

MOODY'S RATINGS

Rating Action: Moody's Ratings affirms Black Hills Corporation's Baa2 ratings; stable outlook

19 Aug 2025

Approximately \$4.2 billion of rated debt outstanding

New York, August 19, 2025 -- Moody's Ratings (Moody's) affirmed the ratings of Black Hills Corporation (Black Hill), including its Baa2 Long-Term Issuer rating and Prime-2 short-term rating for commercial paper, following the announcement that it will be part of an all-stock merger with NorthWestern Energy Group (NorthWestern). Black Hills' outlook is stable.

The transaction is expected to close in 12-15 months, subject to customary closing conditions and approvals, including regulatory approvals in Montana, Nebraska, South Dakota and in Arkansas, if required, as well as the Federal Regulatory Energy Commission. Upon completion of the merger, Black Hills shareholders will own approximately 56% and NorthWestern shareholders will own approximately 44% of the combined company on a fully diluted basis.

See a full list of affected ratings at the end of this press release.

Today's rating action incorporates governance-related ESG considerations, such as a conservative financial policy, since the transaction is a stock-for-stock merger that includes no incremental debt financing.

RATINGS RATIONALE

"The combination with NorthWestern will enhance Black Hills' size and scale, while allowing it to maintain a consistent financial profile that includes roughly 49% adjusted debt-to-capitalization and 14%-15% cash flow to debt ratios" said Ryan Wobbrock – Moody's Ratings Vice President, Senior Credit Officer. "The addition of NorthWestern's sizeable electric business in Montana will add a degree of regulatory complexity and wildfire risk to the Black Hills organization. Nevertheless, the broad diversity of the new company, the credit-supportive financial structure of the merger transaction and NorthWestern and other Montana stakeholder attention to wildfire mitigation efforts largely offset these additional risks" added Wobbrock.

The transaction itself is strategically sound since it combines two companies of roughly the same size, with contiguous service territories and similar operating profiles. The combined company will be one of the more diverse in the sector, with 13 operating subsidiaries (including a natural gas pipeline) providing service in 9 regulatory jurisdictions, including the Federal Energy Regulatory Commission.

The transaction is also credit supportive in that it is being executed as a combination of equals in an all-stock merger that maintains existing capital structures. It also incorporates balanced financial policies regarding shareholder distributions and ongoing equity issuance to maintain a reported debt to capitalization of around 55% (around 49% including Moody's standard adjustments, which include deferred tax liabilities as part of capitalization).

The new company's credit quality will be constrained by above-average wildfire risk exposure, a large presence in sometimes regulatorily challenging state of Montana (i.e., the largest regulatory jurisdiction of the combined company) and a higher business risk given the higher proportion of vertically integrated electric utilities. Today, Black Hills is roughly 60%/40% natural gas utilities/vertically integrated electric utilities, but that ratio will flip with the addition of NorthWestern.

Black Hills' Baa2 rating reflects the relatively low risk and diversity of its natural gas local distribution company

and vertically integrated electric utility operations, which largely operate in states with credit supportive regulatory frameworks. Black Hills' unregulated operations, which include a small coal mine and approximately 170 MW of generation assets, are highly contracted with affiliate utility off-takers.

Rating outlook

Black Hills' stable outlook reflects the credit supportive nature of the announced transaction with NorthWestern, the increased scale and diversity that the merger will bring, and the relatively low risk of Black Hills' current regulated business operations. The stable outlook considers our view that management will continue to maintain constructive relationships with regulators. The outlook also assumes that Black Hills' ratio of cash flow from operations before changes in working capital (CFO pre-WC) to debt will be sustained in the mid-teens percent range.

FACTORS THAT COULD LEAD TO AN UPGRADE OR DOWNGRADE OF THE RATINGS

Factors that could lead to an upgrade

Black Hills' rating could be upgraded if the regulatory environments in which its utilities operate become more credit supportive by shortening regulatory lag and improving returns. Also, if the company's key credit metrics improve materially, including CFO pre-WC to debt above 17% on a sustained basis, a rating upgrade could be considered.

Factors that could lead to a downgrade

Black Hills' rating could be downgraded with a material deterioration in regulatory support, impacting its utilities' ability to recover costs and earn appropriate returns. Also, a rating downgrade is possible if CFO pre-WC to debt falls below 13% on a sustained basis.

LIST OF AFFECTED RATINGS

Issuer: Black Hills Corporation

..Affirmations:

- LT Issuer Rating, Affirmed Baa2
- Senior Unsecured Regular Bond/Debenture, Affirmed Baa2
- Senior Unsecured Shelf, Affirmed (P)Baa2
- Senior Unsecured Bank Credit Facility, Affirmed Baa2
- Commercial Paper, Affirmed P-2

..Outlook Actions:

....Outlook, Remains Stable

The principal methodology used in these ratings was Regulated Electric and Gas Utilities published in August 2024 and available at <https://ratings.moodys.com/rmc-documents/426183>. Alternatively, please see the Rating Methodologies page on <https://ratings.moodys.com> for a copy of this methodology.

The net effect of any adjustments applied to rating factor scores or scorecard outputs under the primary methodology(ies), if any, was not material to the ratings addressed in this announcement.

REGULATORY DISCLOSURES

For further specification of Moody's key rating assumptions and sensitivity analysis, see the sections Methodology Assumptions and Sensitivity to Assumptions in the disclosure form. Moody's Rating Symbols and Definitions can be found on <https://ratings.moodys.com/rating-definitions>.

For any affected securities or rated entities receiving direct credit support/credit substitution from another entity

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Regulatory disclosures contained in this press release apply to the credit rating and, if applicable, the related rating outlook or rating review.

At least one ESG consideration was material to the credit rating action(s) announced and described above. Moody's general principles for assessing environmental, social and governance (ESG) risks in our credit analysis can be found at <https://ratings.moody.com/rmc-documents/435880>.

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