Risk Factors Comparison 2025-02-26 to 2024-02-21 Form: 10-K

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The following factors could have a significant impact on our operations, results of operations, financial condition or cash flows. These factors could cause future results or outcomes to differ materially from those discussed in our reports filed with the SEC (including this Annual Report on Form 10- K), and elsewhere. See " Forward- Looking Statements " for additional factors which could have a significant impact on our operations, results of operations, financial condition or cash flows and could cause actual results to differ materially from those anticipated in such statements. **Additional risks and uncertainties not presently known to us or that we currently do not consider material could also adversely affect us. The realization of many of the risks discussed herein depends upon the prior occurrence of some event or circumstance – i. e. a " trigger ". We may or may not discuss the occurrence of a trigger that has not resulted in an adverse effect on us, and the absence of such disclosure should not be construed as a representation that no such trigger has occurred.** Utility Regulatory Risk Factors Regulators may not grant rates that provide timely or sufficient recovery of our costs or allow a reasonable rate of return for our shareholders. Avista Utilities' annual operating expenses and the costs associated with incremental investments in utility assets continue to grow at a faster rate than revenue. Our ability to recover these expenses and capital costs depends on the adequacy and timeliness of retail rate increases allowed by regulatory agencies, as well as managing costs. We expect to periodically file for rate increases with regulatory agencies to recover our expenses and capital costs and provide an opportunity to earn a reasonable rate of return for shareholders. If regulators do not grant rate increases or grant substantially lower rate increases than our requests in the future or if recovery of deferred expenses is disallowed, **or if regulators do not allow us to recover costs associated with assets required to be retired or divested, such as Colstrip, to comply with emerging laws and regulations,** it could have a negative effect on our financial condition, results of operations or cash flows. See further discussion of regulatory matters in " Item 7. Management' s Discussion and Analysis – Regulatory Matters. " In the future, we may no longer meet the criteria for continued application of regulatory accounting principles for all or a portion of our regulated operations. If we could no longer apply regulatory accounting principles, we could be: • required to write off our regulatory assets, and be • precluded from the future deferral of costs or decoupled revenues not recovered through rates at the time such amounts are incurred, even if we expect to recover these amounts from customers in the future. See further discussion at " Note 1 of the Notes to Consolidated Financial Statements – Regulatory Deferred Charges and Credits. " Operational Risk Factors ~~Weather (temperatures, precipitation levels, wind patterns and storms) has a significant effect on our results of operations, financial condition and cash flows. These effects could increase as climate changes occur. Weather impacts are described in the following subtopics: • certain retail electricity and natural gas sales, • the cost of natural gas supply, and • the cost of power supply.~~ Wildfires ignited, or allegedly ignited, by Avista Corp. equipment or facilities, could cause significant loss of life and property, thereby causing serious operational and financial harm. Our equipment may be the ignition source, or alleged cause of ignition, for wildfires and in the event of a fire caused by our equipment, we could potentially be held liable for resulting damages to life and property, as well as fire suppression costs. Also, wildfires could lead to extended operational outages of our equipment while we wait for the wildfire to be extinguished before restoring power, and the cost to implement rapid response or repair to such facilities could be significant. Wildfires caused by our equipment could cause significant damage to our reputation, which could erode shareholder, customer and ~~AVISTA CORPORATION~~ community satisfaction. In addition, wildfires caused by our equipment could lead to increased litigation and insurance costs, loss of insurance coverage, the need to be self- insured or the need to consider non- traditional insurance coverage or other risk mitigation procedures. Wildfire risks may be exacerbated by increasing temperatures and / or decreasing precipitation due to climate change. **AVISTA CORPORATION** We are subject to various operational and event risks. Our operations are subject to operational and event risks that include: • severe weather or natural disasters, including, but not limited to, avalanches, wind storms, wildfires, earthquakes, **floods,** snow and ice storms, and heat waves due to normal weather variations as well as the impacts of climate change which could disrupt energy generation, transmission and distribution, as well as the availability and costs of materials, equipment, supplies, support services and general business operations, • blackouts or disruptions of interconnected transmission systems (the regional power grid), • unplanned outages at generating plants, • changes in the availability and cost of purchased power, fuel and natural gas, including delivery constraints **and restrictions imposed by the transition to renewable and / or non- emitting energy sources** , which can disrupt service to customers, • explosions, fires, accidents, or mechanical breakdowns that could occur while operating and