

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

IN THE MATTER OF THE)	DOCKET NO. EL14-026
APPLICATION OF BLACK HILLS)	
POWER, INC., FOR AUTHORITY TO)	
INCREASE ITS ELECTRIC RATES)	
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NOTICE OF INTENT TO IMPLEMENT INTERIM RATES

Pursuant to SDCL 49-34A-17, Black Hills Power, Inc. (“Black Hills Power” or “Company”) respectfully submits to the South Dakota Public Utilities Commission (“Commission”) this Notice of Intent to Implement Interim Rates for its South Dakota electric customers for service on and after October 1, 2014 (the “Interim Rate Increase”). Under this statute, no Commission action is required to implement interim rates. The Interim Rate Increase of \$14,634,238 or approximately 9.27 percent will remain in effect until final rates are implemented following the Commission’s determination of the pending Application for Authority to Increase Electric Rates (“Application”).

In support of this Notice of Intent, The Company submits the following:

1. On March 31, 2014, Black Hills Power filed with this Commission its Application for approval to increase rates for electric service to customers in its South Dakota service territory on and after October 1, 2014. The Application requested an increase of approximately \$14.6 million in annual revenues from Black Hills Power’s South Dakota customers.
2. Pursuant to SDCL 49-34A-14, the Commission suspended the operation of the schedule of rates proposed by the Company for 180 days beyond March 31, 2014. Black Hills Power’s proposed rate increase will no longer be subject to suspension after September 27, 2014.

3. On April 11, 2014, Black Hills Power filed revised pages of Application Exhibits A, B, C, and D.
4. A final decision by the Commission regarding Black Hills Power's proposed rate increase is not anticipated to be entered prior to October 1, 2014.
5. SDCL 49-34A-17 provides, in part, as follows:

The public utility may implement the proposed rate or practice if:

- (1) The proposed rate or practice has not been suspended or is no longer subject to suspension;
- (2) The commission has not issued a final decision; and
- (3) Thirty days has passed from the date of filing.

Therefore, Black Hills Power has the right, on October 1, 2014, to implement the proposed rates set forth in its Application.

6. SDCL 49-34A-17 states that if a utility implements the proposed rate or a rate lower than the proposed rate, the utility shall use the same rate design currently in effect or the rate design the utility proposed when the petition for increased rates was filed. Black Hills Power has selected the option of implementing the Interim Rate Increase in accordance with the proposed rate design in the Application, as set forth in Volume 1, Section 2, and to apply the increase to the base rate components of customer bills beginning with service provided on October 1, 2014.
7. In the event the Commission ultimately approves final rates that are lower than the Interim Rate Increase for any particular customer or customer class, Black Hills Power will track the individual customer billing impacts during this interim period. Further, Black Hills Power commits to refunding its customers, with interest, any interim rate amounts that are greater than the level approved by the Commission in its final order in this case.
8. Proper notice to customers of Black Hills Power's Application has previously been provided. While there is no notice required by South Dakota statute or administrative rule for implementation of the Interim Rate Increase, the Company will provide notice to its customers as follows:

- a. Notice will be given to the public no later than September 15, 2014, by posting, as prescribed in South Dakota Administrative Rule 20:10:13:18, a copy of this "Notice of Intent to Implement Interim Rates" in a conspicuous place in the business offices and service offices of Black Hills Power in South Dakota; and
- b. Notice will be given to the public no later than September 15, 2014, by publishing a copy of this "Notice of Intent to Implement Interim Rates" on the Company's website.

For the reasons set forth above, Black Hills Power respectfully informs the Commission of its intent to implement an Interim Rate Increase for service on and after October 1, 2014, and until final rates are implemented following the entry of the Commission's decision and order in this matter, or until any appeals are exhausted.

Black Hills Power understands and agrees that placing interim rates into effect will not affect the Commission's authority to order a refund of the Interim Rate Increase pursuant to SDCL 49-34A-17, SDCL 49-34A-22 and SDCL 49-34A-23, in the event the Commission determines that a rate increase less than the Interim Rate Increase is appropriate in the Commission's final decision regarding the pending Application.

Respectfully submitted by Black Hills Power, Inc. on this ^{KD} 3 day of September, 2014.

BLACK HILLS POWER, INC.



By: Jon Thurber, Manager of Regulatory Affairs

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MOTION FOR APPROVAL OF SETTLEMENT AGREEMENT (SDSTA)

Black Hills Power, Inc., (“Black Hills Power” or “Company”) requests that the South Dakota Public Utilities Commission (“Commission”) adopt and approve, effective October 1, 2014, the Confidential Settlement Agreement (“Settlement Agreement”) between Black Hills Power and the South Dakota Science and Technology Authority (“SDSTA”)(jointly referred to as the “Parties”). Black Hills Power is authorized to advise the Commission that this Motion is made with the consent, authorization, and approval SDSTA.

The Settlement Agreement has been filed simultaneously with this Motion. The Contract with Deviations that the Parties have also entered into has been attached as an exhibit to the Settlement Agreement. Both the Settlement Agreement and the Contract with Deviations have been filed with the Commission confidentially.

This Motion for Approval is made pursuant to ARSD 10:10:01:19, and represents a negotiated settlement of all of the issues between the Parties in Docket No. EL 14-026. The terms of the Settlement Agreement are just, fair and reasonable, and consistent with South Dakota law. As a result, Black Hills Power respectfully requests the Commission approve the Settlement Agreement and the Contract with Deviations without modification.

Alternatively, Black Hills Power requests that the Commission conditionally authorize and approve, commencing October 1, 2014, the implementation of the rates set forth in the Settlement Agreement (“Settlement Rates”), subject to later approval of the Motion by the Commission, with the agreement that:

- 1) if this Motion is not subsequently approved by the Commission, the rates to be paid by SDSTA on and after October 1, 2014, shall be those rates in effect on September 30, 2014, with the difference between the applicable rates and the implemented rates subject to true up and refund or repayment as the case may be; or
- 2) if this Motion is subsequently approved by the Commission with some modification of the Settlement Rates to be paid by SDSTA, that the rates to be paid by SDSTA on and after October 1, 2014, shall be such rates as approved by the Commission, with the difference between the Settlement Rates and the applicable rates (as approved by the Commission) subject to true up and refund or repayment as the case may be.

The reason for the requested approval is that Black Hills Power intends to implement interim rates on October 1, 2014, and it would be unfair for SDSTA to pay the interim rates rather than the agreed upon rates set forth in the Settlement Agreement.

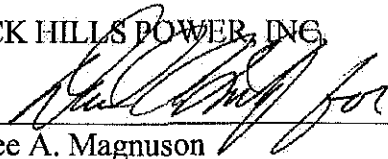
In summary, as a result of the settlement between the Parties, it is in the best interest of the Commission and the Parties that the rate agreed upon by the Parties as set forth in the Settlement Agreement be implemented on October 1, 2014, rather than requiring SDSTA to pay interim rates that are expected to go into effect on October 1, 2014.

WHEREFORE, for the foregoing reasons, Black Hills Power requests that the Commission adopt and approve, effective October 1, 2014, the attached Settlement Agreement and the Contract with Deviations, without modification, for the purposes of resolving all issues between the Parties. Alternatively, Black Hills Power requests that the Commission conditionally authorize and approve, commencing October 1, 2014, the implementation of the rates set forth in the Settlement Agreement ("Settlement Rates"), subject to later approval of the Motion by the Commission.

Dated this 3rd day of September, 2014.

BLACK HILLS POWER, INC.

By: _____


Lee A. Magnuson
Lindquist & Vennum, LLP

Its: Attorney