

## **Horizon Point Shared Facilities Agreement**

This Horizon Point Shared Facilities Agreement (the “**Agreement**”) dated as of November 10, 2017 (the “**Effective Date**”), is entered into by and among Black Hills Power, Inc., a South Dakota corporation (“**BHP**”), Black Hills Service Company, LLC, a South Dakota limited liability company (“**BHSC**”), and Black Hills Utility Holdings, Inc., a South Dakota corporation (“**BHUH**”). BHP, BHSC, and BHUH may individually be referred to as a “**Party**” and collectively as the “**Parties**”.

### **1.0 RECITALS**

This Agreement is made with reference to the following facts, among others:

- 1.1. BHP, BHSC, and BHUH are affiliates and each is a subsidiary of the parent company, Black Hills Corporation.
- 1.2. BHP is the owner of the corporate office located at 7001 Mt. Rushmore Rd., Rapid City, South Dakota, 57702 (“**Horizon Point**”).
- 1.3. The Parties agree that BHSC will be responsible to provide operations and maintenance services at the Horizon Point wellness center, cafeteria, and child development center.
- 1.4. The Parties agree that (a) certain capital assets located at Horizon Point and owned by BHP (the “**Shared Capital Assets**”) may be used to support the business operations of BHP, BHSC and BHUH, and (b) the Parties shall incur a fee, based upon the principles set forth in this Agreement, as consideration for the benefit from their use of the Shared Capital Assets plus their share of the operations and maintenance costs and other expenses associated with the Shared Capital Assets (the “**Shared Capital Asset Fee**”).

NOW THEREFORE, for good and valuable consideration, the receipt and sufficiency of which is hereby acknowledged, the parties agree as follows:

### **2.0 SHARED CAPITAL ASSETS**

As of the date hereof, the Shared Capital Assets comprise the assets set forth on Exhibit A attached hereto. On or before December 10 of each year, BHP will prepare an updated version of Exhibit A with a then-current list of the Shared Capital Assets. In addition to identifying the Shared Capital Assets, Exhibit A, as updated by BHP, shall identify the components of the Shared Capital Assets Fee.

### **3.0 SHARED CAPITAL ASSETS FEE**

3.1. The Shared Capital Assets Fee, as defined in section 1.4 of this Agreement, shall be determined in accordance with the following methodologies and illustrated in Exhibit B. Horizon Point is an asset of BHP, on the books and records of BHP. The revenue requirement

for Horizon Point is the amount that BHP must receive to recover all costs paid by BHP associated with operating and maintenance expenses, taxes, and interest paid on debt, plus a return on its equity investment. An annual revenue requirement for Horizon Point is calculated based on forecasted costs and principles adopted by the South Dakota Public Utility Commission in BHP's most recent rate review, including its authorized Weighted Average Cost of Capital. The annual revenue requirement is divided by 12 for each month of the year and this is charged to four separate BHSC Horizon Point operating units based on square footage of the wellness center, cafeteria, child development center, and central building. The revenue requirement is true-up annually based on actual investment and costs. This true-up adjustment is rolled-forward and included in the subsequent year revenue requirement. The cost allocation to the BHSC Horizon Point operating units based on building/space square footage is as follows:

<u>Description</u>	<u>Square Footage</u>	<u>Allocation Percentage</u>	<u>BHSC Operating Unit</u>
<u>Central Building</u>	<u>203,000</u>	<u>91.9%</u>	<u>701700</u>
<u>Wellness Center*</u>	<u>8,000</u>	<u>3.6%</u>	<u>701701</u>
<u>Cafeteria</u>	<u>4,000</u>	<u>1.8%</u>	<u>701702</u>
<u>Child Development Center*</u>	<u>6,000</u>	<u>2.7%</u>	<u>701703</u>

\* When construction is completed in 2018.

3.2. Central Building. Costs charged from BHP to BHSC Horizon Point Operating Unit 701700, along with direct costs incurred for the maintenance and operation of the central building are allocated to BHP, BHUH and BHSC based on the direct square footage their respective departments occupy at Horizon Point. Direct square footage includes: (i) departmental workstations, office and other work areas; (ii) circulation areas; and (iii) walkways and isles. Common use areas include restrooms, break rooms, conference rooms, meeting rooms, storage rooms, print/copy areas, training rooms, and space for electrical, mechanical, HVAC, fire suppression, janitorial, networking and communications. Common use areas are also allocated to BHP, BHUH, and BHSC based on the direct square footage their respective departments occupy at Horizon Point. Square footage is an allocation methodology utilized in the BHSC Cost Allocation Manual. The square footage allocators will be updated annually based on then current department occupancy.