maintaining our generation, transmission and distribution systems **, including, but not limited to, increased risk associated with emerging renewable technologies as these technologies continue to mature** , • property damage or injuries to third parties caused by our generation, transmission and distribution systems, • natural disasters that can disrupt energy generation, transmission and distribution, and general business operations, • terrorist attacks or other malicious acts that may disrupt or cause damage to our utility assets or the vendors we utilize, and • increased costs or delay of capital projects associated with the ability of suppliers, vendors or contractors to perform, • general workforce problems, including decreased employee engagement, which may impact strategy execution and negatively affect retention, ability to attract workers, and result in challenges in collective bargaining, possible work stoppages, and strikes. Retention of employees may also be negatively impacted by early retirements, insufficient remote work opportunities, and higher pay offered by other employers. Attractions of employees to support strategies may be affected by higher pay offered from other companies, more liberal remote work opportunities offered by other employers, and other work- life balance benefits afforded by other companies. Disasters could affect the general economy, financial and capital markets, specific industries or our ability to conduct business. As protection

against operational and event risks, we maintain business continuity and disaster recovery plans, maintain insurance coverage against some, but not all, potential losses and we seek to negotiate indemnification arrangements with contractors for certain event risks. However, insurance or indemnification agreements may not be adequate to protect against liability, extra expenses and operating disruptions from the operational and event risks described above. In addition, we are subject to the risk that insurers and / or other parties will dispute or be unable to perform on their obligations. If insurance or indemnification agreements are unable to adequately protect us or reimburse us for out- of- pocket costs, it could have a material adverse effect on our results of operations, financial condition and cash flows. Damage to facilities could be caused by severe weather or natural disasters, such as snow, ice, wind storms, **floods,** wildfires, earthquakes or avalanches. The cost to implement rapid response or repair to such facilities can be significant. Overhead electric lines are most susceptible to damage caused by severe weather and are not covered by insurance. Physical attacks on our assets could have a negative impact on our business and our results of operations. Our generation, transmission and distribution assets and the systems that monitor and operate these assets are critical infrastructure for providing service to our customers. Security threats are continuing to evolve, and our industry has been subject to, and will likely continue to be subject to, attempts to disrupt operations. Significant destruction or interruption of these assets and systems could prevent us from fulfilling our critical business functions, including delivering energy to customers. This could result in experiencing a loss of revenues and / or additional costs to replace or restore assets and systems, and may increase costs associated with heightened security requirements. Adverse impacts to AEL & P could result from an extended outage of its hydroelectric generating resources or its inability to deliver energy, due to its lack of interconnectivity to other electrical grids and the cost of replacement power (diesel). AEL & P operates several hydroelectric power generation facilities and has diesel generating capacity ~~from multiple facilities~~ to provide backup service to firm customers when necessary; however, a single hydroelectric power generation facility, the Snettisham hydroelectric project, provides approximately two-thirds of AEL & P' s hydroelectric power generation. Issues that negatively affect AEL & P' s ability to generate or transmit power or a decrease in the demand for the power generated by AEL & P could negatively affect our results of operations, financial condition and cash flows. Climate Change Risk Factors A trend of increasing average temperatures and its effects could cause significant direct and indirect impacts on our operations and results of operations. Climate change may exacerbate existing risks related to weather and weather- related events. Potential direct effects of climate change include changes in the timing and magnitude of snowpack and streamflow, impacting ~~hydro~~ **hydroelectric** generation; timing and magnitude of changes in electric and gas load; increased weather- related stress on, or damage to, energy infrastructure; increased frequency and intensity of extreme weather events that may impact energy generation and delivery. Indirect impacts associated with climate change may include increased costs to generate electricity or secure natural gas and deliver energy to customers; impacts to the timing or amount of operating revenues; increased costs to maintain or construct energy infrastructure in adaptation to a changing climate; increased costs or inability to obtain insurance coverage; and regional impacts to the demographic makeup, economy or financial conditions of our customers. Indirect impacts also include risks associated with new and emerging laws and regulations, which could have a material adverse impact on our business and results of operations. See further discussion at " Item 7. Management' s Discussion and Analysis – Environmental Issues and Contingencies. " Cybersecurity Risk Factors Cyberattacks, ransomware, terrorism