

BEFORE THE SOUTH DAKOTA PUBLIC UTILITIES COMMISSION

DOCKET GE25-001

In the Matter of the Joint Application of NorthWestern Energy Public Service Corporation, Black Hills Corporation and NorthWestern Energy Group, Inc., for Approval of Merger

**DIRECT TESTIMONY OF RYAN PFAFF
ON BEHALF OF THE SOUTH DAKOTA PUBLIC UTILITIES COMMISSION STAFF**

May 14, 2026

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EXHIBITS

Exhibit RP-1 – Curriculum Vitae

1 I. INTRODUCTION AND QUALIFICATIONS

2
3 **Q. State your name.**

4 A. My name is Ryan Pfaff.

5
6 **Q. State your employer and business address.**

7 A. My employer is Polk & Vine, LLC. My business address is 11709 Roe Ave. Suite D
8 #116, Leawood, KS 66211.

9
10 **Q. What is your educational background and work experience?**

11 A. I received a Bachelor of Science degree in Accounting from Truman State University. I
12 began my career at the international accounting firm PricewaterhouseCoopers LLP and
13 transitioned to regulatory consulting in 2009. My clients have included the public service
14 commission staffs of Connecticut, California, Delaware, Maryland, Mississippi, New
15 Jersey, New York, South Dakota, Utah, and Virginia. I have also provided expert
16 consulting services presented to the Missouri Public Service Commission and the
17 Alberta Utilities Commission. A copy of my curriculum vitae is provided as Exhibit RP-1.

18
19 **Q. What is your connection to this docket?**

20 A. Commission Staff (Staff) has retained me to assist with its review of the proposed
21 merger and to analyze the proposed merger's potential financial, operational, and
22 ratemaking impacts on South Dakota customers.

23
24 II. PURPOSE OF TESTIMONY

25
26 **Q. On whose behalf was this testimony prepared?**

27 A. This testimony was prepared on behalf of the Staff of the South Dakota Public Utilities
28 Commission.

29
30 **Q. Did Staff participate in the discovery phase of this proceeding?**

31 A. Yes. In addition to developing its own discovery, Staff also reviewed and transmitted all
32 of the discovery that I prepared. Staff also participated in several discussions with
33 representatives of NorthWestern Energy Public Service Corporation, Black Hills

1 Corporation, and NorthWestern Energy Group, Inc. (collectively, the Joint Applicants)
2 regarding the adequacy and timeliness of the Joint Applicants' discovery responses.
3

4 **Q. What is the purpose of your direct testimony?**

5 A. The purpose of my testimony is to (1) describe the Settlement Stipulation between Staff
6 and the Joint Applicants filed in this docket on April 29, 2026 (Settlement); (2) explain
7 Staff's view that the Settlement provides appropriate protections for South Dakota
8 customers; and (3) provide Staff's recommendation regarding whether the proposed
9 merger should be approved or rejected.
10

11 **Q. What is the legal standard that the Commission must follow in its decision
12 whether to approve or deny the requested merger?**

13 A. The legal standard for approval of this merger is SDCL 49-34A-36. This statute provides,
14 in relevant part, "The [C]ommission shall act on the application within one hundred
15 eighty days and shall approve the proposed action unless the commission finds that
16 there is a likelihood of significant adverse impacts to customers in this state."
17

18 **Q. Does the proposed merger pose a likelihood of significant adverse impacts to
19 South Dakota customers?**

20 A. The proposed merger introduces potential risks to South Dakota customers, including
21 the possibility of cross-subsidization among affiliates of the combined enterprise,
22 recovery of merger-related transaction and integration costs from ratepayers, financial
23 impacts of acquisition-method accounting and goodwill, and reductions in South Dakota
24 corporate presence. To mitigate these risks, Staff proposed to the Joint Applicants
25 conditions that would serve to protect South Dakota customers in the event that the
26 Commission approves the merger.
27

28 **Q. Were Staff and the Joint Applicants able to reach a Settlement which resolves
29 Staff's concerns regarding the proposed merger?**

30 A. Yes. This Settlement was filed in the docket on April 29, 2026, along with a Joint Motion
31 for approval.
32

33 **Q. Do the conditions agreed to in the Settlement provide protection to South Dakota
34 customers?**

1 A. Yes. The Settlement contains a set of commitments that address Staff's concerns and
2 provide meaningful protections for South Dakota customers, including: most-favored-
3 nations treatment of merger cost recovery relative to the parallel Montana and Nebraska
4 merger proceedings; enhanced ring-fencing protections, including dividend restrictions
5 and credit rating notification requirements; cost allocation transparency through Cost
6 Allocation Manual filings; insulation of South Dakota ratepayers from acquisition-method
7 accounting adjustments, goodwill, and push-down accounting; preservation of existing
8 ratemaking treatment for accumulated deferred income taxes; commitments to maintain
9 corporate presence in South Dakota; annual capital expenditure reporting; prohibitions
10 on recovery of transaction costs and on deferral of integration costs for future recovery
11 from customers; annual merger integration status reporting; and rate moratoriums for the
12 South Dakota utilities of both NorthWestern and Black Hills Power, Inc.

13

14 **Q. Are you aware of settlement negotiations occurring between the Joint Applicants**
15 **and the Intervenor in this docket?**

16 A. Yes. Staff is aware that the Joint Applicants and the LIUNA Intervenor—the Laborers
17 International Union of North America, Great Plains Laborers' District Council, and South
18 Dakota Laborers Local 620—have engaged in settlement discussions in this docket. To
19 Staff's understanding, those discussions are ongoing as of the filing of this testimony.

20

21 **Q. Will Staff be a party to a settlement between the Joint Applicants and the**
22 **Intervenor?**

23 A. No, Staff will not be a party to a settlement between the Joint Applicants and the
24 Intervenor. Accordingly, if a settlement stipulation between the Joint Applicants and the
25 Intervenor is agreed to, Staff reserves the right to review and object to such a
26 settlement when it comes before the Commission for approval, as indicated in the Staff
27 and Joint Applicants' settlement.

28

29

III. STAFF'S RECOMMENDATION

30

31 **Q. Do you have a final recommendation for the Commission?**

32 A. Staff recommends the Commission approve the Settlement between Staff and the Joint
33 Applicants. If the Settlement is not approved, Staff recommends the Commission impose

1 the same or materially similar conditions in any order granting approval of the requested
2 merger. See Settlement, pages 4-10.

3

4 **Q. Does this conclude your testimony?**

5 A. Yes. However, as this is an ongoing proceeding, I reserve the right to amend my
6 testimony through supplemental testimony, rebuttal testimony or at the evidentiary
7 hearing if needed.