



To:	
From:	Black Hills Power Inc., D/B/A Black Hills Energy
Date:	November ____, 2018

RENEWABLE READY PROGRAM – CONFIDENTIAL MEMORANDUM OF UNDERSTANDING

DRAFT TERMS

Term Length:	<ul style="list-style-type: none"> • ____ years (term options include 5, 10 and 15 years). • After the initial term, contracts shall auto-renew with one (1) year terms unless either party provides contractually required notice.
Fees:	<ul style="list-style-type: none"> • Initial application fee: \$500
Regulatory:	<ul style="list-style-type: none"> • These terms are contingent on Black Hills Energy receiving the relevant regulatory approvals which may include new and/or amended tariffs.
Renewable Energy Availability and Subscription Level:	<ul style="list-style-type: none"> • Customer elects to subscribe to ____% of the energy consumed at the service locations listed in this term sheet. The amount of subscribed energy will be converted to a share of renewable energy generating capacity as follows: <ul style="list-style-type: none"> Capacity of Proposed Facility – 20,000 kW Total Estimated Facility Production – 78,840,000 kWh (kWh = kW X 365 days X 24 hours X 45%) Customer's Annual Subscription - _____ kWh (rolling 12 months of kWh purchased) Customer's Share of Production – ____% (Customer kWh / Total kWh Production) Customers Subscribed Capacity – ____ kW (Customer kW = Customer Share of Production % X Facility Capacity) • Customer may choose up to 100% of the energy usage for the last twelve (12) months at identified service location(s).
Service Location(s):	<ul style="list-style-type: none"> •
Current rate structure/application of subscribed	<ul style="list-style-type: none"> • At the above service location(s), customer is currently subject to SD____. Customer understands that all standard rate components under their current tariff will continue to apply.

energy:	<ul style="list-style-type: none"> • Customer understands that a subscription under this program is in addition to its existing rate structure and that subscribed energy under this program will be subject to: <ul style="list-style-type: none"> ○ an additional charge for renewable energy (kWh) generated by the customer's share of production in any given billing cycle during the term of this agreement. ○ a credit against the fuel and purchased power costs for renewable energy (kWh) generated for the customer's share of production in any given billing cycle during the term of this agreement.
Billing components to be offset by subscribed energy:	<ul style="list-style-type: none"> • Cost of fuel • Cost of purchased power • Currently \$.02217/kWh (2018); adjustments filed on an annual basis by June 1st.
Subscribed Energy Rates:	<ul style="list-style-type: none"> • Fifteen (15) year term - \$.024/kWh • Ten (10) year term - \$.026/kWh • Five (5) year term - \$.028/kWh • Final pricing will be determined during the regulatory approval process. • Pricing may be subject to adjustment at the end of a subscription term.
Early Termination Fee:	<ul style="list-style-type: none"> • Applicable when customer discontinues taking service at the subscribed premise(s) or when over a twelve month period the customer's load declines to below 90% of the contracted subscription amount. • In the event a customer's load falls below 90% of the contracted subscription amount, a pro rata portion of the termination fee will be assessed. • The termination fee shall be equal to \$25 multiplied by subscribed kW multiplied by the number of years remaining in the contract term.
Assignability:	<ul style="list-style-type: none"> • If customer ceases to receive service at the premises and begins taking service at another location within Black Hills Energy-SD's service territory, Black Hills Energy-SD will automatically transfer the program subscription to the new service location. The subscription shall not exceed 100% of customer's load at new location. • If consumption during the first 12 months of service at the new meter is lower than 90% of the contracted subscription amount, the contract shall be reduced to a contract subscription amount that matches the 12-month energy usage at the new meter and the customer will pay a pro-rated portion of the early termination fee. • The original subscription term will continue to apply to the transferred subscription.
Other:	<ul style="list-style-type: none"> • Renewable energy credits (RECs) equal to the renewable energy (kWh) generated by the customer's share of production shall be transferred to or retired on behalf of the subscribing customer. • Onsite generation at a contracted service location shall not reduce a customer's obligations under this program.
Confidentiality:	<ul style="list-style-type: none"> • Information related to customer subscription level and subscription term shall be considered confidential customer information and shall not be released without the express permission of the customer.