or other malicious acts could disrupt our businesses and have a negative impact on our results of operations and cash flows. We rely on interconnected technology systems for operation of our generating plants, electric transmission and distribution systems, natural gas distribution systems, customer billing and customer service, accounting and other administrative processes and compliance with various regulations. In addition, in the ordinary course of business, we collect and retain sensitive information including personal information about our customers and employees. Cyberattacks, ransomware, terrorism or other malicious acts could damage, destroy or disrupt these systems for an extended period of time. The energy sector, including electric and natural gas utility companies have become the subject of cyberattacks with increased frequency. Our administrative and operating networks are targeted by hackers on a regular basis. Additionally, the facilities and systems of clients, suppliers and third party service providers could be vulnerable to the same cyber or terrorism risks as our facilities and systems and such third party systems may be interconnected to our systems both physically and technologically. Therefore, an event caused by cyberattacks, ransomware or other malicious act at an interconnected third party could impact our business and facilities similarly. Any failure, unexpected, or unauthorized use of technology systems could result in the unavailability of such systems, and could result in a loss of operating revenues, an increase in operating expenses and costs to repair or replace damaged assets. Any of the above could also result in the loss or release of confidential customer and / or employee information or other proprietary data that could adversely affect our reputation and competitiveness, could result in costly litigation and negatively impact our results of operations. These cyberattacks have become more common and sophisticated and, as such, we could be required to incur costs to strengthen our systems and respond to emerging concerns. There are various risks associated with technology systems such as hardware or software failure, communications failure, data distortion or destruction, unauthorized access to data, misuse of proprietary or confidential data, unauthorized control through electronic means, programming mistakes and other deliberate or inadvertent human errors. Technology Risk Factors Our technology may become obsolete, development of new technologies could create additional risk, or we may not have sufficient resources to manage our technology. Our technology may become obsolete before the end of its useful life. In addition, custom or new technology (including ~~potential~~ generative artificial intelligence) that is heavily relied upon may not be maintained and updated appropriately due to resource restraints, or other factors, which could cause technology failures or give rise to additional operational or security risks. Generative artificial intelligence could also create additional regulatory scrutiny and generate uncertainty around intellectual property ownership and / or licensing or use. Technology (including artificial intelligence) is also subject to intentional misuse (by criminals, terrorists or other bad actors). Technology failures or incidents of misuse could result in significant adverse effects on our operations, results of operations, financial condition and cash flows. We may be adversely affected by our inability to successfully implement certain technology projects. There are inherent risks associated with replacing

and changing systems, which could have a material adverse effect on our results of operations, financial condition and cash flows. Finally, there is the risk that we ultimately do not complete a project and will incur contract cancellation or other costs, which could be significant. Strategic Risk Factors Our strategic business plans, which may be affected by the foregoing, may change, including the entry into new businesses and / or the exit from existing businesses and / or the curtailment of our business development efforts where potential future business is uncertain. Our strategic business plans could be affected by or result in the following: • disruptive innovations in the marketplace may outpace our ability to compete or manage our risk **(including the transition to renewable and / or non- emitting energy resources)** , • customers may have a choice in the future over the sources from which to receive their energy and we may not be able to compete, • potential difficulties in integrating acquired operations and in realizing expected opportunities, diversions of management resources and losses of key employees, challenges with respect to operating new businesses and other unanticipated risks and liabilities **, • reduced control over generation resources resulting from reliance on contract power from third- party owners of generation assets, which could limit our ability to balance resources with demand** , • non- regulated investments in businesses outside of our core utilities operations may increase earnings volatility, • market or other conditions that could adversely affect our operations or require changes to our business strategy and could result in reduced assets and net income, • affordability of electric and / or gas services may be a challenge for customers resulting in increased delayed payment for utility services, • potential reputational risk arising from repeated general rate case filings, degradation in the quality of service, or from failed strategic investments and opportunities, which could erode shareholder, customer and community satisfaction with the Company, and • the risk of municipalization or other form of service territory