control, and (y) such circumstances are not fully corrected by the Employer within 90 days after Recipient's notice:

(a) the assignment to Recipient of a different title, job or responsibilities that results in a decrease in the level of Recipient's responsibility; provided that Good Reason shall not exist if Recipient continues to have the same or a greater general level of responsibility for the former Employer operations after the Change in Control as Recipient had prior to the Change in Control even though such responsibilities have necessarily changed due to the former Employer operations becoming a subsidiary or division of the surviving company;

(b) a reduction by the Employer in Recipient's base salary as in effect immediately prior to the earlier of Shareholder Approval, if applicable, or the Change in Control;

(c) the failure by the Employer to continue in effect any employee benefit or incentive plan in which Recipient is participating immediately prior to the earlier of Shareholder Approval, if applicable, or the Change in Control (or plans providing Recipient with at least substantially similar benefits) other than as a result of the normal expiration of any such plan in accordance with its terms as in effect immediately prior to the earlier of Shareholder Approval, if applicable, or the Change in Control, or the taking of any action, or the failure to act, by the Employer which would adversely affect Recipient's continued participation in any of such plans on at least as favorable a basis to Recipient as is the case immediately prior to the earlier of Shareholder Approval, if applicable, or the Change in Control or which would materially reduce Recipient's benefits in the future under any of such plans or deprive Recipient of any material benefit enjoyed by Recipient immediately prior to the earlier of Shareholder Approval, if applicable, or the Change in Control;

(d) the failure by the Employer to provide and credit Recipient with the number of paid vacation days to which Recipient is then entitled in accordance with the Employer's normal vacation policy as in effect immediately prior to the earlier of Shareholder Approval, if applicable, or the Change in Control; or

(e) the Employer's requiring Recipient to be based more than 25 miles from where Recipient's office is located immediately prior to the earlier of Shareholder Approval, if applicable, or the Change in Control except for required travel on the Employer's business to an extent substantially consistent with the business travel obligations which Recipient undertook on behalf of the Employer prior to the earlier of Shareholder Approval, if applicable, or the Change in Control.

2.9 Forfeiture; Possible Restoration. If Recipient ceases to be employed by the Employer for any reason or for no reason, with or without cause, other than because of death or physical disability (within the meaning of Section 22(e)(3) of the Code), any RSUs that did not vest pursuant to this Section 2 or Section 5.2 at or prior to the time of such termination of employment shall be forfeited to the Company; provided, however, that if Recipient's employment is terminated by the Employer without Cause or by the Recipient for Good Reason after Shareholder Approval but before a Change in Control, any RSUs that are forfeited under this sentence shall be restored to the Recipient and vested if a Change in Control subsequently occurs within two years.

3. Delivery. Subject to applicable tax withholding, on a date (a "Payment Date") as soon as practicable after any of the RSUs become vested, the Company shall deliver to Recipient the number of Shares underlying the RSUs that vested (rounded down to the nearest whole share) and the dividend equivalent cash payment determined under Section 1 with respect to the number of Shares that are delivered.

4. Tax Withholding.

4.1 Recipient acknowledges that, on any Payment Date when Shares are delivered to Recipient, the Value (as defined below) on that date of the Shares so delivered (as well as the amount of the related dividend equivalent cash payment) will be treated as ordinary compensation income for federal and state income and FICA tax purposes, and that the Employer will be required to withhold taxes on these income amounts. To satisfy the required withholding amount, the Employer shall first withhold all or part of the dividend equivalent cash payment, and if that is insufficient, the Employer shall withhold the number of Shares having a Value equal to the remaining withholding amount. For purposes of this Section 4, the "Value" of a Share shall be equal to the closing market price for Company Common Stock on the last trading day preceding the date on which the Share is treated for federal income tax purposes as transferred to Recipient.

4.2 If the Employer is required to withhold FICA taxes with respect to the RSUs prior to the time the shares underlying the RSU otherwise become payable, Recipient shall, immeidatley upon notification of the amount due, pay to the Company in cash or by check amounts necessary to satisfy applicable FICA withholding requirements. If Recipient fails to pay the amount demanded, the Company may withhold that amount from other amounts payable to Recipient, including salary, subject to applicable law. Alternatively, the Employer may, in its sole discretion, choose to treat the FICA withholding as a loan to Recipient on terms determined by the Employer and communicated to Recipient.

