NorthWestern Energy Group, Inc.

Fourth Quarter 2025 Earnings Call

Presentation

Operator

Thank you for standing by. My name is Jordan, and I'll be your conference operator today. At this time, I'd like to welcome everyone to NorthWestern Energy 2025 Year-end Financial Results Webinar. [Operator Instructions] I'd now like to turn the call over to Travis Meyer. Please go ahead.

Travis Meyer
Director of Corporate Finance & Investor Relations Officer

Good afternoon, and thank you for joining NorthWestern Energy Group's financial results webcast for the full year ended December 31, 2025. As Jordan said, my name is Travis Meyer. I'm the Director of Corporate Development and Investor Relations Officer for Northwestern. Joining us on the call today are Brian Bird, President and Chief Executive Officer; and Crystal Lail, Chief Financial Officer. They will walk you through our financial results and provide an overall update on progress this quarter.

NorthWestern's results have been released, and the release is available on our website at northwesternenergy.com. We also released our 10-K premarket this morning. Please note that the company's press release, this presentation, comments by presenters and responses to your questions may contain forward-looking statements. As such, I'll direct you to the disclosures contained in our SEC filings and the safe harbor provisions included on the second slide of this presentation. Also note that this presentation includes non-GAAP financial measures and information regarding the pending merger transaction.

Please see the non-GAAP disclosures, definitions and reconciliations and the merger-related disclosures included in the appendix of the presentation materials. This webcast is being recorded. The archived replay will be available shortly after the event and remain active for 1 year. Please visit the financial results section of our website to access the replay.

With that behind us, I'll hand the presentation over to Brian Bird for his opening remarks.

Brian Bird
CEO, President & Director

Thanks, Travis. Speaking about 2025, first and foremost, I want to talk about how we've done in terms of executing on our strategic initiatives. First and foremost, we announced our agreement with Black Hills Corporation for an all-stock merger of equals. We patiently waited and ultimately closed our acquisition of the Avista and Puget Colstrip interests as of 1/1 26. We recently submitted a 300 million or 131-megawatt South Dakota natural gas project to SPP's expedited resource adequacy study, and we are now including that project in our ongoing capital plan.

And we acquired the Energy West in Cut Bank Gas natural gas distribution assets. On the legislative and regulatory front, -- and we have very, very good outcomes in 2025. On the legislative front, Montana Satipel 301 was Simon Mila, providing greater confidence for transmission investment. -- in Montana and Montana House Bill 490 signed into law, which clarifies and limits wildfire-related risks, protecting our customers, communities and investors. So again, a very good legislative outcome in '25.

On the regulatory front, speaking of wildfire, we also -- as part of that legislation, we need to get our wildfire plan approved, and we did get that approval from the Montana Commission in 2025. And then also on the regulatory front, we did complete our Montana electric and natural gas general rate reviews. And then moving forward, thinking about the data center growth opportunities, during the year, we signed our third letter of intent with Quantica for 500-plus megawatts data center and we progressed with SEBI from a letter of intent to a development agreement. So that's 2025.

More recently in talking about financial results, and Kristen will get into that here shortly, but the financial results for the full year we reported GAAP diluted EPS of $2.94 and our non-GAAP diluted EPS of $3.58. We are increasing our quarterly dividend by 1.5% to $0.67 per share. We're initiating our 2026 earnings guidance range of $3.68 to $3.83. And we're updating our 5-year capital plan to $3.21 billion, a 17% increase over our prior plan.

Speaking of the merger with Black Hills, which we anticipate closing in the second half of 2026. We filed joint request for a merger approval in the States Montana, Nebraska and South Dakota, but we also filed with FERC, and we recently filed also our Form S-4 and joint proxy. Regarding the Montana IRP, we initiated -- or submitted, I should say, our Draft 126 integrated resource plan here about a month ago. And from a Montana data center perspective as of yesterday, we advanced our friends at Atlas Power from an LOI perspective to a development agreement. And I'll speak to all of these topics a bit more after Crystal's presentation.

With that, Crystal.