Upon execution, this Confidential Memorandum of Understanding will be considered receipt of the customer's written application for a subscription under the Renewable Ready Program to be filed with the South Dakota Public Utilities Commission and development of a final agreement may commence. This Confidential Memorandum of Understanding may be provided confidentially to the South Dakota Public Utilities Commission as a part of Black Hills Energy's efforts to secure required regulatory approvals for the Renewable Ready program.

This Confidential Memorandum of Understanding is non-binding on any party, or on any party's affiliate(s). As such, it is not intended to be received, delivered, or accepted as an agreement, or as a partial agreement to any particular term or any terms collectively. No party (including each party's affiliate(s)) shall rely on this Confidential Memorandum of Understanding prior to the execution of a final agreement.

BLACK HILLS POWER, INC
D/B/A BLACK HILLS ENERGY

(signature)

(signature)

(name printed)

(name printed)

(title)

(title)

(date)

(date)

**Black Hills Energy - Renewable Ready Program
 Comparison of Current Rate Structure and Supplemental Renewable Subscription
 Structure
 For Illustrative Purposes Only**

Customer Name:			
Address:			
Account Number:			
Rate:			
	23,800,886	KWH - Total Past 12 months of Usage	
Renewable Subscription Details			
	20%	of Subscribed Amount (Past 12 Months)	
	4,760,177	KWH - Annual Subscribed	
	1,208	KW - Annual Subscribed	
	396,681	KWH - Monthly Subscribed	
	15	Years - Subscription Term Contracted	
	\$0.02400	Subscription Rate (Charge)	
	\$0.02217	Current fuel purchase (Credit)	
	\$500.00	Application Fee (One-Time)	
		(\$500 Fee not included)	

RATE:

<u>CUSTOMER CHARGE</u>			\$0.00
<u>BILLING CAPACITY CHARGE (KVA)</u>	Actual Cap Charge	1st 125 KVA @	\$2,000.00
	<i>Largest of:</i>	all additional KVA @	\$12.45
	<i>Actual Capacity Charge</i>		
	<i>80% of highest Billing Capacity past 11 months</i>		
	<i>125KVA minimum Capacity per rate</i>		
<u>ENERGY CHARGES (KWH)</u>		1st 50,000 KWh @	\$0.03429
		next 450,000KWh @	\$0.02800
		all Additional KWh @	\$0.02800
<u>COST ADJUST CHARGES (KWH)</u>		Non-Renewable Cost Adj KWh @	\$0.01220
		Renewable Cost Adj KWh @	\$0.02217
<i>F&PP (Base Cost)</i>	<i>\$0.01460</i>	<i>TCA (ECA)</i>	<i>\$0.00290</i>
<i>Trans (Base Cost)</i>	<i>\$0.00810</i>	<i>FPPA (ECA)</i>	<i>\$0.00757</i>
<i>EIA</i>	<i>\$0.00000</i>	<i>TFA</i>	<i>\$0.00000</i>
<i>EESA</i>	<i>\$0.00120</i>	<i>PIPR</i>	<i>\$0</i>

RENEWABLE READY Program Review Sheet

BHE-SD is currently in the process of developing utility scale generation facilities.

We are also developing a renewables subscription program that will allow interested customers to secure their energy from renewable resources.

This program as outlined in this document, is subject to regulatory approval.

The facilities under consideration would have 40 MW of capacity available for interested customers, equating to approximately 150 million KWH/year.

The program will offer three subscription terms, each with its own specific rate (subject to regulatory approval)

Term	Rate
5 Years	\$0.028
10 Years	\$0.026
15 Years	\$0.024

The monthly renewable subscription charge will be determined multiplying the customer's share of monthly production by the chosen rate.

The monthly renewable credit will be determined multiplying customer's share of monthly production by current fuel and purchase power.

The current (2018) imbedded fuel and purchase power cost is \$0.02217 per KWH. These costs are adjusted annually, subject to regulatory approval.