3.3. Wellness Center, Cafeteria, and Child Development Center. Costs charged from BHP to BHSC Horizon Point Operating Units 701701, 701702, and 701703, along with direct costs incurred for the maintenance and operation of the wellness center, cafeteria, and child development center, are allocated to BHP, BHUH and BHSC based on the number of employees their respective departments have located at Horizon Point. Employee ratio is an allocation methodology utilized in the BHSC Cost Allocation Manual. The employee ratio allocators will be updated annually based on then current department headcount.

3.4. Accounting. The Parties shall maintain accounting records of all services rendered pursuant to this Agreement and such additional information as the Parties may reasonably request for purposes of their internal bookkeeping and accounting operations.

3.5. Taxes. Each Party shall be liable for and shall reimburse the other Parties to the extent required, or pay, as applicable, any applicable gross receipts tax or consumer use tax, value added or similar excise taxes, with respect to services or goods received in the performance of Horizon Point operations and maintenance services.

#### **4.0 RESPONSIBILITY FOR SHARED CAPITAL ASSETS**

4.1. BHP is the owner of the Shared Capital Assets. Except as otherwise may be provided in the Agreement, BHP will be responsible for the operation of all Shared Capital Assets, including all decisions of any nature whatsoever regarding the Shared Capital Assets, including with respect to maintenance, repairs, additions, replacements, retirements, engineering, design, planning, permitting, licensing, testing, commissioning, and reconstruction after casualty events. In connection therewith, BHP will ensure that such activities are conducted, and that such decisions are made, (i) in good faith, (ii) in accordance with applicable laws, orders, and permits, and (iii) in accordance with Prudent Utility Practice.

4.2. BHSC will be responsible to provide operations and maintenance services at the Horizon Point wellness center, cafeteria, and child development center.

4.3. BHSC and BHUH agree that they have no ownership, leasehold, or other right, title, or interest in the Shared Capital Assets, except as may otherwise be provided in this Agreement.

#### **5.0 INDEMNIFICATION**

Each Party (“Indemnifying Party”) will indemnify, hold harmless and defend the other Party and its affiliates, officers, directors, shareholders, agents, employees, and representatives (“Indemnified Party”) from all claims, liabilities, fines, interest, costs, expenses and damages (including reasonable attorney fees) incurred by the Indemnified Party for any damage, injury, death, loss or destruction of any kind to persons, property or the environment, to the extent the damage, injury, death, loss or destruction arises out of any act or omission of the Indemnifying Party or any of its servants, representatives, agents, employees or subcontractors.

#### **6.0 TERM**

6.1. Term of Services. The term of this Agreement shall continue in perpetuity as of the Effective Date, unless a Party provides notice pursuant to Section 6.2 to the other Parties hereto that this Agreement shall be terminated.

6.2. Termination. Each Party may terminate its participation in this Agreement by providing notice to the other Parties at least sixty (60) days prior to the intended termination date. In the event of any termination with respect to one or more, but less than all, of the Parties, this Agreement shall continue in full force and effect with respect to any Party obligations not terminated hereby.

## 7.0 LIMITATION OF LIABILITY

Notwithstanding any other provision of this Agreement and except for liability caused by gross negligence, willful misconduct or bad faith: (i) no Party nor their respective affiliates, officers, directors, shareholders, agents, employees, and representatives, will have any liability to any other Party, or their respective affiliates, officers, directors, shareholders, agents, employees, and representatives, whether based on contract, warranty, tort, strict liability, or any other theory, for any indirect, incidental, consequential, or special damages, and (ii) the Parties, as a result of their beneficial use of the Shared Capital Assets, shall not be liable to any other Party for more than their Shared Capital Facility Fee related to the claim or damages.

## 8.0 GENERAL PROVISIONS

8.1. Execution in Counterparts; Electronic Delivery. This Agreement may be executed by the Parties on separate counterparts, each of which when so executed and delivered will be an original, but which together will constitute but one and the same instrument. This Agreement may be delivered by the facsimile or other electronic transmission of signed signature pages.

8.2. Section Headings. The Article and Section headings in this Agreement are for convenience of reference only and shall not be utilized in construing or interpreting this Agreement.