Crystal Lail
VP & CFO

Thank you, Brian. In my comments today, I will cover our fourth quarter and year-to-date results. I will also cover, as Brian mentioned, our outlook for 2026 and our updated capital and financing plan. after listening to Brian there, it's been a really, really busy 2025 with a lot of accomplishments. And our team has worked super hard to also deliver on our results for 2025, achieving 5.3% growth off of 2024 on a non-GAAP basis. We delivered GAAP earnings of $2.94, which included impact of merger-related costs, the regulatory outcome rate case in Montana and a very warm fourth quarter. I'll describe those adjustments in a bit detail -- further detail here on a later slide.

Adjusting for those items, as I mentioned, we delivered $3.58, and that's the efforts after quite a few headwinds during the year to deliver upon our shareholders.

Moving on to Slide 8. On an adjusted basis for the fourth quarter, we delivered $1.17 and our improved margin reflects new rates, a lot of regulatory execution involved in getting to those numbers, which were offset a bit by mild weather, as I alluded to in the fourth quarter very warm for us and impact of market prices in our Montana PCAM mechanism. That margin improvement was offset by a onetime charge in the Montana rate review, higher operating costs and operating costs certainly include merger-related costs as well and then depreciation and interest expense increases as well.

Moving to Slide 9 to talk about some of the adjustments for the quarter. Weather for the quarter was unfavorable by $0.03. But when you compare that a very mild 2024. However, compared to normal, weather represented a $0.13 impact to us in Q4. The quarter was also impacted by $0.03 of merger costs, the onetime charge for the Montana rate review outcome related to the Elstone County generating station and the disallowance of certain costs related to that was $0.38 and $0.03 related to the PCAM, reflecting the final order there -- reflecting cessation of the sharing amount there, offset by a $0.12 tax benefit. You'll see that resulted in the $1.17 of adjusted earnings compared to $1.13 in the fourth quarter of 2024.

On a year-to-date basis, moving to Slide 10, our performance is driven by, again, that improved margin driven by regulatory execution, offset by detriments of PCAM within that of $0.09 from a full year basis. On an O&M perspective, certainly higher given new maintenance at the Yellowstone County generating facility is the maintenance at our other electric generation, the amount we're spending importantly on wildfire mitigation and also insurance that is increased in labor and benefits. We also incurred higher depreciation expense of $0.27 and interest expense of $0.23.

What I would highlight on this slide is that taxes in the current period includes a $0.12 benefit while 2024 included a $0.39 benefit, which is a good segue to the next Slide 11 to hopefully give you clarity on quite a few things that moved within our earnings from a 2025 full year basis. Weather, again, was unfavorable by $0.05 compared to normal weather that was $0.18 of detriment for us as we think about our impact of results for 2025. It was a very mild back half of 2025. Most of you won't recall, but we actually started the year through first quarter with favorable weather. So that reversal was really significant for us and impacts also as we'll talk about later, cash and the impact of financing plans.

In addition, merger-related costs were $0.15 and the Montana rate review just launch I spoke to was $0.38, which notably we have thought reconsideration of that disallowance, but we do not have a clear time line as to when we might see any impact of that. But that would certainly be a 2026 item if so. In addition, I spoke to tax benefits and quite a bit of noise within our tax number between last year and this year, there was $0.12 of discrete items benefit in 2025, and that compares to, if you'll recall, 2024, we had $0.28 in the prior period. All of that, if you'll follow the slide alone gets us to $3.58 of adjusted earnings for our 2025 number, which as I alluded to earlier, was 5.3% of an increase over 2024, and my comment there is, given the significant headwinds, we've talked about the headwinds in our financials from our PCAM mechanism, which again, I'll take a positive out of the Montana review outcome, indicating that the sharing part of that will be suspended on an ongoing basis. That's important, but that was about $0.09 of impact to us in 2025 total, which we've adjusted out the fourth quarter here.

And then also property taxes being higher. We collect a significant amount of property taxes through our rates, those increase, and we only recover a certain portion of that between the rate cases. Those were pretty significant headwinds for us during the year. So we are pleased on top of the mild weather that I talked about and the ongoing impact to our financials, we are pleased that delivering $3.58 for 2025.

Slide 12. Looking forward from a guidance perspective, we are initiating earnings guidance in the range of $3.68 to $3.83 per share. which represents 5% growth at the midpoint off of our 2025 results and remains anchored to our 2024 base. A significant part of that is moving to Slide 13 and updating our capital plan. Brian mentioned the inclusion of the 131-megawatt generating facility in South

Dakota. And also, we've updated to include our incremental Colster ownership, we're very product closing those transactions effective January 1, 2026, and being resource acuate to make sure that we can serve our customers. Those 2 things drive a 17% increase in our overall capital plan over what we've reflected before.

