

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

IN THE MATTER OF THE	)	
APPLICATION OF BLACK HILLS	)	SETTLEMENT STIPULATION
POWER, INC. d/b/a BLACK HILLS	)	
ENERGY FOR AUTHORITY TO	)	EL26-003
INCREASE RATES FOR ITS UTILITY	)	
SERVICE IN SOUTH DAKOTA	)	

I. SETTLEMENT STIPULATION

On February 19, 2026, Black Hills Power, Inc. d/b/a Black Hills Energy (“Black Hills Power” or “Applicant”) filed an application with the South Dakota Public Utilities Commission (“Commission”) seeking authority to increase rates for electric utility service in South Dakota. Black Hills Power proposed an increase of \$50,553,697 annually or approximately 25.1% of total retail revenues based on the Test Period ending September 30, 2025; along with approval of the general tariff changes, proposed deferred accounting treatment for the decommissioning of the Ben French generating units, approval of the proposed Insurance Deferred Accounting Treatment and approval of the Spare Turbine Adjustment Rider (“Application”).

Black Hills Power, the South Dakota Public Utilities Commission Staff (“Staff”) and South Dakota Large Customer Group (“SDLCG”) (collectively, the “Settling Parties” or “Parties”), have been able to resolve all issues in this proceeding and have entered into this Settlement Stipulation (“Stipulation”), which, if accepted and ordered by the Commission, will determine rates to result from Black Hills Power’s Application.

II. PURPOSE

This Stipulation was prepared and executed by the Settling Parties for the sole purpose of resolving all issues in Docket No. EL26-003. The Settling Parties acknowledge they may have differing views that justify the result, but each Party deems the result to be just and reasonable. Considering such differences, the Settling 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 Settling Parties agree as follows:

1. Upon execution of the Stipulation, the Settling Parties shall file this Stipulation with the Commission together with a joint motion requesting the Commission to 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 to or conditions upon this Stipulation which are unacceptable to any Party, this Stipulation may, at the option of any 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 any other case.

3. This Stipulation shall become binding upon execution by the Settling Parties. However, if this Stipulation is not approved by the Commission or is withdrawn in accordance with Paragraph 2 above, it shall be null, void, and inadmissible in this proceeding or in any other proceeding. This Stipulation is intended to relate only to the specific matters addressed herein.

- a. The terms of this Stipulation represent a negotiated compromise of disputed issues and shall not be construed as an admission by any Settling Party regarding the merits of any position asserted in this proceeding.
- b. None of the Settling Parties waives any right, claim, defense, and/or position it may otherwise have with respect to any matter not expressly provided for herein.
- c. None of the Settling Parties shall be deemed to have approved, accepted, agreed to, or consented to any ratemaking principle, method of cost-of-service determination, or method of cost allocation underlying the provisions of this Stipulation, nor shall any Party be advantaged, prejudiced, or bound thereby in any other current or future proceeding before the Commission.
- d. None of the Settling Parties, nor their representatives, shall directly or indirectly refer to this Stipulation, or to any portion of a Commission order approving this Stipulation, as precedent in any other current or future proceeding before the Commission.

4. The Settling Parties stipulate that Black Hills Power's Application, all pre-filed testimony, exhibits, workpapers, and all other materials filed in this proceeding as of the date the Commission acts upon this Stipulation shall constitute the evidentiary record supporting approval of this Stipulation. To the extent any testimony, exhibit, workpaper, discovery response, or other material has been submitted as confidential, it shall remain part of the confidential record in this proceeding. The Settling Parties understand that if the issues settled in this matter had not been settled, the procedural schedule would have

continued, Commission Staff and the SDLCG would have formalized their positions in testimony and Black Hills Power would have filed rebuttal testimony. Had the matter proceeded, Commission Staff and the SDLCG would have responded to certain positions contained in Black Hills Power's rebuttal testimony, and an evidentiary hearing would have been conducted where the witnesses providing testimony would have been subject to direct and cross-examination. Unless otherwise mutually agreed between the Settling Parties, by entering into this Stipulation, the Settling Parties waive any further evidentiary hearing and the presentation of additional evidence on the issues resolved herein, subject to the Commission's approval of this Stipulation without material modification.

5. The Settling Parties agree that the terms contained herein result in just and reasonable rates and are in the public interest.

III. ELEMENTS OF SETTLEMENT STIPULATION

The Settling Parties to this Stipulation set forth their agreement to specific elements of the Settlement Stipulation as set forth below and within the Stipulation Exhibits.

1. Revenue Requirement

The Settling Parties agree that Black Hills Power's rate schedules attached as Exhibit 1 are designed to produce an ongoing annual increase in base rates to recover a net revenue deficiency of approximately \$27.354 million, including gross receipts taxes, or approximately 21.28% annual base rate increase for retail electric service sales in South Dakota. The Settling Parties agree to a 7.58% rate of return on rate base.

