

BEFORE THE SOUTH DAKOTA PUBLIC UTILITIES COMMISSION

APPLICATION OF BLACK HILLS)
POWER, INC. d/b/a BLACK HILLS)
ENERGY FOR APPROVAL OF ITS)
TAX CUT AND JOBS ACT)
PROPOSAL)

Docket No. EL18-_____

INTRODUCTION

Black Hills Power, Inc. d/b/a Black Hills Energy (“Black Hills” or the “Company”), a South Dakota corporation, respectfully requests approval from the South Dakota Public Utilities Commission (the “Commission”) of its Tax Cut and Jobs Act (the “Act” or “TCJA”) Proposal.

On December 21, 2017, the Commission received a filing from Commission Staff (“Staff”) requesting a docket be opened to investigate the effect of the Act on South Dakota utilities. On December 29, 2017 the Commission considered the matter and ordered Black Hills to file initial comments regarding the general effects of the Act on the utility’s cost of service in South Dakota by February 1, 2018.¹ The December 29, 2017 Commission Order further directed Black Hills to file additional comments including a more specific proposal to deliver the benefits related to the Act to customers and to work with Staff to determine a deadline for the proposal. The December 29, 2017 Order required that the Company’s specific proposal: 1) address the determination of the TCJA on all elements of Black Hills’ cost of service; 2) include an explanation of the effects of the Act on Black Hills’ cost of service; and 3) propose changes to the Company’s rates to reflect the impacts.

¹ On February 1, 2018, Black Hills complied with the Commission Order and filed its initial comments.

Through this filing the Company is requesting the Commission's approval of its proposal to deliver the benefits of the TCJA to its South Dakota retail customers.

SUMMARY OF THE ACT

The Act was signed into law on December 22, 2017. Key provisions within the Act that impact Black Hills' operations are the reduction in the Federal Income Tax Rate ("FIT Rate") from 35 percent to 21 percent, effective January 1, 2018, and the normalization provisions that govern the Excess Deferred Federal Income Taxes ("EDFIT") that result from the change in the FIT Rate.

SUMMARY OF COMPANY'S PROPOSAL

Customer rates include, among other items, a component for federal income tax expense. With the passage of the TCJA, the Company is proposing the following:

- A refund of the 2018 TCJA customer benefit through a one-time bill credit for all South Dakota retail customers, applied to their October 2018 bills;
- A permanent base rate reduction, beginning January 1, 2019, for all future TCJA tax expense reductions;² and
- Revisions to its base rate customer charges to reduce intra-class subsidies while still providing to South Dakota retail customers their full TCJA benefit.

EXHIBITS THAT SUPPORT THE APPLICATION

- Exhibit 1 - Direct Testimony of Kyle D. White, Vice President of Regulatory Strategy - Mr. White provides an overview of the Company's proposal to adjust customer rates in

² Black Hills recorded the change in accumulated deferred income tax ("ADIT") resulting in EDFIT to a regulatory liability as of December 31, 2017 based on estimated information for year-end reporting purposes. The 2017 tax return is currently being completed, therefore, the regulatory liability established for Black Hills as of December 31, 2017 will change and the Company's proposal to lower base rates will need to be revised once the Company's 2017 tax return is finalized and filed for 2017.

order to provide the benefits created by the TCJA, in compliance with the December 29, 2017 Commission Order issued in Docket No. GE17-003. Mr. White also provides an overview of the Company's proposal to revise its customer charges in this proceeding.

- Exhibit 2 - Direct Testimony of Lee Watkins, Vice President, Tax - Ms. Watkins provides an explanation of how the TCJA impacts Black Hills.
- Exhibit 3 - Direct Testimony of Michael C. Clevinger, Manager - Revenue Requirement - Mr. Clevinger explains the calculation of the reduction of the Federal Corporate Income Tax Rate ("FIT Rate") on the revenue requirement determined in Black Hills' last rate case (Docket No. EL14-026).
- Exhibit 4 - Direct Testimony of Charles R. Gray - Mr. Gray presents and supports the Company's proposed rate design for all customer classes related to the implementation of the TCJA for Black Hills South Dakota retail customers. He also provides a proof of revenue by rate ID under the proposed base rate reduction.

REPORT OF PROPOSED TARIFF CHANGES

The following information regarding this application for a one-time bill credit and a permanent base rate reduction as a result of the Act is consistent and being provided pursuant to South Dakota Administrative Rule 20:10:13:26:

(1) Name and Address of the Public Utility:

Black Hills Power, Inc. d/b/a Black Hills Energy
7001 Mount Rushmore Rd.
Rapid City, SD 57702

(2) Section and Sheet Number of Tariff Schedule:

The Company's rate(s) set forth in its Commission approved tariff stated below will change. Once final rates are approved by the Commission, Black Hills will file compliance tariffs.

