

**BEFORE THE PUBLIC UTILITIES COMMISSION  
OF THE STATE OF SOUTH DAKOTA**

<b>IN THE MATTER OF THE JOINT</b>	)	
<b>APPLICATION OF NORTHWESTERN</b>	)	
<b>ENERGY PUBLIC SERVICE CORPORATION,</b>	)	<b>SETTLEMENT STIPULATION</b>
<b>BLACK HILLS CORPORATION, AND</b>	)	
<b>NORTHWESTERN ENERGY GROUP INC.</b>	)	<b>GE25-001</b>
<b>FOR APPROVAL OF A MERGER</b>	)	

It is hereby stipulated and agreed by and between NorthWestern Energy Public Service Corporation (“NorthWestern”), Black Hills Corporation (“Black Hills”), NorthWestern Energy Group Inc. (“NorthWestern Group” and collectively with NorthWestern and Black Hills, as “Joint Applicants”), and the South Dakota Public Utilities Commission Staff (“Staff”) (with Joint Applicants, the “Settling Parties”), that the following Settlement Stipulation (“Stipulation”) should be adopted without modification by the South Dakota Public Utilities Commission (“Commission”) in the above-captioned matter.

**I. INTRODUCTION**

On October 27, 2025, Joint Applicants filed a Joint Application seeking approval of a merger transaction, which is more fully described in that Joint Application. The Joint Applicants explained that the merger transaction involved a merger of equals, and that through the transaction, NorthWestern Group would become a direct subsidiary of Black Hills, which will be renamed Bright Horizon Energy Corporation. Joint Applicants further explained that NorthWestern would remain a direct subsidiary of NorthWestern Group, and as such, the direct holding company structure for NorthWestern, which was approved by the Commission in Docket GE22-002, would

not change, though Black Hills would become the indirect parent company of NorthWestern.<sup>1</sup>

Joint Applicants and the Staff have engaged in settlement negotiations and have arrived at a negotiated settlement which allows for mutually acceptable resolution. If the Stipulation is approved by the Commission, all disputed issues between Joint Applicants and Staff will be resolved and the Settling Parties would request the Commission grant the Joint Application and approve the merger.

## II. PURPOSE

This Stipulation has been prepared and executed by the Settling Parties for the sole purpose of resolving the issues between them in Docket No. GE25-001. The Settling Parties acknowledge that they may have differing views and reasons to support and justify the end result of the Stipulation, but each party deems the end result to be just and reasonable. In light of such differences, the Settling Parties agree that the resolution of any single issue, whether explicit or implied by the Stipulation, should not be viewed as precedent setting for this or future proceedings involving Joint Applicants or any other South Dakota regulated public utility under the Commission's jurisdiction. In consideration of the mutual promises hereinafter set forth, the Settling Parties agree as follows:

- 1) Upon execution of this Stipulation, the Settling Parties shall immediately file this Stipulation with the Commission together with a joint motion requesting that the Commission issue an order approving this Stipulation in its entirety without condition or modification.
- 2) This Stipulation includes all terms of settlement and by its terms constitutes the full agreement of the parties in relation to this matter and supersedes any contrary positions taken by

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<sup>1</sup> Black Hills Power, Inc. ("Black Hills Power") is not a Joint Applicant in this matter because the merger will not change the ownership or control of Black Hills Power. Joint Applicants and Staff recognize the Commission's ongoing regulatory oversight over Black Hills Power's rates, tariffs, and conditions of service in other jurisdictional matters.

the Settling Parties during litigation of this matter. The Stipulation is submitted conditioned on the understanding that, in the event the Commission imposes any modifications in or conditions to this Stipulation which are unacceptable to either Settling Party, this Stipulation may, at the option of any Settling Party, be withdrawn and shall not constitute any part of the record in this proceeding or any other proceeding nor be used for any other purpose in this case or in any other case.

