

Direct Testimony  
Thomas D. Stevens

Before the South Dakota Public Utilities Commission  
State of South Dakota

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

Docket No. GE25-\_\_\_\_\_

**Direct Testimony of Thomas D. Stevens  
on Behalf of Black Hills Corporation  
in Support of the Joint Application**

October 27, 2025

**TABLE OF CONTENTS**

I. INTRODUCTION .....1

II. STATEMENT OF QUALIFICATIONS.....1

III. PURPOSE OF TESTIMONY .....3

IV. OVERVIEW OF BLACK HILLS FINANCIAL STRUCTURE AND PHILOSOPHY .....3

V. THE MERGER WILL BETTER SUPPORT THE FINANCIAL INTEGRITY OF THE COMPANIES ON A COMBINED BASIS .....10

VI. CONCLUSION.....11

**EXHIBITS**

Confidential Exhibit TDS-1	Black Hills’ S&P Credit Ratings Report 08-19-25
Exhibit TDS-2	Black Hills’ Moody’s Ratings Affirmation Press Release 08-19-25
Confidential Exhibit TDS-3	Black Hills’ Moody’s Credit Ratings Report 08-27-25

**I. INTRODUCTION**

1 **Q. PLEASE STATE YOUR NAME AND BUSINESS ADDRESS.**

2 A. My name is Thomas D. Stevens. My business address is 7001 Mt. Rushmore Rd., Rapid  
3 City, South Dakota 57702.

4 **Q. BY WHOM ARE YOU EMPLOYED AND IN WHAT CAPACITY?**

5 A. I am employed by Black Hills Service Company, LLC (“BHSC”), a wholly-owned  
6 subsidiary of Black Hills Corporation (“Black Hills”). My title is Vice President,  
7 Treasurer.

8 **Q. ON WHOSE BEHALF ARE YOU TESTIFYING IN THIS PROCEEDING?**

9 A. I am testifying on behalf of Black Hills in support of the joint application requesting  
10 approval for the Merger.<sup>1</sup>

**II. STATEMENT OF QUALIFICATIONS**

11 **Q. WHAT ARE THE DUTIES AND RESPONSIBILITIES IN YOUR CURRENT**  
12 **POSITION?**

13 A. I lead a team responsible for corporate financing activities, liquidity and cash management,  
14 commodity and credit risk management, financial planning and analysis, strategic  
15 corporate planning, shareholder services, and overseeing the investments and accounting  
16 for benefit plans for Black Hills and its subsidiaries and affiliates. My responsibilities also  
17 include managing relationships with rating agencies, banking institutions, actuaries, and  
18 investment advisors.

---

<sup>1</sup> The “Merger” is defined in the Joint Application and merger agreement provided with Mr. Brian Bird’s Direct Testimony.

1 **Q. PLEASE OUTLINE YOUR EDUCATIONAL AND PROFESSIONAL**  
2 **BACKGROUND.**

3 A. I began my career in the utility industry in 2008 with the General Staff of the Arkansas  
4 Public Service Commission as a rate analyst in the cost allocation and rate design section  
5 and later as a financial analyst in the financial analysis section. In 2010, I joined  
6 CenterPoint Energy (“CNP”) where I held various positions of increasing responsibility,  
7 including Senior Financial Analyst, Lead Regulatory Analyst, Manager of Regulatory  
8 Affairs for CNP’s Arkansas and Oklahoma gas utilities, Director of Regulatory Affairs for  
9 CNP’s gas utilities in Texas, and Director of Rates supporting all of CNP’s jurisdictional  
10 utilities.