4.3 Notwithstanding Section 4.1, Recipient may elect not to have Shares withheld to cover taxes by giving notice to the Employer in writing prior to the Payment Date, in which case the Shares shall be issued or acquired in Recipient's name on the Payment Date thereby triggering the tax consequences, but the Company shall retain the certificate for the Shares as security until Recipient shall have paid to the Company in cash any required tax withholding not covered by withholding of the dividend equivalent cash payment.

5. Sale of the Company. If there shall occur a merger, consolidation or plan of exchange involving the Company pursuant to which the outstanding shares of Common Stock of the Company are converted into cash or other stock, securities or property, or a sale, lease,

exchange or other transfer (in one transaction or a series of related transactions) of all, or substantially all, the assets of the Company, then either:

5.1 the unvested RSUs shall be converted into restricted stock units for stock of the surviving or acquiring corporation in the applicable transaction, using the exchange rate, if any, used in determining shares of the surviving corporation to be held by the former holders of the Company's Common Stock following the applicable transaction, or, if there was no exchange rate, taking into account the relative values of the companies involved in the appliable transaction, and disregarding fractional shares with the amount and type of shares subject to thereto to be conclusively determined by the Committee; or

5.2 the unvested RSUs shall be converted into a cash payment obligation of the suriving or acquiring corporation in an amount equal to the proceeds a holder of the underlying shares would have received in proceeds from such transaction with respect to those shares, plus the related dividend equivalent cash payment with respect to the underlying Shares; or

5.3 all of the unvested RSUs shall immediately vest and the underlying Shares and related dividend equivalent cash payment shall be delivered simultaneously with the closing of the applicable transaction such that Recipient will participate as a shareholder in receiving proceeds from such transaction with respect to those Shares.

6. Changes in Capital Structure. If, prior to the full vesting of all of the RSUs granted under this Agreement, the outstanding Common Stock of the Company is increased or decreased or changed into or exchanged for a different number or kind of shares or other securities of the Company by reason of any stock split, combination of shares or dividend payable in shares, recapitalization or reclassification, appropriate adjustment shall be made by the Committee in the number and kind of shares subject to the unvested RSUs so that Recipient's proportionate interest before and after the occurrence of the event is maintained. Notwithstanding the foregoing, the Committee shall have no obligation to effect any adjustment that would or might result in the issuance of fractional shares, and any fractional shares resulting from any adjustment may be disregarded or provided for in any manner determined by the Committee. Any such adjustments made by the Committee shall be conclusive.

7. Recoupment. This award shall be subject to recoupment as provided in the Company's Code of Conduct and the Company's Compensation Recovery Policy as in effect on the date hereof, as each may be amended, restated, or modified from time to time.

8. Approvals. The obligations of the Company under this Agreement are subject to the approval of state and federal authorities or agencies with jurisdiction in the matter. The Company will use its best efforts to take steps required by state or federal law or applicable regulations, including rules and regulations of the Securities and Exchange Commission and any stock exchange on which the Company's shares may then be listed, in connection with the award under this Agreement. The foregoing notwithstanding, the Company shall not be obligated to

issue or deliver Common Stock under this Agreement if such issuance or delivery would violate applicable state or federal law.

9. No Right to Employment. Nothing contained in this Agreement shall confer upon Recipient any right to be employed by the Employer or to continue to provide services to the Employer or to interfere in any way with the right of the Employer to terminate Recipient's services at any time for any reason, with or without cause.

10. Miscellaneous.

10.1 Entire Agreement; Amendment. This Agreement constitutes the entire agreement of the parties with regard to the subjects hereof and may be amended only by written agreement between the Company and Recipient.

10.2 Notices. Any notice required or permitted under this Agreement shall be in writing and shall be deemed sufficient when delivered personally to the party to whom it is addressed or when deposited into the United States Mail as registered or certified mail, return receipt requested, postage prepaid, addressed to the Company, Attention: Corporate Secretary, at 250 SW Taylor Street, Portland, Oregon, 97204, or to the Employer, Attention: Corporate Secretary, at its principal executive offices, or to Recipient at the address of Recipient in the Company's records, or at such other address as such party may designate by ten (10) days' advance written notice to the other party.

10.3 Assignment; Rights and Benefits. Recipient shall not assign this Agreement or any rights hereunder to any other party or parties without the prior written consent of the Company. The rights and benefits of this Agreement shall inure to the benefit of and be enforceable by the Company's successors and assigns and, subject to the foregoing restriction on assignment, be binding upon Recipient's heirs, executors, administrators, successors and assigns.

10.4 Further Action. The parties agree to execute such further instruments and to take such further action as may reasonably be necessary to carry out the intent of this Agreement.