3) This Stipulation shall become binding upon execution by the Settling Parties, provided however, that if this Stipulation is not approved by the Commission or is withdrawn in accordance with Paragraph 2 above, it shall be null, void, and inadmissible in this case or in any other case. This Stipulation is intended to relate only to the matter currently before the Commission in Docket GE25-001; no Settling Party waives any claim or right which it may otherwise have with respect to topics not resolved herein; no Settling Party shall be deemed to have approved, accepted, agreed, or consented to any ratemaking principle. No Settling Party nor representative thereof shall directly or indirectly refer to this Stipulation or that part of any order of the Commission relating to this Stipulation as precedent in any other current or future rate proceeding or any other proceeding before the Commission. Staff reserves the right to review and object to a settlement stipulation and agreement between the Joint Applicants and the Laborers International Union of North America, Great Plains Laborer's District Council and South Dakota Laborers Local 620 (collectively "LIUNA Intervenors").

4) The Settling Parties to this proceeding stipulate that all pre-filed testimony and exhibits will be made a part of the record in this proceeding. The Settling Parties understand that if the issues had not been settled in this matter, Staff would have formalized its positions in testimony, Joint Applicants would have filed rebuttal testimony, Staff would have responded to certain positions contained in Joint Applicants' rebuttal testimony, and an evidentiary hearing would have been conducted where the witnesses providing testimony would have been made

available for direct and cross-examination.

5) It is understood that Staff enters into this Stipulation for the benefit of South Dakota customers affected by this docket.

### **III. ELEMENTS OF THE SETTLEMENT STIPULATION**

#### **1. Most Favored Nations Regarding Merger Costs**

If Joint Applicants agree to, or are ordered to forgo, recovery of any merger costs in either the Nebraska or Montana merger proceedings beyond those identified in this Stipulation, then neither Black Hills Power nor NorthWestern will seek to recover those merger costs in South Dakota customer rates.

#### **2. Ring Fencing**

NorthWestern and Black Hills Power will comply with the following ring-fencing provisions.

- a. **Dividend Restrictions:** Neither NorthWestern nor Black Hills Power will issue any dividends (special, one-time, or otherwise) if equity is 40% or below its total capital structure (determined at the end of the preceding calendar quarter).
- b. **Credit Rating and Capital Structure:**
  - (i) NorthWestern and Black Hills Power will make their secured credit rating (if then existing or applicable) available to the Commission and Staff upon request.
  - (ii) NorthWestern and Black Hills Power will notify the Commission within 30 days if NorthWestern or Black Hills Power receives a downgrade in its secured credit rating (if then existing or applicable).
  - (iii) If NorthWestern's or Black Hills Power's equity falls below 40% of its capital structure determined on a year-end basis, it will within ninety (90) days of the

end of the quarter: (a) notify the Commission and (b) provide an explanation for why shareholder's equity fell below the threshold.

- c. **Financing:** Staff and Joint Applicants agree that NorthWestern may participate in a utility money pool and receive an allocation of unsecured debt through an intercompany parent note such as Black Hills Power already does today - if it is determined by NorthWestern to be an efficient and cost-effective financing option.<sup>2</sup> NorthWestern's use of an intercompany parent note would be subject to the securities filing requirements and approvals of the Commission.

**3. Cost Allocation Information and Cost Allocation Manual ("CAM") Filings**

- a. NorthWestern and Black Hills Power shall file the finalized CAM and/or CAM changes resulting from the merger as well as any related agreements changed as a result of the merger (including, but not limited to, revised intercompany service agreements ("ISAs") or service level agreements with affiliates) in an informational filing with the Commission within sixty (60) days after such CAMs are finalized to reflect merger-related changes. As part of these filings, NorthWestern and Black Hills Power shall provide a narrative description of the changes made to the existing cost allocation procedures.
- b. Within sixty (60) days following the closing of the merger, Joint Applicants shall informally provide Staff with an analysis of the administrative and general costs, organized by FERC account, that were allocated to and from, the South Dakota-jurisdictional utilities and their affiliates (including the parent company or service company) for the previous three completed calendar years (separated by year), utilizing then existing cost allocation methodologies.