11 I joined Black Hills in April 2018 as Director of Regulatory with responsibility for  
12 Arkansas. In 2019, my role expanded to Director of Regulatory and Finance for Arkansas  
13 and Kansas with responsibilities for all regulatory matters and oversight of financial  
14 planning and analysis for Black Hills’ utilities in Arkansas and Kansas. In 2021, I was  
15 promoted to Vice President, Regulatory with oversight of the revenue requirement and  
16 regulatory reporting functions and responsibility for regulatory strategy, policy, and  
17 financial planning and analysis across Arkansas, Iowa, Kansas, Nebraska, South Dakota,  
18 and Wyoming. In 2023, I was promoted to my current position as Vice President, Treasurer.  
19 I earned a Bachelor of Science degree in Business Administration with a concentration in  
20 economics and finance from Southwest Baptist University in 2002 and a Master of  
21 Business Administration degree from Southern Methodist University in 2006.

1 **Q. HAVE YOU PREVIOUSLY TESTIFIED BEFORE THIS COMMISSION?**

2 A. Yes. I have previously testified before the Commission in Docket No. EL-24-032.

**III. PURPOSE OF TESTIMONY**

3 **Q. WHAT IS THE PURPOSE OF YOUR TESTIMONY?**

4 A. I provide an overview of Black Hills' financial structure and financing philosophy. I also  
5 briefly discuss the benefits of the Merger as it pertains to the continuing financial health of  
6 Black Hills and the combined companies post-Merger. As Mr. Bird explains, under the  
7 Merger, Black Hills will become the indirect parent company of NorthWestern Energy  
8 Public Service Corporation ("NorthWestern"), NorthWestern Group's operating company  
9 that provides utility services in South Dakota and Nebraska. As part of this overview, I  
10 explain how the Black Hills financing model supports financial integrity and timely and  
11 cost-effective access to capital and describe how this model applies in a multi-jurisdictional  
12 environment. Finally, I explain how the Merger will not harm South Dakota customers and  
13 how it is expected to benefit customers, from a financial perspective. Northwestern  
14 Group's Chief Financial Officer, Crystal Lail, addresses similar issues in her Direct  
15 Testimony, from the perspective of Northwestern.

**IV. OVERVIEW OF BLACK HILLS FINANCIAL STRUCTURE AND  
PHILOSOPHY**

16  
17 **Q. CAN YOU DESCRIBE THE FINANCIAL STRUCTURE AND PHILOSOPHY OF  
18 BLACK HILLS?**

19 A. Black Hills is the parent holding company of multiple gas and electric utilities, including  
20 Black Hills Power, a public utility providing electric service in South Dakota. Black Hills  
21 also owns and operates complementary non-regulated subsidiaries. Black Hills' financing  
22 philosophy focuses on maintaining financial integrity and ensuring timely and cost-

1 effective access to capital, in support of the operational needs of its subsidiaries. As a  
2 parent company, Black Hills does not have any operating assets and does not generate any  
3 cash flow to support credit metric assessments on its own. The creditworthiness of Black  
4 Hills is based on the financial integrity, regulatory environment, and operational  
5 performance of all its subsidiaries.

6 Black Hills' financing philosophy remains consistent during periods of increased  
7 market uncertainty and volatility, including those triggered by unforeseen economic  
8 disruptions such as pandemics, significant weather events, geopolitical tensions, and  
9 inflationary or recessionary pressures. Financial integrity is critical to each utility's ability  
10 to carry out its obligations as a public utility and provide safe, reliable, and cost-effective  
11 service to customers. Black Hills remains committed to maintaining solid investment-  
12 grade credit ratings, a strong balance sheet, and overall financial integrity.

13 **Q. IS THE MERGER CONSISTENT WITH AND SUPPORTIVE OF BLACK HILLS'**  
14 **FINANCING PHILOSOPHY?**

15 A. Yes. As discussed in the testimony of Ms. Lail and addressed later in my testimony, the  
16 Merger is a credit-supportive transaction providing enhanced size, scale, and operating  
17 diversity, which in turn will foster financial integrity for the combined company.