10.5 Applicable Law; Attorneys' Fees. The terms and conditions of this Agreement shall be governed by the laws of the State of Oregon. In the event either party institutes litigation hereunder, the prevailing party shall be entitled to reasonable attorneys' fees to be set by the trial court and, upon any appeal, the appellate court.

Counterparts. This Agreement may be executed in two or more counterparts, each of which shall be deemed an original.

11. Section 409A.

11.1 The intent of the parties is that payments and benefits under this Agreement comply with Section 409A of the Code ("Section 409A"), to the extent subject thereto, or otherwise be exempt from Section 409A, and accordingly, to the maximum extent permitted, this Agreement shall be interpreted and administered to be exempt from or in compliance therewith. Each amount to be paid or benefit to be provided under this Agreement shall be construed as a separate and distinct payment for purposes of Section 409A. Without limiting the foregoing and notwithstanding anything contained herein to the contrary, to the extent required to avoid accelerated taxation and/or tax penalties under Section 409A:

(a) Recipient shall not be considered to have terminated employment with the Company for purposes of any payments under this Agreement which are subject to Section 409A until Recipient would be considered to have incurred a "separation from service" from the Company within the meaning of Section 409A;

(b) Amounts that would otherwise be payable and benefits that would otherwise be provided pursuant to this Agreement or any other arrangement between Recipient and the Company during the six (6) month period immediately following Recipient's separation from service shall instead be paid on the first business day after the date that is six (6) months following Recipient's separation from service (or, if earlier, Recipient's date of death);

(c) Any payment that will be in compliance with Section 409A only if payable under designations permitted by Treas. Reg. Section 1.409A-3(c), or only if payable upon termination of a deferred compensation plan pursuant to Treas. Reg. Section 1.409A-3(j)(iv), shall be made only in compliance with such regulations;

(d) Any payment that will be in compliance with Section 409A only if payable upon a change in control event within the meaning Treas. Reg. Section 1.409A-3(i)(5) shall be made only in compliance with such regulation; and

(e) If any severance amount payable under any other agreement that Recipient may have a right or entitlement to as of the date of this Agreement constitutes deferred compensation under Section 409A, then the portion of the benefits payable hereunder equal to such other amount shall instead be provided in the form set forth in such other agreement.

11.2 The Company makes no representation that any or all of the payments described in this Agreement will be exempt from or comply with Section 409A and makes no undertaking to preclude Section 409A from applying to any such payment. Recipient understands and agrees that Recipient shall be solely responsible for the payment of any taxes, penalties, interest or other expenses incurred by Recipient on account of non-compliance with Section 409A.

IN WITNESS WHEREOF, the parties hereto have executed this Agreement as of the day and year first above written.

NORTHWEST NATURAL HOLDING COMPANY

By __

Justin B. Palfreyman

Title President

RECIPIENT:

__

EXHIBIT 10c

SPECIAL RESTRICTED STOCK UNIT AWARD AGREEMENT

This Agreement is entered into as of September 1, 2024, between Northwest Natural Holding Company, an Oregon corporation (the "Company"), and ___________ ("Recipient").

On September 1, 2024, the Organization and Executive Compensation Committee (the "Committee") of the Company's Board of Directors (the "Board") awarded restricted stock units to Recipient pursuant to Section 6 of the Company's Long Term Incentive Plan (the "Plan"). Recipient desires to accept the award subject to the terms and conditions of this Agreement.

NOW, THEREFORE, the parties agree as follows:

1. Grant of Restricted Stock Units; Dividend Equivalents. Subject to the terms and conditions of this Agreement, the Company hereby grants to the Recipient 3,258 restricted stock units (the "RSUs"). The grant of RSUs obligates the Company, upon vesting in accordance with this Agreement, to deliver to the Recipient one share of Common Stock of the Company (a "Share") for each RSU. Upon vesting of each RSU, the Company also agrees to make a dividend equivalent cash payment with respect to each vested RSU in an amount equal to the total amount of dividends paid per share of Company Common Stock for which the dividend record dates occurred after the date of this Agreement and before the date of delivery of the underlying Shares. The RSUs are subject to forfeiture as set forth in Section 2.8 below.

2. Vesting; Forfeiture Restriction.

2.1 Vesting Schedule. All of the RSUs shall initially be unvested. Subject to Sections 2.2, 2.3, 2.8 and 5.2, the RSUs shall vest as follows:

(a) one-third of the RSUs shall vest on September 1, 2025;

(b) an additional one-third of the RSUs shall vest on September 1, 2026;

(c) the remaining one-third of the RSUs shall vest on September 1, 2027.

