

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

IN THE MATTER OF THE APPLICATION) OF BLACK HILLS POWER, INC. FOR) THE PHASE IN OF RATES REGARDING) CONSTRUCTION FINANCING COSTS OF) CHEYENNE PRAIRIE GENERATING) STATION)))	DECISION AND ORDER GRANTING JOINT MOTIONS FOR APPROVAL OF SETTLEMENT AGREEMENT AND SETTLEMENT STIPULATION EL12-062
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On December 17, 2012, Black Hills Power, Inc. (BHP) filed with the South Dakota Public Utilities Commission (Commission) the Application of Black Hills Power, Inc. for the Phase In of Rates Regarding Construction Financing Costs (Application) requesting approval to implement a phase in rate increase for its South Dakota customers relating to the construction financing costs of Cheyenne Prairie Generating Station (CPGS) pursuant to SDCL 49-34A-73. CPGS is a natural gas-fired power plant to be constructed in Cheyenne, Wyoming, that will provide 55 MW of generation to BHP. BHP states that a typical residential electric customer using an average of 650 kWh per month would see an increase of \$0.88 per month for the first quarterly filing. Over the term of the phase in plan, the typical residential customer's bill will increase starting at around 1% and ending up at the completion of the phase in plan at approximately 4.5%.

On December 20, 2012, the Commission electronically transmitted notice of the Application and the intervention deadline of February 28, 2013, to interested individuals and entities on the Commission's PUC Weekly Filings electronic listserv. On January 8, 2013, a Petition to Intervene of GCC Dacotah, Inc., Rushmore Forest Products, Inc., Spearfish Forest Products, Inc., and Rapid City Regional Hospital (collectively, Black Hills Industrial Intervenors or BHII) was filed. On January 11, 2013, BHP filed a Statement of No Objection to Petition for Intervention of Industrial Intervenors. On January 11, 2013, BHP and the Commission's staff (Staff) filed a Joint Motion for Approval of Stipulation Regarding Effective Date of Interim Phase In Rates and a Stipulation Regarding Effective Date of Interim Phase In Rates. On January 11, 2013, Pete Lien & Sons, Inc. (Pete Lien) filed a Petition to Intervene. The Petition stated that Pete Lien will join BHII as an intervenor. On January 17, 2013, the Commission issued an Order Granting Intervention; Assessing Filing Fee; Suspending Operation of Proposed Rates; and Granting Joint Motion for Approval of Stipulation. On April 29, 2013, the Commission issued an Order for and Notice of Procedural Schedule and Hearing setting this matter for hearing on September 16-20, 2013, at the State Capitol Building.

On May 23, 2013, BHP filed a Joint Motion for Approval of Settlement Agreement Between Black Hills Power and South Dakota Science and Technology Authority (SDSTA), Settlement Agreement Between Black Hills Power and South Dakota Science and Technology Authority, Supplemental Motion for Approval of Settlement Agreement, Joint Motion for Approval of Settlement Agreement Between Black Hills Power and Menard, Inc. d/b/a Midwest Manufacturing d/b/a Dakota Panel (Dakota Panel), Settlement Agreement Between Black Hills Power and Menard, Inc. d/b/a Midwest Manufacturing d/b/a Dakota Panel, and Supplemental Motion for Approval of Settlement Agreement. On June 13, 2013, BHP filed responses to the Commission staff's (Staff) data requests. On June 13, 2013, Staff filed a Staff Memorandum regarding the contracts with deviations set forth in the SDSTA and Dakota Panel stipulations. On June 14, 2013, BHP filed supplemental email requests and responses. On June 24, 2013,

the Commission issued an Order Conditionally Authorizing and Approving Implementation of Contracts with Deviations Rates on an Interim Basis. On September 6, 2013, BHP filed BHP's and BHII's Joint Motion for Approval of Settlement Agreement and Confidential Settlement Agreement between Black Hills Power, Inc. and Black Hills Industrial Intervenors, and Staff filed BHP's and Staff's Joint Motion for Approval of Settlement Stipulation, Settlement Stipulation, and Staff Memorandum Supporting Settlement Stipulation (together, Joint Motions). On September 9, 2013, the Commission issued an Order Canceling Hearing and Scheduling Matter for Decision on Stipulation. On September 19, 2013, BHP filed a revised tariff sheet, Section No. 1, Sheet No. 3, to reflect the correct revision number.

The Commission has jurisdiction in this matter pursuant to SDCL Chapters 1-26 and 49-34A, specifically, 49-34A-6, 49-34A-8, 49-34A-8.3, 49-34A-8.4, 49-34A-10, 49-34A-11, 49-34A-12, 49-34A-13, 49-34A-13.1, 49-34A-14, 49-34A-17, 49-34A-19, 49-34A-19.1, 49-34A-19.2, 49-34A-21, 49-34A-22 and 49-34A-73 through 49-34A-78.

The revised tariff sheets proposed by BHP, effective for service rendered on and after October 1, 2013, are as follows:

South Dakota Electric Rate Book

Section No. 1

Twenty-fourth Revised Sheet No. 3

Cancels Twenty-third Revised Sheet No. 3

Section No. 3C

Eighth Revised Sheet No. 5

Cancels Seventh Revised Sheet No. 5

The Joint Motions were duly noticed for Commission consideration and action at an ad hoc Commission meeting on September 17, 2013. The Commission heard from BHP, BHII, and Staff concerning the Joint Motions and related Settlement Agreement and Stipulation. BHP noted that a correction was needed to paragraph III.6) of the Stipulation to change the internal reference to paragraph #7 in the last line to the correct reference to paragraph #8. Having thoroughly reviewed the filings in the docket and made further inquiry of the parties, the Commission found that the terms and conditions proposed in the Settlement Agreement and Settlement Stipulation were just, reasonable, and in the public interest and that good and sufficient cause was demonstrated to approve the Settlement Agreement and Settlement Stipulation. The Commission voted unanimously to grant the Joint Motions and approve the Settlement Agreement with BHII and Settlement Stipulation with Staff. It is therefore

ORDERED, that BHP's and BHII's Joint Motion for Approval of Settlement Agreement is granted and the Confidential Settlement Agreement between Black Hills Power, Inc. and Black Hills Industrial Intervenors is approved. The Settlement Agreement is incorporated by reference into this Decision and Order the same as if it had been set forth in its entirety herein. It is further

ORDERED, that BHP's and Staff's Joint Motion for Approval of Settlement Stipulation is granted and the Settlement Stipulation is approved. The Settlement Stipulation is incorporated by reference into this Decision and Order the same as if it had been set forth in its entirety herein. It is further

ORDERED, that the tariff sheets set forth above are approved for service rendered on and after October 1, 2013. It is further

ORDERED, that BHP shall file a revised tariff sheet Section No. 3C, Sheet No. 5 to reflect rate design changes arising from the Settlement Agreement with BHII in its next Phase In Plan Rate quarterly filing.

Dated at Pierre, South Dakota, this 19th day of September, 2013.

CERTIFICATE OF SERVICE	
The undersigned hereby certifies that this document has been served today upon all parties of record in this docket, as listed on the docket service list, electronically.	
By:	<u>Tim Dugan</u>
Date:	<u>9-19-13</u>
(OFFICIAL SEAL)	

BY ORDER OF THE COMMISSION:

Gary Hanson

GARY HANSON, Chairman

Chris Nelson

CHRIS NELSON, Commissioner

Kristie Fiegen

KRISTIE FIEGEN, Commissioner