NorthWestern Energy Group, Inc.

Second Quarter 2024 Earnings Call

Presentation

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 quarter ended June 30, 2024. My name is Travis Meyer. I'm the Director of Corporate Development and Investor Relations Officer for NorthWestern.

Joining us today to walk through the results and provide an overall update are Brian Bird, President and Chief Executive Officer; and Crystal Lail, Chief Financial Officer. [Operator Instructions]

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

Also, please note this presentation includes non-GAAP financial measures. Please see the non-GAAP disclosures, definitions and reconciliations also included in the presentation. Webcast is being recorded. The archived replay of today's webcast will be available for 1 year beginning at 6:00 p.m. Eastern today and can be found in the Financial Results section of our website.

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

Brian B. Bird
CEO, President & Director

Thanks, Travis, and greetings to all of you from Great Falls, Montana, we've a Board meeting here this week, and we had an opportunity to tour some of our hydro facilities. That was great fun and I had the opportunity to meet with Energy West employees this morning here in Great Falls. So we'll talk about that a bit later.

Our recent highlights as noted on Page 3, as we reported GAAP diluted EPS of $0.52, share in non-GAAP diluted EPS of $0.53. We're affirming our 2024 diluted EPS guidance of $3.42 to $3.62. We're affirming our long-term 5-year rate base and earnings per share growth rate targets of 4% to 6% and we declared a dividend for the quarter of $0.65 per share payable September 30, 2024 to shareholders of record as of September 13, 2024.

I'm sure that you've seen that we filed rate reviews in Montana Electric & Gas and South Dakota Natural Gas and Nebraska Natural Gas, those 3 jurisdictions within 2 months, as a matter of fact, if you consider the South Dakota Electric rate review we filed last year, it's the first time and certainly in the 20 years that we've had the Montana Power assets in the NorthWestern public service assets, certainly since that merger that we filed in all jurisdictions in this short period of time.

And really -- and Crystal certainly will talk about this later. It's an effort we continue to invest high levels in all jurisdictions, obviously, in a rising cost environment. We need to make these rate review filings. And we need to earn closer to our authorized rate of return. She certainly will speak to that more as well.

I'll get an opportunity to talk about 2 strategic transactions and the first being, we've entered an agreement to acquire Energy West Montana's natural gas distribution system, serving 33,000 customers for $39 million, and we've entered an agreement to acquire Puget Sound's 370-megawatt ownership interest and Colstrip Units 3 and 4 and like the Avista transaction at no cost.

Take a look at our NorthWestern value proposition. I mean we are still providing a 5% dividend yield today. And when you consider just our base capital plan and you're going to see a 4% to 6% EPS growth on top of that, providing a 9% to 11% total growth. And when you can take into consideration incremental opportunities for transmission, incremental generating capacity, QFs or other power purchase agreement buyouts, electrification supporting economic development and like these 2 transactions today, we are endeavoring to grow this business and provide a better value proposition for our shareholders and much like these acquisitions provide better outcomes for our customers as well.

With that, I'm going to hand it over to Crystal to talk about the second quarter financial results.

Crystal Dawn Lail
VP & CFO

Thank you, Brian. In my comments today, I will discuss our financial performance for the first half of the year with focus on Q2 here and also discuss our outlook for the remainder of the year. Also, my comments will address the rate reviews that Brian alluded to, to give you a bit more detail on those and how we're thinking about them.

But importantly, I would mention that being here in Great Falls is fortuitous timing. We plan our Board meetings well in advance. Our Board likes to be out with our employees and our management team as well to happen to align with the announcement that I will turn it back to Brian to talk to you at the end is a pretty full thing.

So with Slide 6, you'll see the results that Brian alluded to, a strong financial performance in Q2 with earnings per share of $0.52, and that's compared with $0.32 in Q2 of 2023. So really significant improvement in performance there.

I'll take you to Slide 7 for a bit more detail on the quarter results. GAAP net income of $31.7 million gave a $12.6 million improvement or 66% since 2023 on an adjusted basis, and I'll speak to that a little bit more later in detail, but the only adjustment in Q2 here is weather. So on an adjusted basis, that's $11.8 million or 58% improvement.