2.2 Effect of Death or Disability. If Recipient's employment by the Company or any parent or subsidiary of the Company (the "Employer") terminates because of death or physical disability (within the meaning of Section 22(e)(3) of the Internal Revenue Code of 1986, as amended, and the regulations and guidance promulgated thereunder (the "Code")), all outstanding RSUs shall immediately vest. For avoidance of doubt, Recipient's employment with the Employer will not be deemed terminated for purposes of this Agreement if Recipient remains employed by the Company or a parent or subsidiary of the Company.

2.3 CIC Acceleration. CIC Acceleration if Party to a Severance Agreement. If Recipient is a party to a Change in Control Severance Agreement with the Company or a parent or subsidiary of the Company, all outstanding RSUs shall immediately vest if Recipient becomes entitled to a Change in Control Severance Benefit (as defined below). A "Change in Control Severance Benefit" means the severance benefit provided for in Recipient's Change in Control Severance Agreement with the Company or a parent or subsidiary of the Company; provided, however, that such severance benefit is a "Change in Control Severance Benefit" for purposes of this Agreement only if, under the terms of Recipient's Change in Control Severance Agreement, Recipient becomes entitled to the severance benefit (a) after a change in control of the Company has occurred, (b) because Recipient's employment with the Employer has been terminated by Recipient for good reason in accordance with the terms and conditions of the Change in Control Severance Agreement or by the Employer other than for cause, and (c) because Recipient has satisfied any other conditions or requirements specified in the Change in Control Severance Agreement and necessary for Recipient to become entitled to receive the severance benefit. For purposes of this Section 2.1, the terms "change in control," "good reason," "cause" and "disability" shall have the meanings set forth in Recipient's Change in Control Severance Agreement.

2.4 CIC Acceleration if Not a Party to a Severance Agreement. If Recipient is not a party to a Change in Control Severance Agreement with the Company or a parent or subsidiary of the Company, all outstanding RSUs shall immediately vest if a Change in Control (as defined in Section 2.3 below) occurs and at any time after the earlier of Shareholder Approval (as defined in Section 2.4 below), if any, or the Change in Control and on or before the second anniversary of the Change in Control, (a) Recipient's employment is terminated by the Employer (or its successor) without Cause (as defined in Section 2.5 below), or (b) Recipient's employment is terminated by Recipient for Good Reason (as defined in Section 2.6 below).

2.5 Change in Control. For purposes of this Agreement, a "Change in Control" of the Company shall mean the occurrence of any of the following events:

(a) The consummation of:

(1) any consolidation, merger or plan of share exchange involving the Company (a "Merger") as a result of which the holders of outstanding securities of the Company ordinarily having the right to vote for the election of directors ("Voting Securities") immediately prior to the Merger do not continue to hold at least 50% of the combined voting power of the outstanding Voting Securities of the surviving corporation or a parent corporation of the surviving corporation immediately after the Merger, disregarding any Voting Securities issued to or retained by such holders in respect of securities of any other party to the Merger; or

(2) any consolidation, merger, plan of share exchange or other transaction involving Northwest Natural Gas Company ("NW Natural") as a result of which the Company does not continue to hold, directly or indirectly, at least 50% of the outstanding securities of NW Natural ordinarily having the right to vote for the election of directors; or

(3) any sale, lease, exchange or other transfer (in one transaction or a series of related transactions) of all, or substantially all, the assets of the Company or NW Natural; or

(b) At any time during a period of two consecutive years, individuals who at the beginning of such period constituted the Board ("Incumbent Directors") shall cease for any reason to constitute at least a majority thereof; provided, however, that the term "Incumbent Director" shall also include each new director elected during such two-year period whose nomination or election was approved by two-thirds of the Incumbent Directors then in office; or

(c) Any person (as such term is used in Section 14(d) of the Securities Exchange Act of 1934, other than the Company or any employee benefit plan sponsored by the Company or NW Natural) shall, as a result of a tender or exchange offer, open market purchases or privately negotiated purchases from anyone other than the Company, have become the beneficial owner (within the meaning of Rule 13d-3 under the Securities Exchange Act of 1934), directly or indirectly, of Voting Securities representing twenty percent (20%) or more of the combined voting power of the then outstanding Voting Securities, but disregarding any Voting Securities with respect to which that acquirer has filed SEC Schedule 13G indicating that the Voting Securities were not acquired and are not held for the purpose of or with the effect of changing or influencing, directly or indirectly, the Company's management or policies, unless and until that entity or person files SEC Schedule 13D, at which point this exception will not apply to such Voting Securities, including those previously subject to a SEC Schedule 13G filing.