Under this program, a subscribing customer's monthly billing will reflect their current rate structure with the following additional line items:

- (1) Renewable charge
- (2) Renewable credit

Below is a sample calculation of renewable charge & credit (subscription based on the last 12 months energy usage and 15 year term).

The renewable credit calculations below are based on the actual fuel and purchase power costs for BHE customers from 2014-2018.

Year	Historical Energy Used (KWH)	Renewable Charge (Annual)			Renewable Credit (Annual)			NET Impact (Annual)
		Subscribed Energy (KWH)	Rate	Total	Subscribed Energy (KWH)	Fuel & Purchase Cost	Total	(\$ Cost) (-\$ Credit)
2014	21,379,817	4,760,177	\$0.02400	\$114,244.25	4,760,177	\$0.01980	\$94,251.51	\$19,993
2015	23,424,755	4,760,177	\$0.02400	\$114,244.25	4,760,177	\$0.02180	\$103,771.86	\$10,472
2016	24,334,824	4,760,177	\$0.02400	\$114,244.25	4,760,177	\$0.02590	\$123,288.59	-\$9,044
2017	21,388,541	4,760,177	\$0.02400	\$114,244.25	4,760,177	\$0.02460	\$117,100.36	-\$2,856
2018	23,800,886	4,760,177	\$0.02400	\$114,244.25	4,760,177	\$0.02217	\$105,533.13	\$8,711
20% subscription based on 2018 kWh							NET Cost (over 5 year history)	\$27,276
							Average Additional Cost Per Year	\$5,455
Average Additional Cost Per Year				\$5,455				
		Previous 12 Month Cost		\$1,740,516				
		Percent Change		0.31%				

Additional program requirements include:

A one-time \$500 Application Fee.

Black Hills Energy will retire (or transfer) the REC's (green e-certified) on the Customer's behalf for their annually subscribed energy.

The Customer may transfer their subscription block to a different service in the customer's name within BHE's service territory.

The placement of on-site generation on a subscribed service may not result in usage below the subscribed levels for the subscription term.

All subscriptions are subject to an early termination fee that will be assessed in the event:

1. The customer chooses to discontinue their subscription.
2. The customer's load declines substantially below the contracted subscription amount. Substantially below means a reduction in excess of ten (10%) percent of the subscription amount. In that event, a pro rata portion of the termination fee will be assessed.

Contracts shall auto renew with one year terms following the initial term.

Current Rate Load Data											Year 1
Read Date	Days	Actual Cost \$ (Incl Tax) (Based on history)	Customer Charge (\$)	Billed Capacity (KVA)	Capacity Charge (\$)	Energy Usage (KWH)	Energy Cost (\$)	Cost Adjustments (\$)	Sub Total (Pre-Tax) (\$)	Tax (\$)	Total (\$)
Jan	31	\$170,667.85	\$0.00	3,315.2	\$41,717.99	2,053,631	\$57,816.17	\$70,583.30	\$170,117.46	\$0.00	\$170,117.46
Feb	31	\$169,983.28	\$0.00	3,450.2	\$43,398.74	2,015,842	\$56,758.08	\$69,284.49	\$169,441.31	\$0.00	\$169,441.31
Mar	28	\$150,161.96	\$0.00	3,274.7	\$41,213.77	1,734,066	\$48,868.35	\$59,599.85	\$149,681.96	\$0.00	\$149,681.96
Apr	31	\$152,728.20	\$0.00	3,101.3	\$39,054.94	1,807,456	\$50,923.27	\$62,122.26	\$152,100.46	\$0.00	\$152,100.46
May	30	\$146,717.29	\$0.00	2,897.7	\$36,520.12	1,751,512	\$49,356.84	\$60,199.47	\$146,076.42	\$0.00	\$146,076.42
Jun	31	\$116,829.34	\$0.00	3,015.6	\$37,987.97	1,276,020	\$36,043.06	\$43,856.81	\$117,887.84	\$0.00	\$117,887.84
Jul	30	\$117,770.36	\$0.00	2,970.3	\$37,423.99	1,306,735	\$36,903.08	\$44,912.48	\$119,239.55	\$0.00	\$119,239.55
Aug	31	\$122,282.73	\$0.00	2,987.3	\$37,635.64	1,377,036	\$38,871.51	\$47,328.73	\$123,835.87	\$0.00	\$123,835.87
Sep	31	\$135,387.55	\$0.00	2,993.9	\$37,717.81	1,589,940	\$44,832.82	\$54,646.24	\$137,196.87	\$0.00	\$137,196.87
Oct	30	\$143,404.71	\$0.00	3,269.4	\$41,147.78	1,627,150	\$45,874.70	\$55,925.15	\$142,947.63	\$0.00	\$142,947.63
Nov	31	\$152,660.39	\$0.00	3,389.9	\$42,648.01	1,751,054	\$49,344.01	\$60,183.73	\$152,175.75	\$0.00	\$152,175.75
Dec	30	\$161,922.54	\$0.00	3,399.4	\$42,766.28	1,897,157	\$53,434.90	\$65,205.29	\$161,406.47	\$0.00	\$161,406.47
	365	\$1,740,516.20	\$0.00	38,064.9	\$479,233.01	20,187,599	\$569,026.77	\$693,847.80	\$1,742,107.58	\$0.00	\$1,742,107.59