You'll recall our dedication to having a self-funded capital plan and only issuing equity when it is accretive on an ongoing basis. I would tell you that the base capital plan that underlies the $3.2 billion you see here continues to be self-funded. With the incremental South Dakota generation investment reflected here, we do expect to need equity beyond 2026 to fund that investment, which we expect if you think about that to be on a 50-50 debt-to-equity basis that we would manage that incremental capital, and that's consistent with our overall commitment to maintaining high credit quality in our ongoing plans.

Moving to Slide 14 to talk about financing for 2026. Again, I just mentioned that the incremental South Dakota generation investment, that would be beyond 2026. We expect to issue debt to refinance existing maturities and fund our existing capital plans. We closed out 2025 at a lower FFO to debt. That was driven by the things I mentioned earlier, the combination of lack of margins from very mild weather affecting our cash flows and also being significantly under collected as supply costs on the Montana side. Those 2 things really drove us closing out the year at a lower level than we would like to, but we remain committed to getting above and staying above our downside thresholds.

And with that, I will turn it back to Brian.

Brian Bird
CEO, President & Director

All right. Thanks, Crystal. On 16, we speak to the merger with Black Hills and the benefits to really to all stakeholders. And obviously, the strategic combination represents a highly attractive value creation opportunity for both companies. On this slide really speaks to, certainly from a shareholder perspective, but also customers. So let me start with shareholders and it increases scale, position and growth. I mean, think of moving 2 companies from a 4% to 6% EPS growth to 5% to 7%, doubling of each company's rate base totaling approximately $11 billion both companies having significant growth opportunities and ability to take advantage of this merger to truly capture those. And as it points out, a little bit lower on the slide as a larger company, we'll be able to expand our investment opportunity. And I should also acknowledge it reduce risk as a larger company with risks, like wildfire risk and other risks that we have in our business, we certainly can sustain those as a larger organization.

Also strengthen the balance sheet and the credit metrics. You heard Crystal speak to that just a moment ago. Obviously, as a combined entity, we have the financial wherewithal to invest more in our businesses as a larger company and do that cost effectively for our customers. And lastly, enhanced business diversity, not one entity will have more than 1/3 in terms of ownership, in terms of representation by jurisdiction. I think their largest would be approximately 31% on a particular jurisdiction, but also a very, very good mix of electric and gas and what makes these 2 great companies, both combo utilities, even stronger on a combined entity.

And then the center of this page, and this is really the center of all we do certainly in NorthWestern I'll speak for our friends at Black Hills. We think about our customers and the substantial long-term value for our customers for bringing these 2 teams together who are very complementary, and we both provide excellent customer service to our customers and are great operators. And I will tell you the savings generated from putting these 2 companies together, ultimately improve to customers in future rate review proceedings. And so obviously, in this -- the time when people are thinking about affordability, our 2 companies are thinking about that certainly as we contemplate this merger on a going-forward basis.

Moving forward, in terms of a time line, I mentioned earlier that we filed joint applications for approval in 3 states, Montana, Nebraska and South Dakota. We did that in Q4, and we have hearings expected in the second quarter of '26 for those states. We also filed at FERC in Q4 of '25. We filed our S-4 joint proxy statement on January 30, and we have shareholder votes both scheduled for April 2. Beyond that, we've also started our integration planning effort, and we do expect or anticipated approvals and closing in the back half of 2026.

Moving forward, kind of thinking about large-load customers. And obviously, that leads you to discussions around data centers. On Page 18, I mentioned on the far right, you see the Montana large-load opportunities. first and foremost, say, I'm sure you've been reading about. They've had some issues in terms of property, in terms of their project. They have 2 sites, certainly that they're considering. And right now, they continue to -- they've got a favorable vote here recently to move forward, but they're still looking at the land concerns and they're dealing with those issues. They have land both inbuilt and in a condo that they're considering. So we continue to work through them as they work through those challenges. We have a development agreement, and we expect to get to an ESA here, hopefully, by the end of Q2 2026.