2.6 Shareholder Approval. For purposes of this Agreement, "Shareholder Approval" shall be deemed to have occurred if the shareholders of the Company approve an agreement entered into by the Company, the consummation of which would result in the occurrence of a Change in Control.

2.7 Cause. For purposes of this Agreement, "Cause" shall mean (a) the willful and continued failure by Recipient to perform substantially Recipient's assigned duties with the Employer (other than any such failure resulting from incapacity due to physical or mental illness) after a demand for substantial performance is delivered to Recipient by the Employer which specifically identifies the manner in which Recipient has not substantially performed such duties, (b) willful commission by Recipient of an act of fraud or dishonesty resulting in economic or financial injury to the Company or the Employer, (c) willful misconduct by Recipient that substantially impairs the business or reputation of the Company or the Employer, or (d) willful gross negligence by Recipient in the performance of his or her duties.

2.8 Good Reason. For purposes of this Agreement, "Good Reason" shall mean the occurrence after Shareholder Approval, if applicable, or the Change in Control, of any of the following circumstances, but only if (x) Recipient gives notice to the Employer of Recipient's intent to terminate employment for Good Reason within 30 days after the later of

(1) notice to Recipient of such circumstances, or (2) the Change in Control, and (y) such circumstances are not fully corrected by the Employer within 90 days after Recipient's notice:

(a) the assignment to Recipient of a different title, job or responsibilities that results in a decrease in the level of Recipient's responsibility; provided that Good Reason shall not exist if Recipient continues to have the same or a greater general level of responsibility for the former Employer operations after the Change in Control as Recipient had prior to the Change in Control even though such responsibilities have necessarily changed due to the former Employer operations becoming a subsidiary or division of the surviving company;

(b) a reduction by the Employer in Recipient's base salary as in effect immediately prior to the earlier of Shareholder Approval, if applicable, or the Change in Control;

(c) the failure by the Employer to continue in effect any employee benefit or incentive plan in which Recipient is participating immediately prior to the earlier of Shareholder Approval, if applicable, or the Change in Control (or plans providing Recipient with at least substantially similar benefits) other than as a result of the normal expiration of any such plan in accordance with its terms as in effect immediately prior to the earlier of Shareholder Approval, if applicable, or the Change in Control, or the taking of any action, or the failure to act, by the Employer which would adversely affect Recipient's continued participation in any of such plans on at least as favorable a basis to Recipient as is the case immediately prior to the earlier of Shareholder Approval, if applicable, or the Change in Control or which would materially reduce Recipient's benefits in the future under any of such plans or deprive Recipient of any material benefit enjoyed by Recipient immediately prior to the earlier of Shareholder Approval, if applicable, or the Change in Control;

(d) the failure by the Employer to provide and credit Recipient with the number of paid vacation days to which Recipient is then entitled in accordance with the Employer's normal vacation policy as in effect immediately prior to the earlier of Shareholder Approval, if applicable, or the Change in Control; or

(e) the Employer's requiring Recipient to be based more than 25 miles from where Recipient's office is located immediately prior to the earlier of Shareholder Approval, if applicable, or the Change in Control except for required travel on the Employer's business to an extent substantially consistent with the business travel obligations which Recipient undertook on behalf of the Employer prior to the earlier of Shareholder Approval, if applicable, or the Change in Control.

2.9 Forfeiture; Possible Restoration. If Recipient ceases to be employed by the Employer for any reason or for no reason, with or without cause, other than because of death or physical disability (within the meaning of Section 22(e)(3) of the Code), any RSUs that did not vest pursuant to this Section 2 or Section 5.2 at or prior to the time of such termination of employment shall be forfeited to the Company; provided, however, that if Recipient's employment is terminated by the Employer without Cause or by the Recipient for Good Reason after Shareholder Approval but before a Change in Control, any RSUs that are forfeited under this sentence shall be restored to the Recipient and vested if a Change in Control subsequently occurs within two years.

3. Delivery. Subject to applicable tax withholding, on a date (a "Payment Date") as soon as practicable after any of the RSUs become vested, the Company shall deliver to Recipient the number of Shares underlying the RSUs that vested (rounded down to the nearest whole share) and the dividend equivalent cash payment determined under Section 1 with respect to the number of Shares that are delivered.