Current Rate Load Data - with Renewable Subscription											Year 1
Read Date	Days	Customer Charge (\$)	Capacity Charge (\$)	Energy Cost (\$)	Cost Adjustments (\$)	Renewable Subscription (KWH)	Renewable Charge (\$)	Renewable Credit (\$)	Sub Total (Pre-Tax) (\$)	Tax (\$)	Total (\$)
Jan	31	\$0.00	\$41,717.99	\$57,816.17	\$70,583.30	396,681	\$9,520.35	-\$8,794.43	\$170,843.38	\$0.00	\$170,843.38
Feb	31	\$0.00	\$43,398.74	\$56,758.08	\$69,284.49	396,681	\$9,520.35	-\$8,794.43	\$170,167.23	\$0.00	\$170,167.23
Mar	28	\$0.00	\$41,213.77	\$48,868.35	\$59,599.85	396,681	\$9,520.35	-\$8,794.43	\$150,407.89	\$0.00	\$150,407.89
Apr	31	\$0.00	\$39,054.94	\$50,923.27	\$62,122.26	396,681	\$9,520.35	-\$8,794.43	\$152,826.39	\$0.00	\$152,826.39
May	30	\$0.00	\$36,520.12	\$49,356.84	\$60,199.47	396,681	\$9,520.35	-\$8,794.43	\$146,802.35	\$0.00	\$146,802.35
Jun	31	\$0.00	\$37,987.97	\$36,043.06	\$43,856.81	396,681	\$9,520.35	-\$8,794.43	\$118,613.77	\$0.00	\$118,613.77
Jul	30	\$0.00	\$37,423.99	\$36,903.08	\$44,912.48	396,681	\$9,520.35	-\$8,794.43	\$119,965.47	\$0.00	\$119,965.47
Aug	31	\$0.00	\$37,635.64	\$38,871.51	\$47,328.73	396,681	\$9,520.35	-\$8,794.43	\$124,561.80	\$0.00	\$124,561.80
Sep	31	\$0.00	\$37,717.81	\$44,832.82	\$54,646.24	396,681	\$9,520.35	-\$8,794.43	\$137,922.79	\$0.00	\$137,922.79
Oct	30	\$0.00	\$41,147.78	\$45,874.70	\$55,925.15	396,681	\$9,520.35	-\$8,794.43	\$143,673.56	\$0.00	\$143,673.56
Nov	31	\$0.00	\$42,648.01	\$49,344.01	\$60,183.73	396,681	\$9,520.35	-\$8,794.43	\$152,901.67	\$0.00	\$152,901.67
Dec	30	\$0.00	\$42,766.28	\$53,434.90	\$65,205.29	396,681	\$9,520.35	-\$8,794.43	\$162,132.39	\$0.00	\$162,132.39
	365	\$0.00	\$479,233.01	\$569,026.8	\$693,847.80	4,760,177	\$114,244.25	-\$105,533.12	\$1,750,818.70	\$0.00	\$1,750,818.69