reduction. External Mandates Risk Factors External mandate risk involves forces outside the Company, which may include significant changes in customer expectations, disruptive technologies that result in obsolescence of our business model and government action that could impact the Company. Actions or limitations to address concerns over long- term climate change, both globally and within our utilities' service areas, may affect our operations and financial performance. Legislative, regulatory and advocacy efforts at the local, state, national and international levels concerning climate change and other environmental issues could have significant impacts on our operations. The electric and natural gas utility industries are frequently affected by proposals to curb greenhouse gas and other air emissions. Various regulatory and legislative proposals have been made to limit or further restrict byproducts of combustion, including that resulting from the use of natural gas by our customers. In addition, ~~regionally,~~ there are regulatory and legislative initiatives that have been passed which are designed to limit greenhouse gas emissions and increase the use of renewable sources of energy. In addition, regulatory and legislative initiatives may restrict customers' access to natural gas and / or require or limit natural gas infrastructure in buildings **.** ~~other~~ **Other** initiatives may seek to promote social interests expressed as energy equity, environmental justice or similar frameworks. Such legislation could direct and / or restrict the operation and raise the costs of our power generation resources and energy delivery infrastructure as well as the distribution of natural gas to our customers. We expect continuing legislative and regulatory activity in the future and we are evaluating the extent to which potential changes to environmental laws and regulations may: • increase the operating costs of generating plants, • increase the lead time and capital costs for the construction of new generating plants, • require modification of our existing generating plants, • require existing generating plant operations to be curtailed or shut down, • reduce the amount of energy available from our generating plants, • restrict the types of generating plants that can be built or contracted with, • require construction of specific types of generation plants at higher cost, **including emerging generation sources still in development that operate at a higher risk of failure,** and • increase the cost or limit our ability to distribute natural gas to customers. See " Item 7. Management' s Discussion and Analysis – Environmental Issues and Contingencies " for discussion regarding environmental issues and legislation which may affect our operations. We have contingent liabilities, including certain matters related to potential environmental liabilities, and cannot predict the outcome of these matters. In the normal course of our business, we have matters that are the subject of ongoing litigation, mediation, investigation and / or negotiation. We cannot predict the ultimate outcome or potential impact of any issue, including the extent, if any, of insurance coverage or recovery through the ratemaking process. We are subject to environmental regulation by federal, state and local authorities related to our past, present and future operations. See " Note 22 of the Notes to Consolidated Financial Statements " for further details of these matters. Import tariffs could lead to increased prices on ~~raw~~ **energy commodities and / or equipment and** materials that are critical to our business. Tariffs and other restrictions on trade with foreign countries could significantly increase the prices of ~~raw~~ **energy commodities (electricity and natural gas) and equipment and** materials that are critical to our business ~~, such as steel poles or wires~~ . In addition, tariffs and trade restrictions could have a similar impact on our suppliers and certain customers, which could have a negative impact on our financial condition, results of operations and cash flows. See " Item 7. Management' s Discussion and Analysis – Environmental Issues and Contingencies " and " Forward- Looking Statements " for discussion of or reference to additional external mandates which could have a material adverse effect on our results of operations, financial condition and cash flows. Financial Risk Factors **Weather (temperatures, precipitation levels, wind patterns and storms) has a significant effect on our results of operations, financial condition and cash flows. These effects could increase as climate changes occur. Weather impacts are described in the following subtopics: • certain retail electricity and natural gas sales, • the cost of natural gas supply, and • the cost of power supply.** Certain retail electricity and natural gas sales volumes vary directly with changes in temperatures. We normally have our highest retail (electric and natural gas) energy sales during the winter heating season in the first and fourth quarters of the year. We also have high electricity demand for air conditioning during the summer (third quarter). In general, warmer weather in the heating season and cooler weather in the cooling season will reduce our customers' energy demand and our retail operating revenues. The revenue and earnings impact of weather fluctuations is somewhat mitigated by our decoupling mechanisms; however, we could experience liquidity constraints during the period between when decoupling revenue is earned and when it is subsequently collected from customers through retail rates. The cost of natural gas supply is impacted by both supply- side factors (amount of natural gas production, level of natural gas in storage, volumes of