4. Tax Withholding.

4.1 Recipient acknowledges that, on any Payment Date when Shares are delivered to Recipient, the Value (as defined below) on that date of the Shares so delivered (as well as the amount of the related dividend equivalent cash payment) will be treated as ordinary compensation income for federal and state income and FICA tax purposes, and that the Employer will be required to withhold taxes on these income amounts. To satisfy the required withholding amount, the Employer shall first withhold all or part of the dividend equivalent cash payment, and if that is insufficient, the Employer shall withhold the number of Shares having a Value equal to the remaining withholding amount. For purposes of this Section 4, the "Value" of a Share shall be equal to the closing market price for Company Common Stock on the last trading day preceding the date on which the Share is treated for federal income tax purposes as transferred to Recipient.

4.2 If the Employer is required to withhold FICA taxes with respect to the RSUs prior to the time the shares underlying the RSU otherwise become payable, Recipient shall, immeidatley upon notification of the amount due, pay to the Company in cash or by check amounts necessary to satisfy applicable FICA withholding requirements. If Recipient fails to pay the amount demanded, the Company may withhold that amount from other amounts payable to Recipient, including salary, subject to applicable law. Alternatively, the Employer may, in its sole discretion, choose to treat the FICA withholding as a loan to Recipient on terms determined by the Employer and communicated to Recipient.

4.3 Notwithstanding Section 4.1, Recipient may elect not to have Shares withheld to cover taxes by giving notice to the Employer in writing prior to the Payment Date, in which case the Shares shall be issued or acquired in Recipient's name on the Payment Date thereby triggering the tax consequences, but the Company shall retain the certificate for the Shares as security until Recipient shall have paid to the Company in cash any required tax withholding not covered by withholding of the dividend equivalent cash payment.

5. Sale of the Company. If there shall occur a merger, consolidation or plan of exchange involving the Company pursuant to which the outstanding shares of Common Stock of the Company are converted into cash or other stock, securities or property, or a sale, lease, exchange or other transfer (in one transaction or a series of related transactions) of all, or substantially all, the assets of the Company, then either:

5.1 the unvested RSUs shall be converted into restricted stock units for stock of the surviving or acquiring corporation in the applicable transaction, using the exchange rate, if any, used in determining shares of the surviving corporation to be held by the former holders of the Company's Common Stock following the applicable transaction, or, if there was no exchange rate, taking into account the relative values of the companies involved in the appliable transaction, and disregarding fractional shares with the amount and type of shares subject to thereto to be conclusively determined by the Committee; or

5.2 the unvested RSUs shall be converted into a cash payment obligation of the suriving or acquiring corporation in an amount equal to the proceeds a holder of the underlying shares would have received in proceeds from such transaction with respect to those shares, plus the related dividend equivalent cash payment with respect to the underlying Shares; or

5.3 all of the unvested RSUs shall immediately vest and the underlying Shares and related dividend equivalent cash payment shall be delivered simultaneously with the closing of the applicable transaction such that Recipient will participate as a shareholder in receiving proceeds from such transaction with respect to those Shares.

6. Changes in Capital Structure. If, prior to the full vesting of all of the RSUs granted under this Agreement, the outstanding Common Stock of the Company is increased or decreased or changed into or exchanged for a different number or kind of shares or other securities of the Company by reason of any stock split, combination of shares or dividend payable in shares, recapitalization or reclassification, appropriate adjustment shall be made by the Committee in the number and kind of shares subject to the unvested RSUs so that Recipient's proportionate interest before and after the occurrence of the event is maintained. Notwithstanding the foregoing, the Committee shall have no obligation to effect any adjustment that would or might result in the issuance of fractional shares, and any fractional shares resulting from any adjustment may be disregarded or provided for in any manner determined by the Committee. Any such adjustments made by the Committee shall be conclusive.

7. Recoupment. This award shall be subject to recoupment as provided in the Company's Code of Conduct and the Company's Compensation Recovery Policy as in effect on the date hereof, as each may be amended, restated, or modified from time to time.

8. Approvals. The obligations of the Company under this Agreement are subject to the approval of state and federal authorities or agencies with jurisdiction in the matter. The Company will use its best efforts to take steps required by state or federal law or applicable regulations, including rules and regulations of the Securities and Exchange Commission and any stock exchange on which the Company's shares may then be listed, in connection with the award under this Agreement. The foregoing notwithstanding, the Company shall not be obligated to issue or deliver Common Stock under this Agreement if such issuance or delivery would violate applicable state or federal law.