Also, we announced here recently Atlas Power. We've moved from an LOI to a development agreement, and they have been moving much, much quicker is good signs. I think would think from an off-taker or a customer from their perspective, they're getting ready to move forward. That's good news for us. with that development agreement. I would just tell you in the benefit of development agreements, these 2 entities now are putting skin in the game. Let's think of upwards of $500,000 of investment, if you will, for all the studies that are necessary that we need to complete this utility. And so skin in the game, if you will, for those 2 entities as we move forward. And I expect, as I moat at least one of those ESA to be completed for those 2 by the end of Q2 2026.

Quantica also making great progress. And hopefully, we'll see a development agreement from them relatively soon. As I think about the 2 states that we provide electric business off to the left, one thing I would say about Montana, we ultimately hope to serve these large low customers on a state jurisdictional basis. And when we have an ESA with one of these parties, we'd like to make a filing with the MPSC along with a large lot of tariff that protects customers, and we like to think we're going to do that here in the first half of 2026.

Regarding South Dakota, there is a significant indication of interest by data centers in the state. The benefit there is any new large customers that require incremental capacity. We have infrastructure riders that could help us with the that generation cost recovery. And also, the South Dakota PUC has an established process for large load customers with a deviated rater.

The last thing I'd say about South Dakota as we sit during this legislative session, we're waiting on sales tax reform in the state, which is something that is very, very important to data centers before they move forward in South Dakota. So watch that in the coming weeks.

The second slide I have on data center, Slide 19. The middle of that slide shows letter of intent and development agreements, obviously, moving from 2 letter of intents and the 1 development agreement to 1 letter of intent 2 development agreements shows progress there. We'd like to move all of those over into the ESA category to the right here relatively soon in 2026. To the far left, I would also talk about data center requests and high-level assessments. You may note that the Q count is actually down a little bit. there. And I think what happens, there's a lot of developers here and they get to a certain point. And if they can't move forward and fast enough, you can't find an offtaker or a customer, that count can reduce, not necessarily surprised. I think from a high-level assessment, there are some in there we believe certainly can move into that middle category of [indiscernible] development agreement. So we're we're excited there. We do see some sales tax movement in South Dakota. I expect both of those Q counts to actually go up in 2026.

Moving forward on Colstrip, happy announce announced earlier that we closed those 2 portions of Colstrip and in addition to our owned 222 megawatts and -- we've added the Avista 222 that not only allowed us to achieve resource adequacy in Montana, but increased our ownership from 15% to 30%. But knowing that we have not as much control certainly has a 30% owner matter if we didn't have control of the facility as a whole. The incremental PG piece did 2 things for us. It moved us from 30% to 55%, giving us that ability to drive strategic direction for the overall facility, but also gave us the ability now to serve large load customers. And so both of those interests are closing this plant, those interests are operating well for us, and we're excited to have them in the fleet. I'll tell you what I think much sounder when cold weather does come to us in Montana and South Dakota.

One thing I'd just say real quickly about Avista and Puget. I think you're well aware we acquired both of those units for 0, which is a fantastic thing for our customers, certainly from an affordability and reliability standpoint. But we do need to cover our operating costs. in Montana. For the Avista portion, we filed a temporary PCAM tariff waiver with the MPSC in August, and that would be -- provide a near-term cost recovery that expected to largely offset the -- approximately $18 million of incremental annual operating costs. That waiver by the way, was temporarily granted in January 2026. So hopefully, we'll learn more about that waiver in '26, hopefully get full recovery for the full year of those operating costs at some point in the future.

From the Puget perspective, we signed a contract in October 2025 to sell that electricity through late 2027, think of when data centers could come on in the state. And that revenue, we -- from that contract is expected to largely offset the approximately $30 million of incremental annual operating costs resulting from the transfer. I think you're all well aware, we filed with FERC for cost base rates in October 2025, and we expect approval from that filing in the first quarter of 2026.

Lastly, the Northwestern value proposition slide, you might have noticed 2 changes on this slide. The first Crystal talked to is the 17% increasement in investment over on the right-hand side, up to $3.21 billion. Second is noting the dividend yield at the top of the page, you might recall that used to say 4% to 5% and I argue today, we're stayed approximately 4%. Keep that in mind as you think about our base plan on the left and our incremental opportunities there in the center. From a base plan, taking that dividend yield plus our 4% to 6% EPS growth, you're looking at an 8% to 10% total return just doing -- and I'd argue what utilities are typically doing from electric and gas distribution, transmission, supply investment.