natural gas imports and exports, regulatory restraints or costs on natural gas production and delivery) and demand- side factors (variations in weather, level of economic growth, availability and prices of other fuels). Prices tend to increase with higher demand during periods of cold weather. Inter- regional natural gas pipelines and competition for supply can allow demand-driven price volatility in other regions of North America to affect prices in the Pacific Northwest. Increased costs adversely affect cash flows when we purchase natural gas for retail supply at prices above the amount allowed for recovery in retail rates. We defer differences between actual natural gas supply costs and the amount currently recovered in retail rates and we are generally allowed to recover substantially all of these differences after regulatory review. However, these deferred costs require cash outflows from the time of natural gas purchases until the costs are later recovered through retail ~~sales~~ **rates** . The cost of power supply can be significantly affected by weather, and therefore is subject to trends in climate change. Precipitation (consisting of snowpack, its water content and runoff pattern plus rainfall) and other streamflow conditions (such as regional water storage operations) significantly affect hydroelectric generation capability. Variations in hydroelectric generation inversely affect our reliance on market purchases and thermal generation. To the extent that hydroelectric generation is less than normal, ~~significantly~~ more costly power supply resources must be **dispatched or** acquired and the ability to realize net benefits from surplus hydroelectric wholesale sales is reduced. Wholesale prices also vary based on wind patterns as wind generation capacity is material in the Pacific Northwest but its contribution to supply is inconsistent. The price of power in the wholesale energy markets tends to be higher during periods of high regional demand, such as occurs with temperature extremes. Climate change may increase the frequency and magnitude of temperature extremes. We may need to purchase power in the wholesale market during peak price periods. The price of natural gas as fuel for natural gas- fired electric generation tends to increase during periods of high demand which are often related to temperature extremes. We may need to purchase natural gas fuel in these periods of high prices to meet electric demands. The cost of power supply during peak usage periods may be higher than the retail sales price or the amount allowed in retail rates by our regulators. To the extent that power supply costs are above the amount allowed currently in retail rates, the difference is partially absorbed by the Company in current expense and is partially deferred or shared with customers through regulatory mechanisms. However, these deferred costs require cash outflows from the time of power purchases until the costs are later recovered through retail ~~sales~~ **rates** . The price of power tends to be lower during periods with excess supply, such as the spring when hydroelectric conditions are usually at their maximum and various facilities are required to operate to meet environmental mandates. Oversupply can be exacerbated when intermittent resources such as wind generation are producing output that may be supported by price subsidies. In extreme situations, we may be required to sell excess energy at negative prices. As a result of these combined factors, our net cost of power supply – the difference between our costs of generation and market purchases, reduced by our revenue from wholesale sales – varies significantly because of weather. We rely on regular access to financial markets but we cannot assure favorable or reasonable financing terms will be available when we need them. Access to capital markets is critical to our operations and our capital structure. We have significant capital requirements that we expect to fund, in part, by accessing capital markets. As such, the state of financial markets and credit availability in the global, United States and regional economies impacts our financial condition. We could experience increased borrowing costs or limited access to capital on reasonable terms. We access long-term capital markets to finance capital expenditures, repay maturing long- term debt and obtain additional working capital, including needs related to power and natural gas purchases and sales, from time- to- time. Our ability to access capital on reasonable terms is subject to numerous factors and market conditions, many of which are beyond our control. If we are unable to obtain capital on reasonable terms, it may limit or prohibit our ability to finance capital expenditures and repay maturing long- term debt. Our liquidity needs could exceed our short- term credit availability and lead to defaults on various financing arrangements. We would also likely be prohibited from paying dividends on our common stock. Performance of the financial markets could also result in significant declines in the market values of assets held by our pension plan and / or a significant increase in the pension liability (which impacts the funded status of the plan) and could increase future funding obligations and pension expense. We rely on credit from financial institutions for short- term borrowings. We need adequate levels of credit with financial institutions for short- term liquidity. There is no assurance that we will have access to credit beyond the expiration dates of our committed line of credit agreements. These agreements contain customary covenants and default provisions. Any default on the lines of credit or other financing arrangements of Avista Corp. or our " significant subsidiaries, " if any, could result in cross- defaults to other agreements of