18 **Q. PLEASE DESCRIBE HOW THE UTILITY OPERATING COMPANIES OF**  
19 **BLACK HILLS ARE FINANCED.**

20 A. Black Hills obtains financing for its subsidiaries at the holding company level to provide  
21 customers with the benefits of economic scale when raising capital for the operations of its  
22 utility subsidiaries. With respect to long-term financing, each subsidiary's capital structure  
23 is reviewed quarterly and adjustments are made as needed to maintain a strong subsidiary

1 balance sheet, *via*: (1) assignment of long-term debt from Black Hills through  
2 intercompany notes; (2) wholly or partially retaining its own earnings; and, (3) receiving  
3 equity infusions from Black Hills. Additionally, each subsidiary participates in either a  
4 utility money pool agreement (“UMP”) or a Non-Utility Money Pool agreement  
5 (“NUMP”) for its short-term cash and working capital requirements. Access to short-term  
6 debt is important to funding the daily cash needs of utility operations, and Black Hills is  
7 able to cost-effectively access Commercial Paper (“CP”) markets at scale or borrow against  
8 its revolving credit facility (“Credit Facility”) and lend to the respective UMP or NUMP as  
9 needed, at cost. This structure provides financial flexibility and the benefits of economic  
10 scale in obtaining financing on behalf of Black Hills’ utility subsidiaries.

11 **Q. PLEASE EXPLAIN HOW ISSUING LONG-TERM DEBT AT THE HOLDING**  
12 **COMPANY ON BEHALF OF BLACK HILLS’ SUBSIDIARIES PRODUCES**  
13 **ECONOMIES OF SCALE, WHICH BENEFITS CUSTOMERS.**

14 A. Due to the size of many of the Black Hills regulated utilities, it is more cost effective and  
15 efficient to issue larger tranches of index-eligible debt at the parent level and make  
16 assignments of this debt to the various subsidiaries through inter-company notes. Index-  
17 eligible debt is more liquid and provides investors with the ability to trade the instrument  
18 more efficiently in the market, if necessary. This liquidity is viewed positively by bond  
19 investors since the larger and more liquid the bond instrument is, the more opportunities  
20 investors have to trade the instrument.

21 For example, the Bloomberg U.S. Corporate Investment Grade Bond Index  
22 (formerly, Barclays Investment Grade Index), which is a key benchmark index for  
23 investment grade debt, requires a minimum tranche size for index inclusion of \$300

1 million. Many investors use this index to benchmark their debt and will not invest in non-  
2 index eligible bonds. Fewer investors translates to less liquidity and higher bond costs for  
3 issuers. Because the majority of the Black Hills subsidiaries do not have recurring  
4 financing needs that reach the \$300 million debt minimum, Black Hills aggregates its  
5 financing needs for its subsidiaries, issues index-eligible debt tranches at the parent level  
6 and makes intercompany debt assignments to its subsidiaries to provide the benefits of  
7 economic scale to customers.

8 **Q. PLEASE EXPLAIN THE METHODOLOGY FOR DETERMINING THE COST OF**  
9 **LONG-TERM DEBT THAT BLACK HILLS ASSIGNS TO ITS UTILITY**  
10 **SUBSIDIARIES.**

11 A. The cost of long-term debt for the Black Hills subsidiaries is determined based on the  
12 weighted average cost of all long-term debt issued and outstanding by Black Hills.<sup>2</sup> Under  
13 this methodology, each subsidiary receives assigned debt at the same interest rate based on  
14 the parent company's weighted-average cost of debt. This allows customers to benefit from  
15 the economies of scale in issuing index-eligible bonds.

---

<sup>2</sup> In determining the weighted average cost of long-term debt, indentures previously issued and specific to Black Hills Power and Cheyenne Light, Fuel and Power Company ("Cheyenne Light") are excluded from the calculation. Indentures specific to Cheyenne Light are directly assigned to Cheyenne Light and indentures specific to Black Hills Power are direct assigned to Black Hills Power.