This is a kind of bread-and-butter utility investment. And so even with that, thinking about an 8% to 10% total return and obviously, we were able to capture any data center growth, any FERC regional transmission, any incremental generating capacity, that return can certainly go over 10%.

And so with that, I'm going to -- from a conclusion perspective, I think you've seen this conclusion slide for many years. I'm just going to turn it over for Q&A.

Question and Answer

Operator

[Operator Instructions] Your first question comes from the line of Shahriar Pourreza from Wells Fargo.

Shahriar Pourreza
Wells Fargo Securities, LLC, Research Division

[indiscernible] for the update and great capital plan roll forward. My first question is, previously, you indicated that you filed a large load tariff in to expense cost for new data-centric loads. Can you update us on the timing and scope what's changed versus stakeholders should expect a solid tariff PS.

Crystal Lail
VP & CFO

Yes. [indiscernible], you're cutting out a little bit, but I'll take that question. We had said we will file a large load tariff, but I would note that, that was tied to signing an ESA. So we want to go hand in hand to file a tariff with a specific contract. Part of that conversation, we have an existing GSI tariff today. We think we could serve customers off of that tariff, but you want to strengthen that tariff and certainly get ahead of this argument that data centers aren't paying their fair share, et cetera. We expect to file that once we have a signed ESA so that we can walk through the specific mechanics with the Montana Commission what that looks like and why indeed they pay their fair share and likely contribute broadly to the system benefit. So once we have a signed ESA, we will plan to file that large tariff inthinc with us.

Brian Bird
CEO, President & Director

Yes. And the only thing I'd answer that as I said in the presentation, there's an expectation we would do that by the end of the second quarter. And the reason being, that's when I expect an ESA to occur. And I would say that the tariff is ready to go. We're waiting for an ESA perspective.

Shahriar Pourreza
Wells Fargo Securities, LLC, Research Division

Okay. Sounds good, hopefully, I'm much more audible now. Just for another follow-up on the merger, there's been focus on large low data across -- sorry, data center cost position. stakeholders need or want education, not just on the process. Can you give us an update on how the education plan to stakeholders to demonstrate no harm and affordability has been so far? That's it for me.

Brian Bird
CEO, President & Director

I think you're talking from a public process perspective. I think in -- where data centers have gotten quite a bit of attention as you're well aware, throughout the country. And I would argue in Montana, in the community of Butte, obviously, most of the discussion because [indiscernible] furthest along in the discussion there. And I think the Butte Server Bowl allowed a lot of conversation with the community ultimately voted 9 to 3 and 4 were letting say move forward. So I think I'd argue that the data centers are getting to be more vocal talking to the benefits. We utilities certainly have been supportive of that effort. And I think what we need to demonstrate -- all of us need to demonstrate is from a tariff perspective, and that's our plan and allow the MPSC to approve a tariff that we would put a tariff in front of them that's going to protect customers.

And I think when customers understand that, they're going to feel much, much better about it. Obviously, they're reading what's happening in other parts of the country, and how customers have been impacted by data centers, and it's easy to jump to conclusions. And so I think there's been a decent dialogue about this topic. Certainly, I and others have been out talking about it. But I'm not saying it's going to be easy either for data centers. But I think thus far, we're making good progress with [indiscernible] and Atlas and [indiscernible], as I know is out there talking about this as well. So we feel pretty good about where we're.

Operator

Your next question comes from the line of Aidan Kelly from JPMorgan.

Aidan Kelly

JPMorgan Chase & Co, Research Division

Just wanted to touch on the load fund first, if I could. It seems like there's been a number of quarters in the past that we've been waiting for -- and Brian, you mentioned in your prepared remarks some friction on the landing considerations with SEBI perhaps going longer than expected. Do you see this issue kind of percolating to other prospective loads, such as Atlas and others? I mean just in general, like what do you think is needed to push these development agreements into the goal line at this time?

Brian Bird
CEO, President & Director

Yes. I think you've seen -- I'll take a bit of [indiscernible] here and myself. I think we're thinking at ESAs we at times were to hold up to getting these ESAs done, and we're ready to go from our perspective. And then unfortunately, for [indiscernible], they ran into this land issue. And obviously, they're working through that. So I think -- this is not just on the utilities to get these things done. In many cases, developers also need to find customers and before they're ready to sign ESA sometimes they need to have that done. It's much easier for hyperscalers, of course, who don't need to find customers. So I do think that Savis working awfully hard to get to an ESA Atlas, obviously, moving to a development agreement. The next step is to get to an ESA.

