

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

IN THE MATTER OF THE APPLICATION) OF BLACK HILLS POWER, INC. FOR) APPROVAL OF TRANSMISSION) FACILITIES ADJUSTMENT)	SETTLEMENT STIPULATION EL14-013
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I. BACKGROUND

On February 14, 2014, Black Hills Power, Inc., a South Dakota Corporation (BHP or Company), filed with the South Dakota Public Utilities Commission (Commission) an Application for Approval of Transmission Facilities Adjustment (Application) requesting approval of a Transmission Facilities Adjustment (TFA) tariff to become effective on June 1, 2014. South Dakota Codified Law §§ 49-34A-25.1 through 25.4, authorize the Commission to approve a tariff mechanism for the automatic annual adjustment of charges for jurisdictional costs of qualifying new and modified transmission facilities, as such facilities are defined under South Dakota law. South Dakota Codified Law § 49-34A-25.1 allows utilities to include the costs of new or modified transmission facilities with a design capacity of 34.5 kV or more that are more than five miles in length. The Commission approved the establishment of a TFA tariff for BHP in EL12-061. Per the stipulation in that docket, BHP is required to make an annual rate filing by February 15 of each year if it intends to seek an annual adjustment for the jurisdictional cost of qualifying facilities.

In its Application, BHP proposes to recover the South Dakota jurisdictional portion of the revenue requirements related to the Custer to Hot Springs and Lookout to Sundance Hill 69 kV rebuild projects. These two projects constitute modifications to qualifying facilities, as defined in SDCL § 49-34A-25.1.

BHP proposed to recover approximately \$586,000 related to these two transmission projects. The average bill impact for a typical residential electric customer using 650 kWh per

month would be approximately \$0.26 per month or 0.30%. In EL14-026, BHP has requested to shift cost recovery of these two projects from the TFA tariff to base rates.

Commission Staff and BHP (Parties) held several discussions regarding the Company's Application and, as a result of these discussions, the Parties have been able to resolve all issues identified in this proceeding. The Parties have reached an agreement in the form of this Settlement Stipulation, which, if accepted and ordered by the Commission, will determine the rates that result from this proceeding.

II. PURPOSE

This Settlement Stipulation has been prepared and executed by the Parties for the sole purpose of resolving EL14-013. The Parties acknowledge that they may have differing views that justify the end result, but each Party deems the end result to be just and reasonable. In light of such differences, the Parties agree that the resolution of any single issue, whether express or implied by the Settlement Stipulation, should not be viewed as precedent setting. In consideration of the mutual promises hereinafter set forth, the Parties agree as follows:

1. Upon execution of this Settlement Stipulation, the Parties shall file this document with the Commission together with a joint motion requesting that the Commission issue an order approving this Settlement Stipulation in its entirety without further condition or modification.
2. This Settlement Stipulation includes all terms of settlement and is submitted with the condition that in the event that the Commission imposes any material changes in or conditions to this Settlement Stipulation which are unacceptable to either Party, this Settlement Stipulation may, at the option of either Party, be withdrawn and shall not constitute any part of the record in this proceeding or any other proceeding nor be used for any other purpose in this case or in any other.

3. This Settlement Stipulation shall become binding upon execution by the Parties, provided however, if this Settlement Stipulation is withdrawn in accordance with Paragraph 2 above, it shall be null, void, and privileged. This Settlement Stipulation is intended to relate only to the specific matters referred to herein; neither Party waives any right or claim which it may otherwise have with respect to any matter not expressly provided for herein; neither Party shall be deemed to have approved, accepted, agreed, or consented to any ratemaking principle, or any method of cost allocation underlying the provisions of this Settlement Stipulation, or be advantaged or prejudiced or bound thereby in any other current or future proceeding before the Commission. Neither Party nor representative thereof shall directly or indirectly refer to this Settlement Stipulation or that part of any order of the Commission as precedent in any other current or future rate proceeding or any other proceeding before the Commission.
4. It is understood that Commission Staff enters into this Settlement Stipulation for the benefit of BHP's South Dakota customers affected by this docket.

III. ELEMENTS OF SETTLEMENT STIPULATION

1. **Eligible Modified Transmission Facilities** – The Parties agree the Custer to Hot Springs and Lookout to Sundance Hill 69 kV rebuild projects included in this docket qualify as eligible investments under SDCL § 49-34A-25.1.
2. **Rate of Return** – The Parties agree that the rate of return applicable to the eligible investments reflected in the TFA from March 2014 through May 2015 shall be based on the Company's overall rate of return approved in its most recently approved general rate case, EL12-061.
3. **Rate Design** – The Parties agree that, as proposed in the filing, separate rates per kWh based on the allocation factors approved for the Transmission Cost Adjustment tariff, will

apply to the residential, small general service, large general service and industrial, and lighting customer classes. This method of revenue distribution may be reviewed by Commission Staff during the Company's current general rate filing and future TFA filings.

4. **Implementation of Rates** – The Parties agree that, after approval of this Settlement Stipulation by the Commission, these initial TFA rates will be implemented with an effective date of June 1, 2014.

<u>Class</u>	<u>\$/kWh</u>
Residential	\$0.00031
Small General Service	\$0.00038
Large General Service and Industrial	\$0.00027
Lighting	\$0.00032

5. **Tariffs** – The revised tariff sheet setting forth the revised rates provided by this Settlement Stipulation is attached as Exhibit A.
6. **Annual Reports of South Dakota Jurisdictional Financial Condition** – The Parties agree that, by April 15th of each year, the Company will send to Commission Staff an informational report of its South Dakota jurisdictional financial condition for the preceding calendar year. The determinations will be presented on an actual basis and will reflect South Dakota ratemaking practices. This requirement will exist only as long as the Company is receiving revenue from the TFA. The Company is not required to submit the report if BHP has (a) filed a general rate case within 12 months of the report due date or (b) adjusted rates as a result of a general rate case within 12 months of the report due date.
7. **Environmental Improvement Adjustment (EIA) Balancing Account** – The Parties agree that the Company will submit a compliance filing for a revised TFA rate calculation and tariff if the Commission approves the proposed credit/charge method in Docket EL14-037.

This Stipulation is entered into effective this 7th day of May, 2014.

Black Hills Power, Inc.

By: Kyle D. White
Its: VP Regulatory Affairs

**South Dakota Public Utilities
Commission Staff**

By: /s/ Karen E. Cremer
Its: Staff Attorney