

BEFORE THE SOUTH DAKOTA PUBLIC UTILITIES COMMISSION

APPLICATION OF BLACK HILLS)	SETTLEMENT STIPULATION
POWER, INC. d/b/a BLACK HILLS)	
ENERGY FOR APPROVAL OF ITS)	Docket No. EL18-029
TAX CUT AND JOBS ACT)	
PROPOSAL)	

It is hereby stipulated and agreed by and between Black Hills Power, Inc. d/b/a Black Hills Energy (“Applicant” or “Black Hills” or “Company”), a South Dakota corporation, and the South Dakota Public Utilities Commission Staff (“Staff”) (the “Parties”), that the following Settlement Stipulation (“Stipulation”) may be adopted by the South Dakota Public Utilities Commission (“Commission”) in the above-captioned matter. In support of Black Hills’ Application in this docket, the Parties do hereby offer this Stipulation, the Application along with supporting materials filed June 29, 2018, and thereafter. The Parties offer no answering testimony or exhibits, conditioned upon the Commission accepting the following Stipulation without any material condition or modification.

I. INTRODUCTION

On December 21, 2017, in Docket No. GE17-003, the Commission received a filing from Commission Staff (“Staff”) requesting a docket be opened to investigate the impact of the Tax Cuts and Jobs Act (“TCJA”) 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 TCJA 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 TCJA to customers and to

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

work with Staff to determine a deadline for the proposal. The December 29, 2017 Commission 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 TCJA on Black Hills' cost of service; and 3) propose changes to the Company's rates to reflect the impacts.

On June 29, 2018, Black Hills Power filed with the Commission the aforementioned Application setting forth the Company's proposal related to the TCJA. Black Hills respectfully requests approval from the Commission of its TCJA Proposal.

Following the Application, Black Hills Power and the Staff engaged in discussions of the elements of the Black Hills Power proposal. The Parties have been able to resolve all issues in this proceeding and have entered into this Stipulation, which, if accepted and ordered by the Commission, will dictate how customers will be issued the associated 2018 refund and the resulting rate beginning on January 1, 2019.

II. PURPOSE

This Stipulation has been prepared and executed by the Parties for the sole purpose of resolving the issues between them in this docket. The Parties acknowledge that they may have differing views that justify the end result, which they deem to be just and reasonable, and in light of such differences, the Parties agree that the resolution of any single issue, whether express or implied by the 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 the Stipulation, the Parties shall file this Stipulation with the Commission together with a joint motion requesting the Commission issue an order approving this Stipulation in its entirety without condition or modification.

2). This Stipulation includes all terms of settlement and is submitted with the condition that in the event the Commission imposes any material changes or conditions to this Stipulation which are unacceptable to either Party, this 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 or used for any other purpose.

3). This Stipulation shall become binding upon execution by the Parties, provided however, that if this Stipulation does not become effective in accordance with Paragraph 2, it shall be null, void, and privileged. This Stipulation is intended to relate only to the specific matters referred to herein; neither Party waives any right of 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 Stipulation, 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 Stipulation 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 Stipulation for the benefit of all Black Hills' South Dakota customers affected by this docket.

III. ELEMENTS OF THE SETTLEMENT STIPULATION

5). October 2018 Bill Credit

The Parties agree the benefit of the TCJA should be passed on to customers through a bill credit effective January 1, 2018 pursuant to the Commission's December 29, 2017 Order in Docket No. GE17-003. The Parties agree the proper credit amount for calendar year 2018 is

\$7,671,339, which includes the net impact of all 2018 Excess Deferred Federal Income Tax (“EDFIT”) amounts which is estimated to be insignificant as indicated in the Application. This amount was determined by revising the cost of service model approved in the Company’s most recent rate review (Docket No. EL 14-026) to reflect the new 21% Federal Income Tax Rate (“FIT Rate”). This credit will be a one-time fixed dollar amount for all active customers as of July 31, 2018. The credit will be allocated to each customer class based on each class’ share of the base rate revenue requirement established in Docket No. EL14-026. Each individual customer credit will be calculated based on customer usage billed from August 1, 2017 through July 31, 2018 and the credit will be reflected on the October billings of all active customers as of July 31, 2018, or on some other schedule as the Commission may order or may be required due to timing. The Parties agree no carrying charge will be applied to the credit.

6). January 1, 2019 Rate Change

The Parties agree that on January 1, 2019, the Company will reduce base rates, which is estimated to be \$8.97 million at this time. The Parties agree the January 1, 2019 base rate reduction amount includes a revenue requirement reduction of \$7,671,339 plus an estimated \$1.3 million related to EDFIT. Due to normalization rules, the EDFIT amount will be trued up in November 2018 when the Company’s 2017 tax return has been completed and a final EDFIT number is known.

7). Revisions to Base Rate Customer Charges

The Parties agree to the proposed fixed customer charges which will be implemented as proposed in the Application. The Parties agree the proposed customer volumetric charges will be amended based on the result of the November 2018 true-up of the EDFIT amount. The proposed fixed customer charges and the amended volumetric charges will become effective on January 1,

2019. The Company will submit a compliance filing with the final base rate amounts in November 2018 and the necessary tariff changes will be submitted in December of 2018.

IV. GENERAL TERMS AND CONDITIONS

8). Public Interest

The Parties stipulate and agree that this Stipulation is in the public interest and that in its entirety it is just and reasonable. The Stipulating Parties acknowledge this Stipulation represents a compromise in the positions of the Stipulating Parties in this Docket and has been negotiated in good faith. The Parties acknowledge that their support and advocacy of the Stipulation may be compromised by any alterations to the Stipulation. The Parties agree to support all elements of this Stipulation as being in the public interest in proceedings before the Commission, and to advocate in good faith that the Commission approve this Stipulation in its entirety.

9). Settlement Execution

This Stipulation may be executed by electronic mail or facsimile in one or more counterparts and each counterpart shall have the same force and effect as an original document and as if all the Parties had signed the same document. Any signature page of this Stipulation may be detached from any counterpart of this Stipulation without impairing the legal effect of any signatures thereon, and may be attached to another counterpart of the Stipulation identical in form hereto but having attached to it one or more signature page(s).

This Stipulation is entered into effective this 28th day of August, 2018.

BLACK HILLS POWER, INC.

SOUTH DAKOTA PUBLIC UTILITIES
COMMISSION STAFF

By: Kyle D. White
Name: Kyle D. White
Its: Vice President - Regulatory Strategy

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