So I've seen it, it's taken a bit longer nationally for this process. And certainly, it's impacted us a bit here. But I'm also very confident in terms of where we sit with these 3 providers today are these potential data centers, I feel very good about where we ultimately will get to.

Aidan Kelly
JPMorgan Chase & Co, Research Division

Got it. Makes sense. And then just turning to the growth outlook, if I could. I see you affirmed the 4 to 6 rate base CAGR post the South Dakota plant, which I believe, is directionally around maybe $300 million in CapEx. And then obviously, you mentioned in the remarks, it's perhaps like a 50% equity source. So I guess my question would be what do you see as the offsetting factors to that share dilution that kind of gives you the confidence of that reaffirmed 4% to 6% EPS CAGR?

Crystal Lail
VP & CFO

Sure. The great thing about -- and we've talked about this, what are the incremental opportunities that total return, the incremental opportunities to the right side, the incremental generation in South Dakota, we recover cash during construction. There's a phase-in rate plan rider that allows us to recover AFUDC is great. It's accretive to earnings, but it isn't accretive to cash as we've talked about, how do you finance those things a long time. So the opportunity that presents itself with meeting the resource adequacy requirements to SVP, owning that generation here and building that facility, that's the right kind of incremental CapEx that we've looked to layer into our plan. We're excited to do that. That's certainly the kind of stuff that gives us confidence to maintain or even push upward on our earnings range while also expanding that in terms that makes sense. So that's where we've been pretty clear. That's the type of incremental CapEx we are looking for. That's the incremental to our base plan. So we'll fund that in a 50-50 kind of approach. Will recover cash during construction with the phase-in rate plan and then obviously, ultimately, see growth off of earnings out of that once it's in service. .

Operator

Your next question comes from the line of Nicholas Campanella from Bank of America.

Nicholas Campanella

I just wanted to kind of clarify on the overall like ESA strategy is also my prior understanding was that like the system is long. So you may not need for the first couple of deals, a dedicated framework to pay for the depreciation of the interest and what would be associated with new build, but just this ESA will inform how you propose an overall tariff for all of that in this upcoming first half year? Is that just the general strategy? I'm sorry to make you go back and repeat yourself?

Brian Bird
CEO, President & Director

Yes. I think as an example for how we want to make sure we're protecting customers. And I think we're -- the discussions we're having in data centers, they want to protect customers to the folks that we're certainly talking to. And so going hand in hand with them with an ESA and a tariff that is the plan and as is in the plan by the first half of '26.

Crystal Lail
VP & CFO

And Nick, I would add on to that, just every data center site specific. Some of them, to your point, we are long generation, what is the transition needs, what is maybe some of them are not much CapEx. All of that -- we do have an existing tariff. I know we talked about that a year ago. We felt like we can serve customers under that. We do still today. As you know, the national narrative on data centers has changed a bit, and there's a lot of what I would call misinformation about what they can do to certainly help shoulder the cost of the grid and in fact, subsidize some of your other customers.

I think everywhere you're going to see commissions want to understand that better. We got feedback from the Montana Commission and we certainly want to be transparent with them and bring that forth so that you have a positive construct under which you're doing that. So while each one is unique, bringing something forth that demonstrates the value that a data center can have a large load facility can have on the grid and that they are indeed paying their fair share while we would be comfortable serving them under our existing tariffs, I think there's also a lot of value to making sure your regulators are understanding that. And of course, then the public sentiment around that maintain positive.

Brian Bird
CEO, President & Director

Yes. One thing on that, too, Crystal -- the thought for me. I think this issue of protecting customers. I think there's been confusion around why the Puget portion was put into a FERC regulated entity. Our intent here is actually protect customers. The need here really for the Puget piece, we needed it to get control of the facility. But from a an energy perspective, we certainly didn't need it until the 2027 time table. So instead of and posing $30 million of costs on our existing customers, we found any means to deal with that and protect customers while that's on a FERC regulated entity. And if our hope is, as I mentioned earlier, ultimately to move that into a state regulated entity when we have large load customers we can serve through that. And so that is ultimate we're trying to do. We'd love to see everything on a state-regulated basis, but we do want to serve large loan customers in any way that is best to serve our customers today.