Slide 8, again, most of my comments today will be addressed on the quarter, but I would be remiss to not cover our first half of the year performance, and we are pleased with that financial performance with earnings of $96.7 million or $1.58 on a GAAP basis, which is a $0.21 increase or 15%.

Moving to Slide 9. You see our results for the quarter and the details as to what's really driving those. You will see that the left side of this, the key driver here is really that focus on regulatory execution and outcomes, driving $0.26 of improvement from a margin perspective based off that. Those were offset in part by some operating cost pressures, including as with everyone else, labor, if you think about that piece of it embedded within the $0.05 of detriment at the OAG line and then also some cyclical planned generation maintenance. And then you also see some offsets with depreciation and interest expense, again, leading to $0.52 on a GAAP basis and $0.53 on a non-GAAP diluted basis.

Slide 10 breaks out that margin detail and provides really the drivers for the quarter with $0.20 of improvement driven by regulatory outcomes. I would mention that from a volumetric perspective, that was tempered a bit by milder weather in Q2. You all know that our most shoulder season that we experienced seeing a bit lower residential usage driven by weather, somewhat offset by industrial usage overall.

You'll also note that we saw a $0.05 of contribution quarter-over-quarter from our Montana transmission assets. We continue to believe fundamentally, they're very strategically located and important to driving both results in this quarter, but also our growth in the future. These are also offset in part by -- if you'll recall, the QF liability adjustment that we've talked about with you many times last year, we adjusted that out, but that was a more favorable QF adjustment in Q2 2023, impacting, obviously, the quarter-over-quarter results, the absence of that favorable adjustment here.

And in addition, I'd also talk about our PCCAM just briefly. You can see a detriment here from a PCCAM perspective of about a penny, the way you should think about that is that PCCAM was quite favorable to us last year in Q2 and while it was favorable here in Q2 of '24, it was less favorable, driving $0.01 deterrent.

But again -- and I'll allude to, Brian is going to talk about another strategic transaction, taking out volatility for our customers and being able to serve them with own resources. It's just a critical part of being able to serve them in the right [source] of ways. So again, overall, from a margin utility -- utility margin improvement, the driver there is execution from regulatory outcomes.

Slide 11. Again, many of you know us, but as we think about what we adjust out from a quarter perspective, we had a couple of [indiscernible] items, I call them, one-timers in Q1 here in Q2, you'll see only the impact of weather. I mentioned we had some milder weather in Q2. So you see only a penny of adjustment out of unfavorable weather with add back. And when you think about last year in Q2, that was compared to a $0.03 add back of unfavorable weather. So overall, you adjust that in, you have $0.53 on a non-GAAP basis compared to $0.35 on in the prior quarter, and again, that's an $0.18 improvement over 2023.

Slide 12, we talked about at the end of Q1, really executing on our strategy of strengthening our balance sheet and being where we need to be from both a financing perspective and driving strength in our ability to continue investing for our customers. We had executed on our financing plan when we talked to you by the end of April, and we were also above our 14% targeted threshold for FFO and I'm happy to say we continue to be above that, and that is consistent with the guidance we've given you, maintaining strength there. So you'll see 14.8% closing out on a trailing 12-month basis, the first half of 2024, and very happy to be over that level.

So with that, on Slide 13, you'll see our disclosures here are consistent with what we shared with you previously. We are pleased with our financial performance for the first half of the year and on track to deliver solid results for 2024, really driven by those constructive regulatory outcomes. So we're investing to be able to serve our customers. We also believe that we are uniquely positioned with no equity needs in our current capital plan, while we're still deploying substantial investment in our jurisdictions, which I'll talk more, which is my next thing to talk about, which is our regulatory filings during the quarter, really driven by what I just alluded to as our capital plan and investing on our customers' behalf.