Rate Schedule	Tariff Section No.	Tariff Sheet No.
Residential Service	Section No. 3	Fifteenth Revised Sheet No. 1
Total Electric Residential Service	Section No. 3	Fifteenth Revised Sheet No. 3
General Service	Section No. 3	Fifteenth Revised Sheet No. 7
General Service - Total Electric	Section No. 3	Fifteenth Revised Sheet No. 9
General Service - Large	Section No. 3	Fifteenth Revised Sheet No. 11
General Service - Large	Section No. 3	Fourteenth Revised Sheet No. 12
Industrial Contract Service	Section No. 3	Fifteenth Revised Sheet No. 14
Private or Public Area Lighting Service	Section No. 3	Seventeenth Revised Sheet No. 16
Private or Public Area Lighting Service	Section No. 3	Eighteenth Revised Sheet No. 17
Irrigation Pumping	Section No. 3	Fifteenth Revised Sheet No. 19
Street Lighting	Section No. 3	Sixteenth Revised Sheet No. 22
Municipal Pumping	Section No. 3	Fifteenth Revised Sheet No. 24
Traffic Signals	Section No. 3	Fifteenth Revised Sheet No. 26
Large Power Contract Service	Section No. 3	Ninth Revised Sheet No. 31
General Service - Large	Section No. 3	Sixth Revised Sheet No. 33
Forest Products Service	Section No. 3	Fifth Revised Sheet No. 36
Residential Demand Service	Section No. 3A	Ninth Revised Sheet No. 1
Utility Controlled Residential Service (Closed)	Section No. 3A	Eight Revised Sheet No. 4
Energy Storage Service	Section No. 3A	Tenth Revised Sheet No. 6
Utility Controlled General Service (Closed)	Section No. 3A	Eight Revised Sheet No. 11
Large Demand Curtailable Service (LDC) - (Closed)	Section No. 3A	Ninth Revised Sheet No. 13
Small Interruptible General Service (Closed)	Section No. 3A	Sixth Revised Sheet No. 18

(3) Description of the Change:

Customer rates include, among other items, a component for federal income tax expense and with the passage of the Act, Black Hills requests Commission approval to provide South Dakota retail customers with a bill credit on their October 2018 bills for the reduced FIT Rate. The Company also requests Commission approval to provide a permanent benefit to customers through a base rate reduction beginning on January 1, 2019 as a result of the Act on future tax expense. The Company's proposal also includes revision(s) to its base rate(s) customer charge to reduce intra-class subsidies while still providing South Dakota retail customers their full TCJA benefit.

(4) Reason for the Change:

Because of the Act, the Company's income tax expense decreased beginning in 2018.

(5) Present Rate(s):

Please see the Direct Testimony of Charles R. Gray, Attachment CRG-2

(6) Proposed Rate(s):

Please see the Direct Testimony of Charles R. Gray, Attachment CRG-2

(7) Proposed Effective Date of Modified Rate(s):

Black Hills requests that the Commission approve the following one-time bill credit rates for its October billings and the Company requests Commission approval to provide a permanent benefit to customers through a base rate reduction beginning on January 1, 2019 as a result of the Act on future tax expense.

Proposed October 2018 Rate (one-time bill credit)

Customer Classification	Proposed Rate
Residential	(\$0.09279) / kWh
Small General Service	(\$0.07693) / kWh
Large General Service & Industrial	(\$0.04592) / kWh
Lighting Service	(\$0.08098) / kWh
General Service - Special	(\$0.03494) / kWh
General Service Large 69kV Service	(\$0.03136) / kWh
Large General Service Combined	(\$0.04114) / kWh
69kV Service Industrial Contract	(\$0.02220) / kWh
Forest Products Service (Primary and Secondary)	(\$0.03846) / kWh

(8) Approximation of annual amount of increase or decrease in revenue:

2018 revenue will decrease by approximately \$7.6 million and 2019 - forward revenue will decrease by approximately \$8.9 million (final amount to be determined once the Company's 2017 federal income tax return has been completed and filed).

(9) Points affected:

All customer delivery points will be affected.

(10) Estimation of the number of customers whose cost of service will be affected and annual amounts of either increases or decrease, or both, in cost of service to those customers:

Approximately 70,000 South Dakota retail customers will be affected.

Black Hills will work with Staff on proper public notice as required by South Dakota Administrative Rules 20:10:13:17 to 20:10:13:19.

COMPANY REPRESENTATIVES

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VERIFICATION

Attached is the Verification signed by Jason S. Keil, who is authorized to act on behalf of Black Hills Power, Inc. d/b/a Black Hills Energy, affirming that the contents of the Application are true, accurate and correct to the best of his understanding, knowledge and belief.

CONCLUSION

Based on this application and exhibits, Black Hills respectfully requests that the Commission issue an order approving the proposed one-time bill credit, effective for its October 2018 billings and the proposed base rate revisions including Commission approval to provide a permanent tax savings benefit through a base rate reduction, effective January 1, 2019.

Dated: June 29, 2018

BLACK HILLS POWER, INC.



Jason Keil
Manager, Regulatory

STATE OF SOUTH DAKOTA)
) SS.
COUNTY OF PENNINGTON)

I, Jason S. Keil, being duly sworn, do hereby depose and say that I am Manager - Regulatory for Black Hills Power, Inc. d/b/a Black Hills Energy, that I have read such Application, and that the facts set forth therein are true and correct to the best of my knowledge, information and belief.



Jason S. Keil, Manager - Regulatory

Signed and sworn to me on this 29th day of June, 2018





Notary Public

My commission expires: My Commission Expires June 22, 2023