Nicholas Campanella

Okay. appreciate it. And then maybe just going back to the financing plan quick and the prepared. You just kind of mentioned the 13% FFO debt is all incremental CapEx at this point going to require some equity now? And just can you talk a little bit about if these ESAs materialize and you get the slow on the system, how that changes the equation on the financing for you guys?

Crystal Lail
VP & CFO

Sure. We've said repeatedly that we size our base capital plan based off our cash flow availability and to hit our credit quality metrics. Obviously, I mentioned 2025. The key drivers there are falling below the 14% FFO is lack of cash, and that comes from the very mild weather and the margins we would have expected to have and then also material under collection and the Montana supply tracker, I think that's around $80 million. So we expect that to come back in 2026. But we're always planning our capital plan to maintain a solid balance sheet and have credit quality. So your question of what happens with incremental capital? And again, as I alluded to the Aberdeen Generating Station, we recovered cash construction of that. If you think about the ramp period of any data center and incremental capital that would be required there, you'd have a very similar funding mechanism that you see cash during construction, and that's the kind of stuff that's accretive, and we certainly would look to issue equity for that kind of accretive growth.

So that's where we've had a dividing line all along is we will be very disciplined about our base capital plan, and that's a regulatory lag. That's 18 to 24 months off of putting that in the ground to recovery for that kind of stuff, we need ongoing cash flows to support that for stuff that drives growth as anything large load would, that's the type of stuff we'd look to maintain equity issuances where that makes sense. But again, nothing in '26 just to make sure I was clear.

Operator

Your next question comes from the line of Paul Fremont from Landenburg.

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

My first question has to do with -- for the South Dakota plant, do you have a -- are you in the queue for turbine? And what would be the commercial operation date of that plant?

Brian Bird
CEO, President & Director

I'll start with the commercial operation date. We're looking -- first of all, we have a plant in construction now. I think you're speaking to the 131 megawatts, that's $300 million investment. We're already making an investment in '26 for turbines -- and so I'd say approximately 1/3 of that investment will be made in 2026. -- to get our turbines in place and the plant is expected to be completed in 2030.

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

Okay. And you're in the queue or you have -- if the terpene are lined up for that 2030 in-service date?

Brian Bird
CEO, President & Director

We're buying turbines. .

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

My next question has to do with if the endangerment finding is reversed at EPA, what is that -- does that change the potential investment in environmental upgrades at Colstrip? And can you also update us on where things stand in terms of environmental upgrades?

Brian Bird
CEO, President & Director

Yes. I think, obviously, we'll do whatever we need to, in essence, to keep [indiscernible] long as it's economic. And obviously, if we're forced to do something we think is not necessary. We would probably invest in a gas plant if we're required to do something sooner rather than later. It has always been our hope here with this investment in Colstrip. We can keep that plant open and operating through the depreciable life that we expected into the 2040 timetable. And again, hopefully, that technology possibly nuclear, possibly long-duration storage, whatever that is, to help us replace Colstrip with something that's cleaner. But if we're forced to do something sooner, either investing in environmental controls, if you will, or ultimately building a gas plant, we will do that, too. We need to serve our customers with Colstrip or its replacement. And so it's hard to answer that question today, Paul, until we see ultimately what's happening, but I have to say what we're expecting out of the administration is certainly helpful for our long-term plans for Colstrip at this point in time.

Crystal Lail
VP & CFO

I would also just clarify our 5-year capital plan, we did roll in Colstrip related CapEx, but that's maintenance CapEx volatile I would refer to that -- there's no material environmental CapEx in that number. So if something changes over time, certainly, we talk about that at the time. We had talked about the mass ruling previously and how that might impact Colstrip, but we never had any numbers on our capital plan related to that.

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

And is there -- I mean, is there any update in terms of whether those rules will be voted on or applied by the EPA? Or for the time being, should we just assume that nothing is moving forward along those fronts -- along that front?

Brian Bird
CEO, President & Director

Yes, I think we're -- we've been expecting to hear something on this any day now. And I guess until we actually see what the rules say, I'll kind of hold off and how to respond to that.