So with that, I will transition from discussing the impacts of the quarter to what we view as strategic to driving our growth going forward here and what we look at in the next year or so. You'll note that our teams have been busy here. And Q2, as Brian alluded to, submitting great reviews in each of our jurisdictions.

You will also note on Slide 15. Each of these filings is driven by critical capital investment to meet our customer needs and reflect our focus on while doing that, earning our returns to drive consistent growth, consistent with the strategy that we've laid out for you.

We are confident in each of these cases that we can work with our intervenors and commissions to achieve constructive outcomes and continue to be able to invest in infrastructure in each of these states. You'll note that Montana filing both electric and gas is laid out on the left-hand side of the slide. While we just concluded a rate review in Montana in late 2023, we are continuing to invest to meet our customers' needs with over $1 billion of investments since that time. So when you think about by the end of 2024, the filings includes on a measurable period. In 2023 and 2024, we will have invested $1 billion to serve customers in Montana.

Importantly, in that case, we were also talking about mechanisms to help support ongoing critical needs particularly around wildfire mitigation and what we need to do to provide safe, reliable service to our customers and the importance of that to those in Montana that we serve to support Montana generation investment and also technology needed to continue to serve our customers.

The other thing I would touch upon in that filing that is significant is the Yellowstone Generating Facility. It is a key part of our focus on customer affordability is that importance of owned generation.

So while we are seeking to recover in this case, an investment of approximately $300 million, that investment is providing price stability and a Montana resource that is more cost-effective than the market. We've talked many times about impacts in our PCCAM being on the market when we need to serve our customers most and we are really happy to be in the home stretch of bringing that facility online to serve our customers. We understand the potential for the rate impacts of that, and you'll note that the recovery of this facility is offset by a reduction in costs in our PCCAM. And importantly, it aligns the timing of that recovery with the value that customers are receiving from the facility.

As it relates to the South Dakota and Nebraska Gas filings on the right-hand side of the slide, you'll notice in a while since we've filed in each of those jurisdictions. Lots of reasons for that, but critically, we are focused on capital investment that needs to be recovered from those customers and also being in to update the basis of rates there. And again, we certainly believe that we'll be able to work constructively and paint a very clear picture of efficient, cost-effective service and investments that are needed to serve our customers in each of those jurisdictions.

With each of these filings, we are working to develop timelines with the appropriate interveners and commissions to work through the process with them to achieve critical outcomes. You will also note importantly, back to the growth outlook slide and our outlook for 2024 earnings guidance that we do assume an amount of rate relief related to certain interim rate assumptions.

So with that, I will turn it back to Brian to discuss our 2Q announcements.

Brian B. Bird
CEO, President & Director

Yes. Before I do that, I just -- on the rate reviews, I do need to say this. I said it earlier, and I want to reiterate the point. Obviously, filing in all of our jurisdictions within the last 2 years, really, it's important to send the appropriate price signals to our customers, but also having -- making sure we're investing the right amount of capital and spending the right amount to properly serve our customers, but being also able to earn closer to our authorized rate of return.

This is different than what we've done in the past. We haven't been this quick to turn around rate reviews and to try to improve our recovery. And I just want to real quick shout out to Crystal and her finance team; Cyndee Fang, the VP of Regulatory and her team and Shannon Heim, our GC and her team. It's been monumental with these folks and all the witnesses and others who support that have done to get to this point.

I just felt worth noting in light of all the activity we've got going on from that perspective. With that, on the strategic update, I'm very, very pleased to report the acquisition of Energy West and Cut Bank Natural Gas. We have covered these assets for 20 years. They have been owned by others over the time period over a larger portfolio. We always wish we can own these Montana resources and believe they belong in our portfolio at the end of the day as part of our business.

And we believe this -- I'll call us even a tuck-in investment, if you will, it should fit very, very nicely into our business. Many of you are well aware that we already serve Great Falls from an electric perspective. Now customers in Great Falls will receive 1 bill, if this is ultimately closed and approved by the Montana Commission from 1 provider, NorthWestern on electric, NorthWestern on gas. So we're very excited about that. We also have properties, our own business up in Cut Bank, so it should work extremely well with their employees and obviously having an addition of West Yellowstone into our business in Montana is great.

