

Merged Company CAM Example

Attachment Staff 2.5a reflects an illustrative allocation of \$1 million of common costs (i.e., not directly allocated costs) for the merged company (“NewCo”). This is one example that is based on the current Cost Allocation Manuals (“CAM”) of Black Hills (Blended Ratio Allocation) and NorthWestern (Three Factor Test), for the year ended December 31, 2025. Notably, as shown in each entity’s previously provided CAM, there is more than one possible allocator for costs. As noted in testimony and responses to data requests, the two current CAMs of each company are similar as they are based on three factors: margin, payroll, and plant. While similar, it should be noted that the NorthWestern CAM uses gross plant as an allocation factor, whereas the Black Hills CAM uses net plant as an allocation factor. Further, NorthWestern’s CAM also utilizes customer counts for state jurisdictional cost allocation.

For this example, in regard to the slight differences in CAM factors, NorthWestern’s gross plant factor was converted into a net plant factor. Then, the NorthWestern factors for margin, payroll, and net plant were included within the existing Black Hills CAM calculation, which revised the weighted average three-factor allocation percentages for each subsidiary/jurisdiction. This CAM is not the definitive CAM that will be in place post-merger and is intended to provide a reasonably close approximation. The CAM cannot be developed or defined prior to merger close due to the legal requirements of the two companies being required to continue as separate companies and decisions cannot be made as if the two companies are combined. The Joint Applicants will develop a CAM to be used for the NewCo following the close of the merger. The completed CAM will be filed with the commission as required by rules.

Column C is the current CAM allocation percentage for each of the Black Hills subsidiaries based on the current CAM. Column D is the allocated dollar amount of costs for each Black Hills subsidiary, which is calculated by multiplying the allocation percentage by the one million dollars of common costs.

Column E is the current CAM allocation percentage for each of the NorthWestern jurisdictions based on the current CAM. Column F is the allocated dollar amount of costs for each NorthWestern jurisdiction which is calculated by multiplying the allocation percentage by the one million dollars of common costs.

Column G is the allocation percentage for the NewCo subsidiaries/jurisdictions based on the representative combined CAM (as described above). Column H is the allocated dollar amount of costs for each NewCo subsidiary/jurisdiction which is

calculated by multiplying the allocation percentage by the one million dollars of common costs.

Column I calculates the percent reduction in allocation percentage for each subsidiary/jurisdiction of NewCo.

Attachment Staff 2.5a

Purpose: The purpose of this example is to show how \$1,000,000 in shared costs would get allocated under the current BHC (Blended Ratio Allocator) and NorthWestern (Three Factor Test) CAMs and under a merged entity. The merged entity results is for illustration purposes only and does not represent a proposed CAM for the merged entity. For current state this is for the year ended 12/31/2025 and the example allocation ratio considers margin, payroll and plant as described in Attachment Staff 2.5a.

Jurisdiction	BHC Current		NorthWestern Current		Merged Entity		% Reduction in Allocation %
	%	\$	%	\$	%	\$	
WYODAK RESOURCES DEV CORP*	2.7%	26,600			1.7%	17,000	36.1%
BLACK HILLS WYOMING LLC*	1.1%	11,300			0.7%	7,000	38.1%
BH ELECTRIC GENERATION LLC*	0.4%	3,800			0.2%	2,200	42.1%
BLACK HILLS COLORADO IPP, LLC*	2.3%	22,700			1.3%	13,400	41.0%
BLACK HILLS ENERGY RENEWABLE RESOURCES*	0.2%	1,800			0.1%	1,100	38.9%
BLACK HILLS COLORADO WIND*	0.1%	1,000			0.1%	600	40.0%
BLACK HILLS POWER INC	16.2%	162,100			10.0%	100,400	38.1%
CHEYENNE LIGHT FUEL AND POWER	8.5%	84,900			5.2%	51,900	38.9%
BH KANSAS GAS UTILITY CO LLC	5.5%	54,700			3.6%	35,600	34.9%
BH IOWA GAS UTILITY CO LLC	6.6%	66,000			4.3%	43,000	34.8%
BH COLORADO ELECTRIC LLC	11.7%	116,800			7.3%	73,400	37.2%
BLACK HILLS CO GAS, INC - COG	3.2%	32,400			2.1%	21,200	34.6%
BH SHOSHONE PIPELINE, LLC	0.0%	200			0.0%	100	50.0%
BH ENERGY ARKANSAS, INC	12.3%	122,500			7.9%	78,500	35.9%
BLACK HILLS CO GAS, INC - COGD	4.6%	46,300			3.0%	29,600	36.1%
ROCKY MOUNTAIN NATURAL GAS LLC	2.7%	27,000			1.7%	16,500	38.9%
BH ENERGY SERVICES CO*	0.2%	2,300			0.2%	1,600	30.4%
BLACK HILLS WYOMING GAS, LLC	7.7%	76,600			4.9%	48,900	36.2%
BLACK HILLS NEBRASKA GAS, LLC	14.1%	141,000			9.1%	90,800	35.6%
MT - Electric			62.1%	621,030	24.2%	242,300	61.0%
MT - Gas			21.8%	218,469	6.6%	65,500	70.0%
MT - Propane			0.1%	501	0.0%	100	80.0%
SD - Electric			9.3%	93,088	4.5%	44,600	52.1%
SD - Gas			4.0%	39,680	1.0%	9,600	75.8%
NE - Gas			2.7%	27,232	0.5%	5,100	81.3%
Total	100.0%	1,000,000	100.0%	1,000,000	100.0%	1,000,000	

*Designates non-regulated entity