such entity, and / or to the line of credit or other financing arrangements of any other of such entities. Defaults could also induce vendors and other counterparties to demand collateral. In the event of any such default, it would be difficult to obtain financing on reasonable terms to pay creditors or fund operations. We would also likely be prohibited from paying dividends on our common stock. We may hedge a portion of our interest rate risk with financial derivative instruments, which may require the posting of collateral. If market interest rates decrease below the interest rates we have locked in, this will result in a liability related to our interest rate swap derivatives, which can be significant. We may be required to post cash or letters of credit as collateral depending on fluctuations in the fair value of the derivative instruments. Settlement of interest rate swap derivative instruments in a liability position could require a significant amount of cash, which could negatively impact our liquidity and short- term credit availability and increase interest expense over the term of the associated debt. Downgrades in our credit ratings could impede our ability to obtain financing, adversely affect the terms of financing and impact our ability to transact for or hedge energy resources. If we do not maintain our investment grade credit rating with the major credit rating agencies, we could expect increased debt service costs, limitations on our ability to access capital markets or obtain other financing on reasonable terms, and requirements to provide collateral (in the form of cash or letters of credit) to lenders and counterparties. In addition, credit rating downgrades could reduce the number of counterparties willing to do business with us or result in the termination of outstanding regulatory authorizations for certain financing activities. Credit risk may be affected by industry concentration and geographic concentration. We have concentrations of suppliers and customers in the electric and natural gas industries including: • electric and natural gas utilities, • electric

generators and transmission providers, • oil and natural gas producers and pipelines, • financial institutions including commodity clearing exchanges and related parties, and • energy marketing and trading companies. We have concentrations of credit risk related to our geographic location in the western United States and western Canada energy markets. These concentrations of counterparties and concentrations of geographic location may affect our overall exposure to credit risk because the counterparties may be similarly affected by changes in conditions. We are a participant in the EIM, and engage in direct and indirect power purchase and sale transactions in connection with that participation. The EIM collateral posting requirements are based on established credit criteria, but there is no assurance the collateral will be sufficient to cover obligations that counterparties may owe each other in the EIM and credit losses could be allocated among all EIM participants, including us. A significant failure of a participant in the EIM to make payments when due on its obligations could have a ripple effect on our counterparties in the power and gas markets if those counterparties experience ancillary liquidity issues, and could result in a decline in the ability of our counterparties to perform on their obligations. Activist shareholder actions could have a negative impact on our business and operations. Shareholder activism can take many forms and arise in a variety of situations. Actions by activist shareholders could include engaging in proxy solicitations, making or advancing shareholder proposals, or otherwise attempting to assert influence on our board of directors and / or management. Response to these actions could result in substantial costs, require significant attention from our board of directors and management, and divert resources from the execution of our strategy and business operations. Shareholder activism could result in perceived uncertainties, negatively affect our business opportunities, our ability to access capital markets, and relationships with our customers and employees. These actions could have a material adverse effect on our financial condition and results of operations, and could result in significant fluctuations in the trading price of our common stock based on market perceptions or other factors. Energy Commodity Risk Factors Energy commodity price changes affect our cash flows and results of operations. Energy commodity prices can be volatile. We rely on energy markets and other counterparties for energy supply, surplus and optimization transactions and commodity price hedging. A combination of factors exposes our operations to commodity price risks, including: • our obligation to serve our retail customers at rates set through the regulatory process- we cannot decline to serve our customers and we cannot change retail rates to reflect current energy prices unless and until we receive regulatory approval, • customer demand, which is beyond our control because of weather, customer choices, prevailing economic conditions and other factors, • some of our energy supply cost is fixed by the nature of the energy- producing assets or through contractual arrangements (however, a significant portion of our energy resource costs are not fixed), and • the potential non- performance by commodity counterparties, which could lead to replacement of the scheduled energy or natural gas at higher prices. Because we must supply the amount of energy demanded by our customers and we must sell it at fixed rates and only a portion of our energy supply costs are fixed, we are subject to the risk of buying energy at higher prices in wholesale