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

And then lastly, any updates on the remaining portion of Colstrip ownership where the parties most likely will need to divest their ownership interest?

Brian Bird
CEO, President & Director

Well, we just grab these 2 pieces from Puget and Avista, that 592. We're extremely happy with those. We'd like to certainly understand how the commission looks at it and ultimately how things are working out with data centers. we're extremely happy with being able to get to 55% ownership, and I'll stop there.

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

Right. But I mean theoretically, how would those costs be picked up if the other owners were forced to exit?

Brian Bird
CEO, President & Director

Are you talking environmental costs that have to be applied?

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

Well, in other words, if the other partners are forced to exit the planned ownership because of state laws then what would happen to their share of the operating cost? Or would they -- I guess, would they still be on the hook for that? Or how would that work?

Brian Bird
CEO, President & Director

Yes. I think they would be in a tough spot. I'm guessing all of them are looking for means to exit other than Talent doesn't need to exit. But I'm sure they're talking to folks about.

Operator

Your next question comes from the line of [indiscernible].

Unknown Analyst

I wanted to ask just quickly on merger state regulatory. We've seen a bit of a delay in South Dakota. I was curious if there's anything to be concerned about there. And in the Montana review, it looks like some of the interveners have made the claim that the application is in complete perhaps because there's not a benefits study that's in there maybe for other reasons. So do you feel comfortable with the Montana time line as it stands? Or might we also see a delay in Montana?

Crystal Lail
VP & CFO

Sure. I'll take that one. So first, your question with regard to South Dakota and the time line there. South Dakota has a 6-month statute, which I would acknowledge as a bit of a quick shot clock on getting through all the process and procedure and making sure they're comfortable that we are working with staff on resetting a bit of an extension to that procedural schedule. I don't have any concerns there. They're asking the right questions and going through the right process. They just need a little bit more time and they would have been in front of both Nebraska and Montana. So we're working with them on resetting the procedural.

I still think that they'll likely in the end, be well ahead of Montana order, even with the revised procedural schedule. So no concern there. You've also seen it progressing in Montana and what I would say is a bit normal given the nature of the intervenors there and who they are. So we've responded to the motion there. So intervenor [indiscernible] to come in. And overall, again, exactly as we would expect the docket to progress. There's comments as to maybe commitments that we could make, what they'd like to see to better understand that. We do certainly recognize that in each of the jurisdictions we serve, not just the ones we're in a big part of your local commitment is your utility, and we want to make sure we work through that in the right source of way.

So I wouldn't say there's any concern on how those pockets are progressing the concerns expressed are, I think, typical for each of those intervenors. And the intervenor testimony, I think, paints the path towards the direction of the things they want to make sure are considered in an eventual outcome.

Unknown Analyst

And as a follow-up on Montana, I believe you're going through this IRP process now as well. How does that, if at all, fit in to the review, maybe not necessarily review directly, but the timing of the review for the deal versus the review of the IRP. I believe the final draft is due in maybe a couple of months, but please correct me if I'm wrong.

Brian Bird
CEO, President & Director

Yes. The IRP is out and we had a chance to see. I don't anticipate there's any connection between the IRP and the merger process.

Operator

That concludes the question-and-answer session. I'll now turn the call over to Brian Bird for closing remarks.

Brian Bird
CEO, President & Director

Well, I think Crystal pointed out earlier on the call, we actually -- it was a really very, very good '25. I mean, obviously, we ran into some issues in terms of the rate review and I'll come there. But I remember the -- I think we need to think about the revenue requirement associated with that. That certainly continues to help us invest as those things we need to, to continue to provide good service to our customers. But if you think about our ability to certainly announce the merger and now the work we're doing with our friends at Black Hills to get that to goal line, think about our ability now to have Colstrip to be resource adequate in Montana and certainly in this age when people are certainly very, very concerned about reliability and affordability to feel much, much better about that in terms of how we serve our customers and also thinking about longer term, how can we continue to make the investments we have, but also earn the appropriate returns we have for our shareholders. And I think 2025 set us up very, very good for that on a going-forward basis.

And with that, I just want to thank all of you for your support of the company and your interest in what we're doing here at Northwestern. And we certainly want to thank everyone at NorthWestern for all the hard work in 2025 as well. So with that, I want to say thanks.

Operator
That concludes today's meeting. You may now disconnect.