So again, we're really excited to move into this transaction. We think it's adding 33,000 customers. That's approximately 15% of the gas customers we have in Montana today. So it's a nice addition to NorthWestern Energy, and it's a great, I think, add for our Montana business.

I think the only other thing I'd say about that is, again, I had a chance to meet with the employees and obviously hear something like this. It's news and you think about yourself. But at the end of the day, we're both 100-year-old companies and I think once you come to us, you have to stay with us for many, many years, not getting bounced around with other owners. And so I hope that stability is something that we'll sync in with them and as we move forward.

So again, very excited about that opportunity. I'm also very excited about our ability to acquire an incremental ownership in Colstrip on Slide 18, you can see as we talk about. To the far right, we mentioned reliability, affordability and sustainability. Those are the 3 things we try to balance each and every day as we serve our customers. And only we have that obligation to serve them. And I think this really fits into that mold well. Colstrip, we obviously have ownership in it today. Adding Avista and Puget just allows us more ownership in a reliable resource that we've had for decades. Obviously, acquiring these resources like the Avista resources at 0 cost is fantastic for our customers from an affordability standpoint.

And from a sustainability standpoint, we see Colstrip as a bridge to a future that someday in the future when something's available, that's low-carbon or carbon-free at a reasonable cost, we can invest in that and ultimately in and around Colstrip would be our desire.

At one thing, I want to spend a little bit more time on Colstrip, but we'll go to '19 for a second just to talk about the facility ownership overview. We sit here today at -- we own 30% of Unit 4 or 15% of the full facility at Colstrip. With Avista, we go up to having 33 -- excuse me, 30% of the whole complex at Colstrip, but ultimately, with the Avista and the Puget piece, we'll have a total of over 800 megawatts at the facility between Units 3 and 4.

We'll have 40% interest in Unit 3 and a 70% interest in Unit 4 and a 55% ownership in the facility. I do want to mention, we and Talen collectively in Unit 3 would have a 70% interest. We believe Talen has done a nice job as the operator in this facility. And we certainly hope on a longer-term basis, we can continue to partner in providing Montanans and others service from here. Our other parties that will stay in. I understand they still have regulatory issues in terms of having to exit the facility. But hopefully, again, they will continue to serve their customers much like we want to for the time that we're in here.

But it's our intent to keep Colstrip open as long as we can. And we believe that Colstrip is really a win-win for customers and shareholders. And when I say that, for customers, really think of 5 things that jump out at me. We are an essential service for our customers. And again, we aren't going to sacrifice reliability and affordability.

This transaction provides more 24/7 energy when our customers need it the most, and they get that at 0 upfront costs. This is a resource and Montana that provides crucial grid support when our customers need it most. Secondly, there's going to be less exposure to the market for our customers on peak days with high energy prices, resulting in decreased volatility in the customer bill.

Number three, we will have more ownership in both Units 3 and 4 at Colstrip, so we can better serve our customers when maintenance is required on a unit. Number four, 55% ownership of the plant will allow us to guide the future of investment at Colstrip for our customers, what we think is in the best ins of our customers. And number five, lastly, the next best alternative to providing 370 megawatts of dispatchable capacity is a natural gas plant. And at 370 megawatts, it would cost over $700 million, and that plant would still not be available to serve customers for at least 5 years.

We're going to get the Avista and Puget pieces on 1/1/2026. And to be honest, we can't wait. We wish we had them now. So we're excited about that opportunity. This is fantastic for customers. But for shareholders, this is also a great opportunity that helps us as we continue to think about how we can invest in our business for Montanans and all of our customers at the same time being able to provide a reasonable return to our shareholders.

But for shareholders specifically, number one, this additional capacity generation at no cost allows us to invest in other Montana infrastructure to meet customer needs with reduced pressure on customer bills. Number two, with 55% ownership, we will be able to guide investment in Colstrip to reliably serve our customers until cost-efficient, carbon-free alternatives are available. And yes, that may include additional pollution control equipment, depending on the rules are in effect. But that investment in pollution control equipment, we believe, will be more cost efficient than again, the alternatives we have today.