energy markets (and the risk of selling energy at lower prices if we are in a surplus position). Electricity and natural gas in wholesale markets are commodities with historically high price volatility. Changes in wholesale energy prices affect, among other things, the cash requirements to purchase electricity and natural gas for retail customers or wholesale obligations and the market value of derivative assets and liabilities. We hedge a portion of our energy commodity risk with physical and financial derivative instruments that may require the posting of collateral. When we enter into fixed price energy commodity transactions for future delivery, we are subject to credit terms that may require us to provide collateral to wholesale counterparties related to the difference between current prices and the agreed upon fixed prices. These collateral requirements can place significant demands on our cash flows or borrowing arrangements. Price volatility can cause collateral requirements to change quickly and significantly. Cash flow deferrals related to energy commodities can be significant. We are permitted to collect from customers only amounts approved by regulatory commissions. However, our costs to provide energy service can be much higher or lower than the amounts currently billed to customers. We are permitted to defer income statement recognition and recovery from customers for some of these differences, which are recorded as deferred charges with the opportunity for future recovery through retail rates. These deferred costs are subject to review for prudence and potential disallowance by regulators, who have discretion as to the extent and timing of future recovery or refund to customers. Power and natural gas costs higher than those recovered in retail rates negatively impact cash flows. Amounts that are not allowed for deferral or which are not approved to become part of customer rates affect our results of operations. Even if our regulators ultimately allow the recovery of deferred power and natural gas costs, our operating cash flows can be negatively affected until these costs are recovered from customers. Fluctuating energy commodity prices and volumes in relation to our energy risk management process can cause volatility in our cash flows and results of operations. We engage in active hedging and resource optimization practices to reduce energy cost volatility and economic exposure related to commodity price fluctuations. We routinely enter into contracts to hedge a portion of our purchase and sale commitments for electricity and natural gas, as well as forecasted excess or deficit energy positions and inventories of natural gas. We use physical energy contracts and derivative instruments, such as forwards, futures, swaps and options traded in the over- the-counter markets or on exchanges. If market prices decrease compared to the prices we have locked in with our energy commodity derivatives, this will result in a liability related to these derivatives, which can be significant. As a result of price fluctuations, we may be required to post significant amounts of cash or letters of credit as collateral depending on fluctuations in the fair value of the derivative instruments. We do not attempt to fully hedge our energy resource assets or our forecasted net positions for various time horizons. To the extent we have positions that are not hedged, or if hedging positions do not fully match the corresponding purchase or sale, fluctuating commodity prices could have a material effect on our operating revenues, resource costs, derivative assets and liabilities, and operating cash flows. In addition, actual loads and resources typically vary from forecasts, sometimes to a significant degree, which require additional transactions or dispatch decisions that impact cash flows. The hedges we enter into are reviewed for prudence by our various regulators and deferred costs (including those as a result of our hedging transactions) are subject to review for prudence and potential disallowance by regulators. Generation plants may become obsolete. We rely on a variety of generation and energy commodity market sources to fulfill our obligation

to serve customers and meet the demands of our counterparty agreements. Some of our generation sources, such as coal, may become obsolete or be prematurely retired through regulatory action or legislation. This could result in higher commodity costs to replace the lost generation, as well as higher costs to retire the generation source before the end of its expected life. This also includes costs (including replacement of lost generation) associated with our transfer of Colstrip ownership to NorthWestern at the end of 2025. See “ Item 7. Management' s Discussion and Analysis – Environmental Issues and Contingencies ” for discussion regarding environmental and other issues surrounding Colstrip. Compliance Risk Factors There have been numerous changes in legislation, related administrative rulemakings, and Executive Orders, including periodic audits of compliance with such rules, which may adversely affect our operational and financial performance. We expect to continue to be affected by legislation at the national, state and local level, as well as by administrative rules and requirements published by government agencies, including but not limited to the FERC, the EPA and state regulators. We are also subject to NERC and WECC reliability standards. The FERC, the NERC and the WECC perform periodic audits of the Company. Failure to comply with the FERC, the NERC, or the WECC requirements can result in financial penalties. Future legislation, administrative rules or Executive Orders could have a material adverse effect on our operations, results of operations, financial condition and cash flows. 34