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<sup>2</sup> Black Hills Power's financing was approved in Docket EL24-032.

- c. Black Hills Power and NorthWestern will annually file their CAM(s) and ISAs in an informational filing if there are changes in: (1) the types of costs allocated to Black Hills Power and NorthWestern; (2) allocation methods; (3) allocation factors; or (4) the composition of affiliates receiving an allocation of affiliate costs. Annual CAM or ISA filings, if required, will continue until the later of (1) the conclusion of the next general rate reviews of Black Hills Power and NorthWestern or (2) December 31, 2030, unless an earlier date is agreed upon by Staff, Black Hills Power, and NorthWestern.
- Submission of these updates does not imply Commission or Staff acceptance of the modified terms. All changes to the CAM remain subject to formal evaluation during subsequent rate review proceedings.

**4. Accounting Matters and Goodwill Recovery**

To the extent acquisition method accounting adjustments are recorded at the parent company, holding company, or any affiliate level, Joint Applicants agree that such adjustments shall not affect the assets, expenses, or other costs that are directly charged to, or allocated to, the Joint Applicants' South Dakota-jurisdictional utilities. The Joint Applicants further agree that no merger-related purchase accounting adjustments, including goodwill or acquisition premium, and no "push-down" accounting, shall impact, either directly or indirectly, the rates charged to South Dakota customers, including through any effect on costs, expenses, revenues, or asset values used to establish such rates.

**5. Accumulated Deferred Income Tax**

Joint Applicants confirm that the merger will have no impact on the accounting and ratemaking treatment of accumulated deferred income taxes and accumulated deferred income tax credits of their South Dakota-jurisdictional utilities.

**6. South Dakota Corporate Presence**

- a. For a period of at least ten years following the closing of the merger, Joint Applicants commit that the combined company will maintain its corporate headquarters in Rapid City, South Dakota. After the ten-year period expires, the Joint Applicants shall provide the Commission with at least ninety (90) days' prior written notice before closing, relocating, or otherwise discontinuing operations at this location.
- b. For a period of at least five years following the closing of the merger, Joint Applicants commit that the combined company will continue to operate a corporate office in Sioux Falls or the surrounding area. After the five-year period expires, the Joint Applicants shall provide the Commission with at least ninety (90) days' prior written notice before closing, relocating, or otherwise discontinuing operations at this location.

**7. Capital Investment Reporting**

Black Hills Power and NorthWestern will provide Capital Expenditure Reports for their actual capital spending as compared to the 2027 through 2029 pre-merger capital plans previously provided to Staff in this docket. The report will occur after the close of the calendar year and include an explanation of any variances greater or less than 10% for all projects that are greater than \$1 million. The last report will be for calendar year 2029.

**8. Transaction and Transition Costs**

- a. Neither Joint Applicants nor their South Dakota-jurisdictional utilities will seek recovery of any Transaction Costs, which are costs directly related to executing the merger transaction. Transaction Costs are incurred during the negotiation, due diligence, and closing phases of the transaction. Examples include but are not necessarily limited to the following: legal fees, investment banking or advisory fees, accounting and tax due diligence services; valuation and fairness opinion costs; regulatory filing fees; pre-

close fees for merger-related communication consultants; rating agency fees; travel and related expenses directly associated with deal execution; and costs of obtaining shareholder approval.<sup>3</sup>