1 **Q. PLEASE EXPLAIN HOW THE BLACK HILLS SHORT-TERM FINANCING**  
2 **THROUGH CP MARKETS AND ITS REVOLVING CREDIT FACILITY**  
3 **PRODUCES ECONOMIES OF SCALE AND FINANCIAL FLEXIBILITY, WHICH**  
4 **BENEFIT CUSTOMERS.**

5 A. Strong liquidity and financial flexibility are key to maintaining financial integrity and solid  
6 investment grade credit ratings. Black Hills has a \$750 million Credit Facility, which  
7 provides a flexible and readily accessible source of short-term funding. This Credit Facility  
8 has an accordion feature that allows Black Hills to increase the size to \$1 billion with the  
9 consent of the lending banks. Black Hills' Credit Facility provides financial flexibility and  
10 also serves as a key backstop to Black Hills' CP program, whereby Black Hills is able to  
11 cost-effectively secure short-term funds on behalf of its subsidiaries in the CP Market as  
12 an A2/P2 rated corporate CP issuer. Short-term funds raised in the CP Market by Black  
13 Hills are then made available, at cost, to subsidiary participants in the separate UMP or  
14 NUMP money pool agreements – with participation determined by the nature of the  
15 subsidiary.<sup>3</sup> This arrangement allows the Black Hills utility subsidiaries to benefit from its  
16 cost-effective and flexible access to short-term funding.

17 **Q. HOW DOES BLACK HILLS PARTICIPATE IN THE UTILITY MONEY POOL?**

18 A. Under the terms of the UMP, Black Hills can be a lender but it cannot act as a borrower.  
19 This arrangement provides Black Hills' utility subsidiaries with the benefits of economies  
20 of scale and financial flexibility and ensures that the UMP remains a reliable and secure  
21 resource for the utility subsidiaries.

---

<sup>3</sup> Regulated utilities participate in the UMP. By way of comparison, non-regulated entities participate in the NUMP. The UMP is on file with the Federal Energy Regulatory Commission ("FERC") and all updates or changes to the UMP must likewise be filed with FERC.

1 **Q. HOW DO INVESTORS EVALUATE A COMPANY’S FINANCIAL INTEGRITY?**

2 A. At a high level, investors look to nationally recognized credit rating services to evaluate a  
3 company’s financial integrity and risk profile, and to provide them with an independent  
4 assessment of the company’s current financial position. Black Hills maintains credit  
5 ratings with two nationally-recognized credit rating services: Moody’s Investors Service  
6 (“Moody’s”) and S&P Global Ratings (“S&P”). Black Hills focuses on maintaining solid  
7 investment grade credit ratings. The senior unsecured rating of Black Hills is Baa2 by  
8 Moody’s and BBB+ by S&P, both with stable outlooks. The most recent published credit  
9 rating reports from S&P and Moody’s for Black Hills are provided as Confidential Exhibits  
10 TDS-1 and TDS-3, respectively.

11 **Q. HOW DO RATING AGENCIES EVALUATE COMPANIES?**

12 A. Each credit rating service maintains an analytical framework applicable to all rated  
13 companies. As discussed by Ms. Lail in her testimony, rating agencies rely on both  
14 qualitative and quantitative factors in determining a company’s credit ratings. For the  
15 qualitative factors, rating agencies determine the level of business risk faced by the utility  
16 as influenced by the regulatory environment it operates in, its size, scale and diversity, as  
17 well as its operating efficiency measured in terms of safety, reliability, and compliance,  
18 among other things. As part of the quantitative assessment, the rating agencies review  
19 numerous financial metrics for a given entity, including the ratio of FFO (“Funds from  
20 Operations”) to Debt.

1 **Q. PLEASE EXPLAIN HOW CREDIT RATINGS OF BLACK HILLS IMPACT ITS**  
2 **UTILITY SUBSIDIARIES.**

3 A. Black Hills utility subsidiaries do not directly access the credit markets, so their liquidity  
4 needs and sources of financing on a going-forward basis are provided through Black Hills.  
5 In general, a strong investment-grade credit rating at Black Hills, which is driven by the  
6 strong financial health of its subsidiaries, results in more favorable credit terms, greater  
7 access to capital, and a lower cost of debt overall. A solid investment grade credit rating  
8 affords Black Hills the financial strength to attract funding for investments in its utility  
9 operating companies to meet the needs of customers.

