

On March 29, 2017, the Commission entered an order suspending the proposed EIA and TFA rate schedules for a period not to exceed 180 days, pursuant to SDCL 49-34A-14.

The Parties were able to resolve all issues in these proceedings and the Commission approved the Stipulation by decision and Orders Granting Joint Motion for Approval of Settlement Stipulation in the above-captioned matters, both dated June 20, 2017.

As the Parties have worked together to implement the terms of the Stipulation, the Parties identified clarifying provisions that will improve the implementation of the Stipulation over the Moratorium Period. Therefore, the Parties offer the additions to the Stipulation set forth below.

Any provision of the Stipulation not specifically addressed by this Amendment shall remain in full force and effect.

Upon execution of the Amendment, the Parties shall file this Amendment with the Commission together with a joint motion requesting that the Commission issue an order approving this Amendment in its entirety without condition or modification.

II. GENERAL PROVISIONS


1. This Amendment is submitted with the condition that in the event the Commission imposes any material changes in or conditions to this Amendment which are unacceptable to either Party, this Amendment may, at the option of either Party, be withdrawn and shall not constitute any part of the record in this proceeding or any other proceeding nor be used for any other purpose.
2. This Amendment shall become binding upon execution by the Parties, provided however, that if this Amendment does not become effective in accordance with Paragraph 1 above, it shall be null, void, and privileged. This Amendment is intended to relate only to the

specific matters referred to herein; neither Party waives any claim or right 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 of service determination, or any method of cost allocation underlying the provisions of this Amendment, or be advantaged or prejudiced or bound thereby in any other current or future rate proceeding before the Commission. Neither Party nor a representative thereof shall directly or indirectly refer to this Amendment or that part of any order of the Commission relating to this Amendment as precedent in any other current or future rate proceeding or any other proceeding before the Commission.

3. It is understood that Staff enters into this Amendment for the benefit of all of Black Hills Power's South Dakota customers affected by these dockets.

III. ELEMENTS OF THE SETTLEMENT STIPULATION

1. Tax Cuts and Jobs Act ("TCJA")

In response to the Commission's Decision and Order in Docket No. GE17-003, the parties agree that prior to July 1, 2018, Black Hills Power shall file a comprehensive proposal for addressing the customer rate impacts of the TCJA, including but not limited to, how base rates will be revised due to the change in the corporate tax rate from 35 percent to 21 percent and how to address the amortization of excess accumulated deferred income taxes. The supporting calculations for the Company's proposal shall be based upon the information used to develop the current base rates that were approved by the Commission in Docket No. EL14-026. (Begin Confidential) 

 (End
Confidential)

2. Performance Based Rates

At the end of the Moratorium Period, the Parties agree that customers shall be entitled to receive a customer credit (the "Customer Credit") as a means in sharing in the positive performance of the Company's South Dakota utility operations, to the extent the Company achieves an average return on equity over the period above an agreed upon benchmark (described below). The particulars of the Performance Based Rate provision and Customer Credit mechanism are set forth below:

(Begin Confidential)

[REDACTED]

- | [REDACTED]
- | [REDACTED]
- | [REDACTED]
- | [REDACTED]
- [REDACTED]

- [REDACTED]
- [REDACTED]

(End Confidential)

- The parties intend that any Customer Credit resulting from this Amendment will be included in the Energy Cost Adjustment (“ECA”) Commodity Balancing Account for the Company’s May 2023 ECA filing and will be subject to Commodity Balancing Account interest as part of that ECA filings’ over or under payment balance. This will be the approach used for any calculated refund, depending on the amount of the Customer Credit or other factors that are not known at the time of this Amendment, however, the Parties may mutually agree to an alternate method for addressing the Customer Credit, including but not limited to either utilizing the Customer Credit to support an extension of the Moratorium Period, or agreeing to a refund mechanism not related to the ECA.

3. Tariff Changes

The Company and Staff agree that during the Moratorium Period, the Company at its election may make applications to revise its South Dakota tariffs, including changes to rate design, tariff applicability and to implement entirely new rate schedules. Staff retains its rights to review and oppose any applications the Company chooses to file with the Commission.

4. VMRA and CPGS Credits

The Stipulation includes a provision regarding the amortization of the Vegetation Management Regulatory Asset (VMRA) balance. The Company's determination of the VMRA balance did not include a credit for the revenue received from the other users of the joint 69KV system. The Parties agree customers will be refunded this difference of \$661,632.

In addition, customers will be refunded overages charged to ratepayers through the Cheyenne Prairie Generating Station (CPGS) Phase-in Plan Rate (PIPR) rider. Black Hills Power inadvertently charged customers rider interest on retainage related to construction contracts and after review of the Company's policy related to accruals, the Company made an adjustment to the amount of rider interest as it relates to accruals during the phase-in rate period. The Company's current estimate of the credit due to customers is \$828,950. Once final audit results are known, the Company will propose a final true-up number to be either credited or debited to a subsequent ECA filing.

For administrative efficiency, the Parties agree the VMRA and CPGS PIPR credits will be included in the Company's May 2018 ECA filing, for rates effective June 1, 2018. The Parties agree inclusion of these credits in the ECA should not be viewed as precedence setting. However, if Commission approval of this Amendment is not received prior to June 1, 2018, the Company shall remove these credits from its 2018 ECA filing and instead include these credits in the May 2019 ECA filing.

This Amendment to Settlement Stipulation is entered into effective this 30th day of April, 2018.

BLACK HILLS POWER, INC.

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SOUTH DAKOTA PUBLIC UTILITIES
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