- b. The Joint Applicants agree that costs incurred to integrate the operations of Black Hills and NorthWestern Group as a result of the proposed transaction shall not be recorded as a regulatory asset or otherwise deferred for recovery from South Dakota customers. Costs incurred to integrate may include but are not necessarily limited to the following: IT system integration; rebranding and marketing updates; employee retention, relocation or severance; training and onboarding for new systems; facility consolidation or closures; travel and related expenses directly associated with integration activities; and costs to terminate any duplicative leases, contracts, and operations. Except for the costs in Section 8c, such costs will instead be recognized by the Joint Applicants in the period in which they are incurred. For the next general rate filing by NorthWestern or Black Hills Power following close of the merger transaction, NorthWestern and Black Hills Power shall separately identify and quantify all integration-related expenditures sought for recovery and included in the revenue requirement within the filing. Any costs associated with integration activities that are capitalized, rather than expensed—including investments in information technology systems, hardware, software, or related implementation efforts required to align or combine the companies' operational or administrative systems—shall be separately itemized and described in the filing. The Joint Applicants shall bear the burden of demonstrating that any such transition or integration-related expenditures are reasonable and prudent and are not otherwise

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<sup>3</sup> The list of examples should not be interpreted to be an exhaustive list.

prohibited from recovery under the provisions of this Stipulation.

- c. Joint Applicants agree that neither Black Hills Power nor NorthWestern will seek to recover “golden parachute”, change in control and/or severance costs of the named executives listed in the most recent respective individual proxy statement of Black Hills and NorthWestern Group filed with the Securities and Exchange Commission prior to the closing of the merger.

#### **9. Merger Integration Status Reporting**

Joint Applicants will provide an annual report, each year, through December 31, 2029, to Staff that discusses the progress of their merger integration activities. At the request of Staff, Joint Applicants will meet with Staff at a mutually agreed upon time to discuss any questions or concerns related to merger integration activities.

#### **10. NorthWestern Rate Moratoriums**

The Joint Applicants agree to the following base rate moratoriums for NorthWestern’s electric and natural gas utilities:

- a. **NorthWestern – Electric:** NorthWestern shall not file any application for an increase in electric base rates that would result in new electric base rates becoming effective prior to January 1, 2028. This provision extends NorthWestern’s existing electric base rate moratorium by one year.
- b. **NorthWestern – Natural Gas:** NorthWestern shall not file any application for an increase in natural gas base rates that would result in new natural gas base rates becoming effective prior to January 1, 2029. This provision extends NorthWestern’s existing natural gas base rate moratorium by one year.
- c. The moratoriums described in Paragraph 10, subparts a and b are limited to general base rates and do not apply to changes in rates through previously authorized

trackers or riders. The moratorium exclusions include but are not limited to Fuel Clause Adjustments, Gas Cost Adjustment (GCA), Ad Valorem Trackers for both gas and electric, Delivered Cost of Energy Tracker, or NorthWestern's phase in rate plan rider. In addition, the moratoriums reflected in Paragraph 10, subparts a and b do not apply to NorthWestern if there are unforeseen investments or expenses (or other extraordinary events) beyond NorthWestern's control that impact the cost of service by more than \$1 Million.

**11. Black Hills Power Rate Moratorium**

The Joint Applicants agree to the following base rate moratorium for Black Hills Power:

- a. With the exception of Docket EL26-003, which is currently pending and is expressly exempt from any rate moratorium in this Stipulation, Black Hills Power shall not file any application for an increase in electric base rates that would result in new electric base rates becoming effective prior to September 1, 2028.
- b. The Black Hills Power rate moratorium described in Paragraph 11, subpart a is limited to general base rates as stated therein and does not apply to changes in rates through previously authorized trackers or riders. The moratorium exclusions expressly include but are not limited to the Fuel and Purchased Power Adjustment, the Transmission Cost Adjustment, the Environmental Improvement Adjustment, the Transmission Facility Adjustment, and the proposed implementation of a phase in plan rate rider for the proposed recovery of the investment in the Lange II generating facility. In addition, the moratorium reflected in Paragraph 11, subpart a does not apply to Black Hills Power if there are unforeseen investments or expenses (or other extraordinary events) beyond Black Hills Power's control that impacts the cost of service by more than \$1 Million.

This Stipulation is entered into effective this 29th day of April, 2026.

**NORTHWESTERN ENERGY GROUP, INC.  
AND NORTHWESTERN ENERGY PUBLIC  
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This Stipulation is entered into effective this 29th day of April, 2026.

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