Number three, the Puget transaction is essentially the same as the Avista deal in that Puget and Avista are responsible for their share of remediation costs. Number four, this gives us the appropriate amount of time to evaluate low-carbon or no-carbon alternatives and develop plans to replace Colstrip at the right time and the right price.

Number five, this Puget capacity uniquely positions us with excess capacity now to better serve our existing customers and allows us the opportunity to enable economic growth in Montana going forward. In fact, we've had interest from large load customers who are interested in coming into Montana. Now we can say, yes, and we can be part of growth in Montana.

Just 1 final thought. NWE is still committed to our net zero by 2050 goal. And you may have seen the sell side piece by Wells Fargo that was put out here recently that shows our generation portfolio was the second most carbon-free today. The progress we have already made should allow an easier carbon-free energy transition. This makes total sense when you consider all of our hydro resources and all the owned and contracted wind on our system.

We see Colstrip as a bridge to a cleaner alternatives down the road and in the meantime, we are going to maintain this bridge until those other carbon-free resources like SMRs, long-duration storage and other technologies are available.

And I'll said a little bit more on that than the 2 slides are shown, but this transaction is extremely important to our customers and NorthWestern Energy. I wanted to make sure you understood where we stood -- where we stand on that issue.

Moving forward to Montana wildfire mitigation. I think you know we've recently come out with our Version 2.0 of our wildfire mitigation plan. And I have to tell you, I'm extremely impressed with what other company has responded in the last 6 months. We effectively at the start of the year, have stood up a situation awareness, deployed 4 different technologies and now are monitoring our system like we've never been able to do before. We've developed communication plans. We've all instituted PSPS and are ready to use it in the right appropriate times.

This company has done a fantastic job from an enhanced vegetation standpoint, from operational practices, system preparedness. And I think, if not -- I believe, in line with all of our peers in the West, if not better than many, where we didn't maybe fair as well as our peers, particularly those on the coast -- the West Coast is situational awareness in the public communication piece. I think we've done a tremendous amount in the last 6 months to catch up on that. And we feel extremely good about the development of our plan and more so the plan, how we put in place the things to execute on that plan.

And obviously, we were right smack dab in fire season right now, but we feel so much better prepared than even a year ago. And so excited about our ability to address the significant problem for our industry, let alone the Western utilities.
With that, in conclusion, I just want to thank all of you for your continued interest in Northwestern. And with that, we'll open it up for any questions.

Question and Answer

Travis Meyer
Director of Corporate Finance & Investor Relations Officer

Great. Thank you, Brian. And thank you, Crystal. [Operator Instructions] It looks like we're going to take our first question from Jeremy Tonet at JPMorgan.

Robin Lamar Shillock
JPMorgan Chase & Co, Research Division

This is Robin Shillock on for Jeremy. Can you hear me?

Travis Meyer
Director of Corporate Finance & Investor Relations Officer

I can hear you, Robin.

Robin Lamar Shillock
JPMorgan Chase & Co, Research Division

So first of all, with the Yellowstone County Generating Station on track for 3Q and now 2 no-cost Colstrip acquisitions in the pipeline. Any updated thoughts on the timeline for a potential type of incremental CapEx opportunities that you may opt for?

Brian B. Bird
CEO, President & Director

You're saying on the generation front.

Robin Lamar Shillock
JPMorgan Chase & Co, Research Division

On the generation or transmission or all the above.

Brian B. Bird
CEO, President & Director

Well, I would tell you this. I think we have making -- been making a tremendous amount of investment in our T&D business. And matter of fact, we are looking at to investing even more in our transmission business. I think we've not seen as much regional transmission interest in Montana than we have in the whole 20 years I've been with the company. There's been a tremendous amount of opportunity above and beyond generation.

But the interesting thing here, I still think even with what we're doing at Colstrip, we need to start planning to making future investments to help Montana to continue to grow. But this allows us more time and not only to properly plan but to pick the right resources on a going-forward basis.

