

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

<b>IN THE MATTER OF THE )</b>	<b>ORDER CONDITIONALLY</b>
<b>APPLICATION OF BLACK HILLS )</b>	<b>AUTHORIZING AND APPROVING</b>
<b>POWER, INC. FOR AUTHORITY TO )</b>	<b>IMPLEMENTATION OF CONTRACT</b>
<b>INCREASE ITS ELECTRIC RATES )</b>	<b>WITH DEVIATIONS RATES ON AN</b>
)	<b>INTERIM BASIS</b>
)	
)	
)	
)	<b>EL14-026</b>

On March 31, 2014, the South Dakota Public Utilities Commission (Commission) received an Application (Application) filed by Black Hills Power, Inc. (BHP) for approval to increase rates for electric service to customers in its South Dakota service territory by approximately \$14.6 million annually or approximately 9.27% based on BHP's test year ending September 30, 2013. The Company states that a typical residential electric customer using 650 kWh per month would see an increase of \$10.91 per month. The proposed changes may potentially affect approximately 65,500 customers in BHP's South Dakota service territory. The proposed increase would be effective no earlier than October 1, 2014.

On April 3, 2014, the Commission electronically transmitted notice of the Application and the intervention deadline of June 6, 2014, to interested individuals and entities on the Commission's PUC Weekly Filings electronic listserv. On June 26, 2014, the Commission granted intervention to GCC Dacotah, Inc., Pete Lien & Sons, Inc., Rushmore Forest Products, Inc., Spearfish Forest Products, Inc., Rapid City Regional Hospital, Inc., and Wharf Resources (U.S.A.), Inc. (collectively, Black Hills Industrial Intervenors or BHII). On June 26, 2014, the Commission granted intervention to Dakota Rural Action subject to its filing an affidavit, which was filed on June 27, 2014. On September 3, 2014, BHP filed its Notice of Intent to Implement Interim Rates. On September 4, 2014, BHP filed a Motion for Approval of Settlement Agreement (SDSTA) (Motion), Confidential Settlement Agreement between Black Hills Power, Inc. and South Dakota Science and Technology Authority (Settlement Agreement), including the associated Third Amendment to Electric Power Service Agreement between Black Hills Power, Inc. and SDSTA (Third Amendment), and relevant exhibits. The Motion requests approval of the Settlement Agreement and of the Third Amendment as a contract with deviations. On September 10, 2014, the Commission's staff (Staff) filed a Staff Memorandum regarding the Settlement Agreement and Third Amendment and Staff's recommendations. On September 12, 2014, BHP filed responses to Staff's data requests.

The Commission has jurisdiction in this matter pursuant to SDCL Chapters 1-26, 49-34A, specifically, 49-34A-6, 49-34A-8, 49-34A-8.3, and 49-34A-11.

At its regularly scheduled meeting on September 16, 2014, the Commission considered this matter. Staff recommended that the Commission conditionally authorize, on an interim basis, the implementation of the rates set forth in the Third Amendment subject to the conditions recommended in the Staff Memorandum. Finding that final action on the Settlement Agreement and Third Amendment is premature, the Commission voted unanimously to defer taking final action on the Settlement Agreement and Third Amendment until later in the process but to conditionally authorize and approve implementation of the settlement rates set forth in the Third Amendment on an interim basis subject to the conditions set forth in the Staff Memorandum. It is therefore

ORDERED, that final action is deferred until later in the process on approval of the Settlement Agreement and the Third Amendment. It is further

ORDERED, that as an alternative to approving the Third Amendment at this time, the implementation of the settlement rates set forth in this contract with deviations is conditionally authorized and approved on an interim basis, commencing October 1, 2014, subject to later approval of such contract with deviations by the Commission and subject to the following conditions:

1. If the contract with deviations is not subsequently approved by the Commission, the rates to be paid by SDSTA for the period on and after October 1, 2014, shall be the rates ultimately approved in the rate case for the applicable class of service, with the difference between the interim rates paid by SDSTA and the rates ultimately approved in the rate case for the applicable class of service to be subject to true-up and refund or repayment, as the case may be, with interest at the rate approved in a refund order of the Commission after final decision in the general rate case; or

2. If the contract with deviations is subsequently approved by the Commission with modification of the settlement rates to be paid by SDSTA, the rates to be paid by SDSTA for the period on and after October 1, 2014, shall be such contract with deviation rates as are ultimately approved by the Commission, with the difference between the conditionally approved interim rates and the contract with deviation rates ultimately approved by the Commission to be subject to true-up and refund or repayment, as the case may be, with interest at the rate approved in the refund provisions of the Commission's order approving the contract with deviations with modified rates or, if refund is not ordered in such order, in the refund order of the Commission at the time of the general rate decision.

3. This approval does not pre-determine a Commission decision in the current or future rate case proceedings regarding rate treatment of revenue requirement shortfalls resulting from rates approved as contracts with deviations.

Dated at Pierre, South Dakota, this 18th day of September, 2014.

<b>CERTIFICATE OF SERVICE</b>	
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>Joy Lashley</u>
Date:	<u>9.18.14</u>
(OFFICIAL SEAL)	

BY ORDER OF THE COMMISSION:

Gary Hanson  
GARY HANSON, Chairman

Chris Nelson  
CHRIS NELSON, Commissioner

Kristie Fiegen  
KRISTIE FIEGEN, Commissioner