9. No Right to Employment. Nothing contained in this Agreement shall confer upon Recipient any right to be employed by the Employer or to continue to provide services to the Employer or to interfere in any way with the right of the Employer to terminate Recipient's services at any time for any reason, with or without cause.

10. Miscellaneous.

10.1 Entire Agreement; Amendment. This Agreement constitutes the entire agreement of the parties with regard to the subjects hereof and may be amended only by written agreement between the Company and Recipient.

10.2 Notices. Any notice required or permitted under this Agreement shall be in writing and shall be deemed sufficient when delivered personally to the party to whom it is addressed or when deposited into the United States Mail as registered or certified mail, return receipt requested, postage prepaid, addressed to the Company, Attention: Corporate Secretary, at 250 SW Taylor Street, Portland, Oregon, 97204, or to the Employer, Attention: Corporate Secretary, at its principal executive offices, or to Recipient at the address of Recipient in the Company's records, or at such other address as such party may designate by ten (10) days' advance written notice to the other party.

10.3 Assignment; Rights and Benefits. Recipient shall not assign this Agreement or any rights hereunder to any other party or parties without the prior written consent of the Company. The rights and benefits of this Agreement shall inure to the benefit of and be enforceable by the Company's successors and assigns and, subject to the foregoing restriction on assignment, be binding upon Recipient's heirs, executors, administrators, successors and assigns.

10.4 Further Action. The parties agree to execute such further instruments and to take such further action as may reasonably be necessary to carry out the intent of this Agreement.

10.5 Applicable Law; Attorneys' Fees. The terms and conditions of this Agreement shall be governed by the laws of the State of Oregon. In the event either party institutes litigation hereunder, the prevailing party shall be entitled to reasonable attorneys' fees to be set by the trial court and, upon any appeal, the appellate court.

Counterparts. This Agreement may be executed in two or more counterparts, each of which shall be deemed an original.

11. Section 409A.

11.1 The intent of the parties is that payments and benefits under this Agreement comply with Section 409A of the Code ("Section 409A"), to the extent subject thereto, or otherwise be exempt from Section 409A, and accordingly, to the maximum extent permitted, this Agreement shall be interpreted and administered to be exempt from or in compliance therewith. Each amount to be paid or benefit to be provided under this Agreement shall be construed as a separate and distinct payment for purposes of Section 409A. Without limiting the foregoing and notwithstanding anything contained herein to the contrary, to the extent required to avoid accelerated taxation and/or tax penalties under Section 409A:

(a) Recipient shall not be considered to have terminated employment with the Company for purposes of any payments under this Agreement which are subject to Section 409A until Recipient would be considered to have incurred a "separation from service" from the Company within the meaning of Section 409A;

(b) Amounts that would otherwise be payable and benefits that would otherwise be provided pursuant to this Agreement or any other arrangement between Recipient and the Company during the six (6) month period immediately following Recipient's separation from service shall instead be paid on the first business day after the date that is six (6) months following Recipient's separation from service (or, if earlier, Recipient's date of death);

(c) Any payment that will be in compliance with Section 409A only if payable under designations permitted by Treas. Reg. Section 1.409A-3(c), or only if payable upon termination of a deferred compensation plan pursuant to Treas. Reg. Section 1.409A-3(j)(iv), shall be made only in compliance with such regulations;

(d) Any payment that will be in compliance with Section 409A only if payable upon a change in control event within the meaning Treas. Reg. Section 1.409A-3(i)(5) shall be made only in compliance with such regulation; and

(e) If any severance amount payable under any other agreement that Recipient may have a right or entitlement to as of the date of this Agreement constitutes deferred compensation under Section 409A, then the portion of the benefits payable hereunder equal to such other amount shall instead be provided in the form set forth in such other agreement.

11.2 The Company makes no representation that any or all of the payments described in this Agreement will be exempt from or comply with Section 409A and makes no undertaking to preclude Section 409A from applying to any such payment. Recipient understands and agrees that Recipient shall be solely responsible for the payment of any taxes, penalties, interest or other expenses incurred by Recipient on account of non-compliance with Section 409A.

IN WITNESS WHEREOF, the parties hereto have executed this Agreement as of the day and year first above written.