I think if you think about this company is still investing $500 million without necessarily incremental investment in generation. We're going to continue to invest at an extremely high level. But again, primarily what we need to invest to serve our customers and keep the bills at appropriate levels.

Robin Lamar Shillock
JPMorgan Chase & Co, Research Division

Great. And then maybe just to kind of follow up on the generation piece. You mentioned the transaction allowing for excess capacity in the state and really unlocking some economic opportunity. How specifically does the second Colstrip transaction influence your timeline for closing the generation capacity deficit in the state?

Brian B. Bird
CEO, President & Director

Well, I think we even said with the Avista transaction. This certainly helps us to get to the around end of 2029 from a capacity stand. This certainly takes it into the 2030s. But I think even more importantly, it allows us to have incremental growth in Montana. There's been concerns about do you have sufficient capacity to serve incremental load. And the answer has been no.

Now we can say yes. And so obviously, being able to bring on incremental load in Montana is certainly great from economic development for a state who's done a great job trying to bring more business into the state. And also, but on a longer-term basis, we now have a larger portfolio that we ultimately will have to replace with investment on a longer-term basis.

So we want to grow. I think it's going to be -- if we continue to grow, it's going to be better from a cost structure for our existing customers, and we should have low cost generation for new customers to come in the state.

Travis Meyer
Director of Corporate Finance & Investor Relations Officer

We're going to take our next call from Jamieson Ward now at Jefferies.

Jamieson Ward

I just wanted to ask with the Yellowstone County Generating Station coming online. How should we think -- and knowing that you're, of course, filing the case. How should we think about the timing delay between when you will likely stop AFUDC? And when it will enter rates? And specifically, because you mentioned before that you might do the 270-day kind of maximum wait period and then implement full rates. Is that the latest that we should see? Is that from the filing of the application? Or kind of what's the gap there when we're trying to figure out the lag relative to losing AFUDC?

Brian B. Bird
CEO, President & Director

Jamieson before Crystal answers that question, there's been a lot of changes this quarter for you as well. So we welcome to hear from you, Crystal, go ahead.

Crystal Dawn Lail
VP & CFO

But [indiscernible] we're recovering Yellowstone. So I'll give you 2 pieces to that. And one of the things I didn't cover in my comments and I get too granular because I know you all love to read the hundreds of pages of our filing is we requested a bridge rate.

And what that bridge does and maybe it clears -- I can make it to say that there's cost today in our PCCAM mechanism that are indeed actually higher than the cost of recovering Yellowstone. We've asked when we seek interim rates, which we've asked for by October 1, that the commission also authorized that bridge rate, which was set aside as part of the PCCAM and say that's no longer subject to sharing and would instead cover the cost of that Yellowstone facility to we get to final rate, that's the bridge. And at final rate, obviously, the outcome of the holistic decision and approval of capital and all those things would occur.

So your question is, we'll turn off AFUDC and what will happen with that gap. The bridge rate, we expect to cover that. And in my comments, I did note that our guidance for the year assumes some rate relief recoveries and interim rate relief, and that's certainly a key piece of that and keep link of that as the bridge rate that we've asked for. But from a customer perspective, the thing I would tell you there is -- even with that, the market prices have come down on that PCCAM, so customers would still see somewhat of a reduction from an interim rate perspective, but that interim rate application as filed would allow us to begin to recover the cost of that while we work through the details of the case and work with interveners and the commission.

To your comment on the 270 days, that is the statutory date and we noted on the slide there that we would be able to implement final rates, obviously, the commission had a lot going with our laws, it was a significant case, and it took quite some time to adjudicate that even from the distance between which we reached a settlement with the key interveners there and final outcomes. So we certainly anticipate if we haven't reached the final outcome by that date then we would implement rates in that 270-day time frame.

Jamieson Ward

Perfect. I appreciate that. Yes, [indiscernible] comment of lots of changes in the quarter. I'll very quickly throw this on a side, expecting [indiscernible] #2 in 7 or 8 days and then movers pick up our stuff to move us to Houston in about 30. So I couldn't agree more with you on lots going on.