2. Resource Additions and Retirements

a. Neil Simpson II Dual Fuel Conversion

The Settling Parties agree that the resolution of this issue is solely for purposes of settling this proceeding. Black Hills Power retains and expressly reserves all rights to seek recovery of any unrecovered conversion costs related to the Neil Simpson II dual fuel conversion in a future proceeding. The Settling Parties agree to an approximately \$2.24 million reduction in Black Hills Power's test period rate base, which is reflected in the agreed-upon amount provided for in Element 1 of this Stipulation above. In any future proceeding in which Black Hills Power seeks recovery of these costs, Black Hills Power shall provide supporting financial analysis associated with the dual fuel conversion compared with maintaining coal-only operation based on the information known at the time Black Hills Power executed major contracts for the conversion scope of work. Nothing in this Stipulation shall be construed as a finding, admission, or determination regarding the prudence, reasonableness, recoverability, or regulatory treatment of such costs, and all Settling Parties expressly reserve all rights, claims, defenses, or position of any Party with respect thereto.

b. Ben French Retirement

Black Hills Power anticipates beginning the decommissioning of the Ben French Units in 2027. Upon commencement of decommissioning, Black Hills Power will transfer the net book value of the Ben French Units to the decommissioning regulatory asset authorized in this proceeding. Upon

transferring the net book value to the decommissioning regulatory asset, Black Hills Power will begin crediting the Phase in Plan Rate (“PIPR”), as proposed in Docket No. EL26-024, on a monthly basis with the monthly revenue requirement associated with those assets included in base rates. In the event the PIPR is not approved, Black Hills Power shall credit the decommissioning regulatory asset with the revenue requirement included in base rates associated with those assets. All decommissioning costs associated with the Ben French Units shall also be recorded in the decommissioning regulatory asset. The disposition, amortization, and recovery of the decommissioning regulatory asset shall be determined in a future rate case proceeding, and neither this Stipulation nor the resolution of this issue shall prejudice the rights, claims, defenses, or positions of any Party with respect to such determination.

3. Depreciation Rates

The Settling Parties agree to use the depreciation rates as shown on attached Exhibit 2.

4. Revenue Apportionment, Rate Design, and Tariff Modifications

The Settling Parties have agreed to revised tariffs and those tariffs are attached as Exhibit 1 to this Stipulation for presentation to the Commission. The Settling Parties agree the increase in rates for electric service will be allocated to the affected rate classes resulting in increases as shown on attached Exhibit 3. The Settling Parties agree that the rates agreed to by the Settling Parties result in just and reasonable rates for all of Black Hills Power’s South Dakota customers.

5. **Miscellaneous and Other Mechanisms**

a. Integrated Resource Planning (“IRP”) Costs

The Settling Parties agree that Black Hills Power withdraws its request to recover IRP costs incurred outside of the test year from the revenue requirement calculation. However, the Settling Parties further agree that Black Hills Power reserves the right to seek recovery of these IRP costs that support, lead to, or resulted in the development or construction of generation assets in a future proceeding before the Commission with no prejudice to the determination of such a request.

b. Energy Cost Adjustment

The Settling Parties agree to the administrative Energy Cost Adjustment (“ECA”) changes proposed by Black Hills Power in the Application, including the elimination of the guaranteed \$1.0 million power marketing operating income credit and the addition of the Balancing Authority (“BA”) revenue credit.

c. Insurance Deferred Accounting Mechanism

The Settling Parties agree that Black Hills Power withdraws its request for approval of a deferred accounting mechanism for insurance premiums in this proceeding. Such withdrawal is made without prejudice to Black Hills Power’s right in any future proceeding to propose the same deferred accounting mechanism, a substantially similar deferred accounting treatment, or any other mechanism for the recovery or recognition of insurance premium costs.

d. Spare Turbine Adjustment Rider (“STAR”)

The Settling Parties agree that Black Hills Power withdraws its request for approval of the proposed Spare Turbine Adjustment Rider (“STAR”) in this proceeding. Such withdrawal is made without prejudice to Black Hills Power’s right in any future proceeding to propose the same rider, a substantially similar rider, or any other mechanism for recovery of the costs and expenses associated with the subject matter of the proposed STAR.

e. Payroll

In its next general rate case, Black Hills Power will include with its direct filing, a position-level compensation analysis supporting the reasonableness of non-union wage levels, including the pay grade structure, grade midpoints, and the market survey data used to set them.

6. Rate Moratorium

The Settling Parties agree that if the Commission adopts this Stipulation without condition or modification, Black Hills Power shall not file an application to increase general base rates for electric service that would result in new electric base rates becoming effective prior to August 18, 2030. The Settling Parties agree that this rate moratorium is limited to general base rates and does not apply to changes in rates through previously authorized trackers or riders. The Rate Moratorium exclusions expressly include but are not limited to the Fuel and Purchased Power Adjustment, the Transmission Cost Adjustment, the Environmental Improvement Adjustment, the Transmission

Facility Adjustment, and the Phase in Plan Rate. In addition, the Rate Moratorium does not apply to Black Hills Power if there are unforeseen investments or expenses (or other extraordinary events) beyond Black Hills Power's control that impacts the cost of service by more than \$4 million.

7. **Rate Case Expense**

The Settling Parties agree that the total rate case expense associated with Docket No. EL26-003 is a total of \$426,846 and that a four-year amortized amount of \$106,711 in rate case expense is included in the revenue requirement. The Parties agree that the average unamortized balance of \$213,423 will be included as a component of other rate base.

8. **Implementation of Rates**

The revised rate schedules shall be implemented with service rendered on and after December 1, 2026, with bills prorated so that usage prior to that date is billed at the interim rate and usage on and after that date is billed at the new rates. The revised rate schedules are attached as Exhibit 1.

9. **Interim Rate Refund**

Interim rates were implemented on August 18, 2026. Approval of this Stipulation will authorize a rate increase less than the interim rate level in effect. Black Hills Power agrees to refund customers the portion of the interim rates in excess of the authorized rate increase collected during the period between August 18, 2026, through November 30, 2026. The Interim Refund Plan is described and included in Exhibit 4.

10. Customer Notice

Customers will be notified of the change in rates through a bill insert or direct mailing provided with the first month of bills to which new rates apply. The bill insert or direct mailing is provided in Exhibit 5.

VI. CONCLUSION

For the foregoing reasons, the Settling Parties respectfully request that the Commission approve this Stipulation without modification and issue an order incorporating its terms.

Signature Page to Follow

This Stipulation is entered into effective this 23rd day of October, 2026.

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