8.3. Construction. This Agreement will be construed as the joint and equal work product of each Party and will not be construed more or less favorably on account of its preparation or drafting. In this Agreement, (a) the word “including” means “including without limitation” and (b) words such as “herein,” “hereof,” “hereby,” and “hereunder” refer to this Agreement as a whole and not to any particular section or subsection. The words “year,” “month,” and “day,” refer to a calendar year, calendar month, and calendar day, respectively, unless otherwise specified.

8.4. Confidential Information. All non-public, confidential or proprietary information of the Parties is confidential and solely for the Parties’ use in performing this Agreement. This Section shall not apply to information that is: (a) in the public domain; (b) known at the time of disclosure; or (c) rightfully obtained on a non-confidential basis from a third party.

8.5. Cooperation. Each Party will provide all information that the other Parties reasonably request for performance of obligations pursuant to this Agreement.

8.6. Entire Agreement; Amendments. This Agreement constitutes the entire agreement between the Parties relating to the subject matter hereof, shall not be modified except by a written instrument signed by all Parties, and supersedes and replaces those provisions of all prior agreements and understandings, oral or written, to the extent relating to the Shared Capital Assets.

8.7. Severability. If any term or provision of this Agreement is invalid, illegal or unenforceable in any jurisdiction, such invalidity, illegality or unenforceability shall not affect

any other term or provision of this Agreement or invalidate or render unenforceable such term or provision in any other jurisdiction.

8.8. Waivers. Except as otherwise set forth in this Agreement, no failure to exercise, or delay in exercising, any rights, remedy, power or privilege arising from this Agreement shall operate or be construed as a waiver thereof, nor shall any single or partial exercise of any right, remedy, power or privilege hereunder preclude any other or further exercise thereof or the exercise of any other right, remedy, power or privilege.

8.9. No Joint Venture. The Parties hereto shall in no event be construed or considered as joint venturers or partners.

8.10. Governing Law. This Agreement is subject to the applicable Laws of the state of South Dakota, without regard to conflicts of law principles.

8.11. Assignment. No Party shall assign or transfer its rights or obligations under this Agreement in whole or in part without the prior written consent of the other Parties.

8.12. Successors and Assigns. This Agreement and all terms and provisions hereof shall be binding upon and inure to the benefit of the Parties hereto and their respective successors and permitted assigns.

**[Signature Page Follows]**

IN WITNESS WHEREOF, the parties have executed this Agreement on the date first above written.

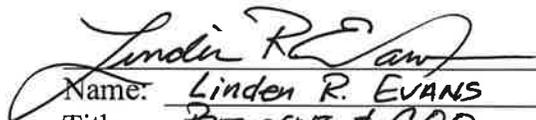
**Black Hills Power, Inc.**

  
Name: Stuart Wevik  
Title: Group VP - Electric Utilities

**Black Hills Service Company, LLC**

  
Name: Richard N. Gily  
Title: SVP - CFO

**Black Hills Utility Holdings, Inc.**

  
Name: Linden R. EVANS  
Title: PRESIDENT & COO

**Exhibit A**

**Shared Capital Assets**

**Black Hills Power**  
**Horizon Point Shared Capital Assets Fee**

BU	Asset Description	Forecast								
		Original Cost	Book Depreciation Rate	Book Depreciation	Cost of Debt	Income Tax	Rate of Return	O&M Expense	Property Tax	Annual Shared Capital Assets Fee
BHP	Horizon Point Campus (includes buildings, parking lot, landscaping)	\$ 54,785,465	2.5%	\$ 1,369,637	\$ 1,547,776	\$ 705,857	\$ 2,655,365	\$ 1,737,997	\$ 482,868	\$ 8,499,500
BHP	Horizon Point Furniture and Equipment	\$ 8,605,836	14.3%	\$ 1,229,405	\$ 234,344	\$ 106,872	\$ 402,041	\$ -	\$ 75,850	\$ 2,048,512
BHP	Horizon Point Land	\$ 5,147,675	0.0%	\$ -	\$ 153,144	\$ 69,841	\$ 262,733	\$ -	\$ 44,077	\$ 529,795
		<b>\$ 68,538,976</b>		<b>\$ 2,599,042</b>	<b>\$ 1,935,264</b>	<b>\$ 882,570</b>	<b>\$ 3,320,139</b>	<b>\$ 1,737,997</b>	<b>\$ 602,795</b>	<b>\$ 11,077,807</b>

**Exhibit B**

**Shared Capital Assets Fee Methodology**

# Horizon Point Shared Capital Assets Fee Methodology