Brian B. Bird

CEO, President & Director

Congrats.

Crystal Dawn Lail
VP & CFO

Congrats. Happy to hear that.

Jamieson Ward

Last question I've got is just relating to the election, just the upcoming changes to the Montana PSC -- let's just assume that Jennifer Fielder keeps her seat. So fine, that leaves 2 districts turning over. It seemed like a bit of a unique situation since the other 2 districts, Republican candidates are both state senators, so they're very politically experienced. But more than that, and I would be interested in hearing the thoughts you have here on both of them joining the commission, especially since you've been in front of one of them when he was previous PSC commissioner from '05 through 2012.

Brian B. Bird
CEO, President & Director

Yes. I would say this, first of all, I think Commissioner Fielder is definitely going to be back. She's running unopposed. So that's good news, certainly from a consistency standpoint. So we know we have 3 of the same commissioners back -- and assuming Republicans win in both districts 2 and 3. Yes, Commissioner [indiscernible] certainly is an experienced commissioner and will be back if he wins, and Jeff Welborn, obviously, serving in the Montana legislature is well versed on issues in the industry. And so we -- regardless of who comes out, having some consistent -- consistency of 3 of the 5 is certainly helpful.

And regardless of who wins, our biggest job is to try to educate this is -- these are tough positions. These commissioners are going to learn a lot about the energy space in a short period of time. And I think people have done a really nice job. We just got to make sure the new candidates certainly come up to speed as quickly as they can. They're going to be dealing with a rate review as soon as they sit in their seats. And so regardless of who wins we're going to be certainly there to help as best we can to provide any information they need to be successful.

Travis Meyer
Director of Corporate Finance & Investor Relations Officer

All right. Our next question in the queue comes from Alex Mortimer at Mizuho. Alex?

Alexander Mortimer
Mizuho Securities USA LLC, Research Division

You mentioned potential pollution control equipment for Colstrip. Can you quantify what those costs might look like just in terms of scale?

Brian B. Bird
CEO, President & Director

Yes. I think the -- and again, this is an estimate, but for the full plant, be approximately $400 million. And so if we have 55% of the overall complex thinking on the $200 million to $250 million range investment.

Alexander Mortimer
Mizuho Securities USA LLC, Research Division

Understood. And then maybe 1 for you, Crystal. I think another 50 basis point improvement in FFO to debt this quarter. I think you're now about 80 basis points above that stated 14% target where do you maybe see this settling? Is there a desire for an additional cushion above that 14% level? Or I guess, where do you maybe see things leveling out?

Crystal Dawn Lail
VP & CFO

Yes, that's a great question. And here's what I would say broadly about that. I think the events over the last couple of years and what you've seen impact on utility balance sheet from storm impacts and other items, having a bit of cushion is significant and being able to continue to serve customers and provide liquidity when you need it the most, and do that in an affordable manner. So we certainly want to have some cushion. So being above 14% is definitely where we want to be. We want to be in a position of strength with our balance sheet to be able to do what we need to do.

So I won't give you an exact basis point, but I would tell you that we are holding in very quickly on where we want to be and keeping ourselves some cushion to weather adverse events and significantly, again, lots of utilities [indiscernible]. But when you're serving customers in Europe peak, the volatility in the supply markets, which we're attempting to reduce for our customers have been significant to balance sheet, but also the volatility and what may happen with access to capital markets, et cetera, always having room there. So we feel good about where we're at, but also good about making sure we maintain that cushion.

Alexander Mortimer
Mizuho Securities USA LLC, Research Division

Understood. And then finally, just directionally, how should we think about as we look towards 2025 guidance, the lumpiness of earnings, I think, has been well discussed over the last couple of calls as you work through regulatory proceedings, et cetera, how should we think about maybe the glide path of earnings into 2025 within that 4% to 6% long-term growth rate?