10 **Q. HAVE THE RATING AGENCIES ASSESSED THE MERGER AS BEING CREDIT**  
11 **SUPPORTIVE FOR BLACK HILLS?**

12 A. Yes. Following the announced Merger, S&P and Moody's both affirmed the current credit  
13 ratings and stable outlook for Black Hills. In its ratings affirmation, Moody's highlighted:  
14 "[t]he combination with NorthWestern will enhance Black Hills' size and scale, while  
15 allowing it to maintain a consistent financial profile..." and "the transaction is also credit  
16 supportive in that it is being executed as a combination of equals in an all-stock merger  
17 that maintains existing capital structures." Likewise, S&P commented in their ratings  
18 affirmation that "we expect the merger of these two entities to create a larger entity with  
19 improved economies of scale and improved regulatory and operating diversity, with a  
20 group credit profile (GCP) consistent with that of [Black Hills]."

V. **THE MERGER WILL BETTER SUPPORT THE FINANCIAL INTEGRITY OF  
THE COMPANIES ON A COMBINED BASIS**

1 **Q. HOW DO YOU EXPECT THE MERGER WILL IMPACT THE COMBINED**  
2 **COMPANIES' ACCESS TO COST-EFFECTIVE CAPITAL FINANCING?**

3 A. I expect the Merger will benefit the combined companies' cost-effective access to capital  
4 financing, as compared to Black Hills' access to capital financing today. Larger companies  
5 in the utility sector typically gain better access to capital at more attractive rates, terms, and  
6 conditions. Conversely, smaller utilities often face challenges in accessing capital on more  
7 favorable terms, especially during periods of volatility in energy or financial markets.  
8 Black Hills, like Northwestern Group, is quite small compared with other utility groups in  
9 the industry. Figure 2 in Ms. Lail's direct testimony depicts this graphically. Post-Merger,  
10 the combined company will be nearly double the size of either company individually.

11 Even though Black Hills maintains a solid investment grade credit rating with  
12 reasonable access to financial markets today, that does not change the fact that on a  
13 standalone basis, it would be more costly for Black Hills to meet its future financing needs,  
14 as compared to these costs as part of a larger, combined enterprise, including NorthWestern  
15 Group. All else equal, higher financing costs mean higher rates for customers, where lower  
16 financing costs translate to lower costs for customers.

17 **Q. FROM A FINANCIAL PERSPECTIVE, WILL BLACK HILLS POWER**  
18 **CUSTOMERS BENEFIT FROM BEING PART OF A LARGER COMBINED**  
19 **ORGANIZATION?**

20 A. Yes, even though Black Hills Power is not an applicant to this proceeding, for similar  
21 reasons that Ms. Lail describes the Merger benefitting NorthWestern and its customers,  
22 Black Hills Power and its customers will also benefit. Having a larger parent company

1 with greater financial flexibility and access to cost-effective capital financing will help  
2 support Black Hills Power's ability to make capital investments necessary to continue to  
3 provide safe and reliable service for South Dakota customers.

4 **Q. FROM A FINANCIAL PERSPECTIVE, IS THIS MERGER IN THE PUBLIC**  
5 **INTEREST?**

6 A. Yes. As explained above, Black Hills is a financially stable and creditworthy company.  
7 The Merger stands to only enhance the creditworthiness of the combined company  
8 through increased scale and improved access to cost-effective capital. This, in turn, will  
9 result in no harm, and long-term financial benefits for South Dakota customers.

#### **VI. CONCLUSION**

10 **Q. DOES THIS CONCLUDE YOUR TESTIMONY?**

11 A. Yes, it does.

**VERIFICATION**

This Direct Testimony of Thomas D. Stevens is true and accurate to the best of my knowledge, information, and belief.

/s/ Thomas D. Stevens  
Thomas D. Stevens