NORTHWEST NATURAL HOLDING COMPANY

By __
Justin B. Palfreyman
Title President

RECIPIENT:

__

EXHIBIT 31.1

CERTIFICATION

I, David H. Anderson, certify that:

1. I have reviewed this quarterly report on Form 10-Q for the quarterly period ended September 30, 2024 of Northwest Natural Gas Company;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant’s other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

(a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

(b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, 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;

(c) Evaluated the effectiveness of the registrant’s disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

(d) Disclosed in this report any change in the registrant’s internal control over financial reporting that occurred during the registrant’s most recent fiscal quarter (the registrant’s fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant’s internal control over financial reporting; and

5. The registrant’s other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant’s auditors and the audit committee of the registrant’s board of directors (or persons performing the equivalent functions):

(a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant’s ability to record, process, summarize and report financial information; and

(b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant’s internal control over financial reporting.

Date: November 12, 2024

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

EXHIBIT 31.2

CERTIFICATION

I, Raymond Kaszuba III, certify that:

1. I have reviewed this quarterly report on Form 10-Q for the quarterly period ended September 30, 2024 of Northwest Natural Gas Company;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant’s other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

(a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

(b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, 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;

(c) Evaluated the effectiveness of the registrant’s disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

(d) Disclosed in this report any change in the registrant’s internal control over financial reporting that occurred during the registrant’s most recent fiscal quarter (the registrant’s fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant’s internal control over financial reporting; and

5. The registrant’s other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant’s auditors and the audit committee of the registrant’s board of directors (or persons performing the equivalent functions):

(a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant’s ability to record, process, summarize and report financial information; and

(b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant’s internal control over financial reporting.

Date: November 12, 2024

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

EXHIBIT 31.3

CERTIFICATION

I, David H. Anderson, certify that:

1. I have reviewed this quarterly report on Form 10-Q for the quarterly period ended September 30, 2024 of Northwest Natural Holding Company;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant’s other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

(a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

(b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, 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;

(c) Evaluated the effectiveness of the registrant’s disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

(d) Disclosed in this report any change in the registrant’s internal control over financial reporting that occurred during the registrant’s most recent fiscal quarter (the registrant’s fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant’s internal control over financial reporting; and

5. The registrant’s other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant’s auditors and the audit committee of the registrant’s board of directors (or persons performing the equivalent functions):

(a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant’s ability to record, process, summarize and report financial information; and

(b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant’s internal control over financial reporting.

Date: November 12, 2024

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

EXHIBIT 31.4

CERTIFICATION

I, Raymond Kaszuba III, certify that:

1. I have reviewed this quarterly report on Form 10-Q for the quarterly period ended September 30, 2024 of Northwest Natural Holding Company;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

(a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

(b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, 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;

(c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

(d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

(a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

(b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: November 12, 2024

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

EXHIBIT 32.1

NORTHWEST NATURAL GAS COMPANY

Certificate Pursuant to Section 906
of Sarbanes – Oxley Act of 2002

Each of the undersigned, DAVID H. ANDERSON, Chief Executive Officer, and RAYMOND KASZUBA III, the Chief Financial Officer, of NORTHWEST NATURAL GAS COMPANY (the Company), DOES HEREBY CERTIFY that:

1. The Company's Quarterly Report on Form 10-Q for the quarter ended September 30, 2024 (the Report) fully complies with the requirements of section 13(a) or 15(d) of the Securities Exchange Act of 1934, as amended; and

2. Information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

IN WITNESS WHEREOF, each of the undersigned has caused this instrument to be executed this 12th day of November 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

A signed original of this written statement required by Section 906 of the Sarbanes-Oxley Act of 2002 has been provided to Northwest Natural Gas Company and will be retained by Northwest Natural Gas Company and furnished to the Securities and Exchange Commission or its staff upon request.

EXHIBIT 32.2

NORTHWEST NATURAL HOLDING COMPANY

Certificate Pursuant to Section 906
of Sarbanes – Oxley Act of 2002

Each of the undersigned, DAVID H. ANDERSON, Chief Executive Officer, and RAYMOND KASZUBA III, the Chief Financial Officer, of NORTHWEST NATURAL HOLDING COMPANY (the Company), DOES HEREBY CERTIFY that:

1. The Company's Quarterly Report on Form 10-Q for the quarter ended September 30, 2024 (the Report) fully complies with the requirements of section 13(a) or 15(d) of the Securities Exchange Act of 1934, as amended; and

2. Information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

IN WITNESS WHEREOF, each of the undersigned has caused this instrument to be executed this 12th day of November 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

A signed original of this written statement required by Section 906 of the Sarbanes-Oxley Act of 2002 has been provided to Northwest Natural Holding Company and will be retained by Northwest Natural Holding Company and furnished to the Securities and Exchange Commission or its staff upon request.