Crystal Dawn Lail
VP & CFO

Well, Alex, you're making me lose bets over here because I said it's too soon to talk '25, and I may have heard from a couple of others on this call that we would likely get the questions. So here we are. To your point, on the lumpiness, one of the things that we alluded to in our rate filings is, we've indicated getting back to consistency of delivering on our earnings and being within that 4% to 6% is right through the path of regulatory outcomes.

Your question getting to 2025 guidance, obviously, what we just filed is incredibly critical to that. So we'll update you once we get into coming out of Q3 here, how those proceedings are advancing and how we're thinking about 2025, but those are certainly critical to being able to continue to deliver in a more consistent manner. I will acknowledge as a SMID cap being quite as consistent as maybe some of the large caps is a little harder, but we're working to reduce the lumpiness. But again, we'll have more updates for you as we can close out Q3 and began to prosecute these rate cases with our interveners and commissions and have some clarity and visibility into how those are progressing.

Travis Meyer
Director of Corporate Finance & Investor Relations Officer

Next in the queue looks like Anthony must have thought you missed a question and we have Anthony Crowdell from Mizuho.

Anthony Christopher Crowdell
Mizuho Securities USA LLC, Research Division

I don't know, could you guys hear me?

Brian B. Bird
CEO, President & Director

Yes.

Anthony Christopher Crowdell
Mizuho Securities USA LLC, Research Division

Alex had missed 1, but maybe he was just smart enough not to ask this. So I'll try to smooth it out. And it's related to the Colstrip addition again, if I look at the regulatory jurisdiction that you have in Montana, if I look at RRA, I think they've rated second from the bottom or maybe towards the bottom? And the thought process of -- you seem like you're adding generation that's not going to benefit -- like you invested -- like your investors, your shareholders, you kind of may be actually doing the opposite of you're adding additional generation where there could have been a rate base opportunity, in a state that maybe has treated you not as balanced in some of the other states you guys operate in? And I guess that's the question of just the thought process there to even get more exposure of 0 rate base investment for a state with regulation, I think politely, if I use the word challenging, that may be very polite.

Brian B. Bird
CEO, President & Director

I would say this, first of all, I'm going to push back maybe RRA is a little sticky like ROEs are. I mean I think you look at recent outcomes out of the Montana Commission. I think they've been severely supportive with what we're trying to do. And I think there's an alignment between what we're trying to do from a reliability and affordability standpoint with what the commission is trying to accomplish. I'd also say in my 20 years here, -- when people make -- go out of the way to bash the Montana commission, it's the same commission that approve the hydro resources.

And we -- and from our perspective, if you look at the history, there's been some very good outcomes from that commission. I think what we saw in terms of -- and I've said this on previous calls, suppose we had the commission, the legislature and the governor, we think we're doing the right things for customers. And at the end of the day, that's going to be the right thing for you guys as shareholders. I think another thing to think about the amount of T&D investment we have at this company is extremely high. And like I said earlier on this call, we think we're going to need support, invest in more transmission, and if that alignment stays in place, Guess who is going to support that investment in transmission.

And so I feel very, very good about the environment we're operating in right now, regardless of what our RRA says. And again, I think if we continue to do the best thing for our customers, I think you guys are going to be rewarded as shareholders, too.

Travis Meyer
Director of Corporate Finance & Investor Relations Officer

All right. And with that, we've exhausted our queue. Brian?

Brian B. Bird
CEO, President & Director

I just -- and again, this is a strategic moment. I think I actually appreciate that question, Anthony. And all seriousness. And when I say anything with Anthony, it's hard to always say in all seriousness, it's always fun -- to chat with the Anthony.

I think this is a critical time for this company. There can be people disappointed from the shareholder perspective, there could be people disappointed from an environmental perspective. That's not lost on us. here at NorthWestern in terms of what we're doing. But again, we alone have an obligation to serve our customers. And on the coldest days of the year and the hottest days of the year, we have to serve them. And at this low cost, we are doing the right thing for them, which allows enough headroom for us to do other things that we need to do to serve those customers.
And with that, I want to thank you all for your participation today. Take care.