

**BEFORE THE SOUTH DAKOTA
PUBLIC UTILITIES COMMISSION**

**IN THE MATTER OF THE APPLICATION OF) SETTLEMENT STIPULATION
BLACK HILLS POWER, INC. FOR APPROVAL OF)
ITS 2015 ENVIRONMENTAL IMPROVEMENT) EL15-008
ADJUSTMENT)**

I. BACKGROUND

On February 13, 2015, Black Hills Power, Inc., a South Dakota Corporation (BHP or Company), filed with the South Dakota Public Utilities Commission (Commission) an Application for Approval of its 2015 Environmental Improvement Adjustment (Application) requesting approval of an Environmental Improvement Adjustment (EIA) tariff to become effective on June 1, 2015. South Dakota Codified Law §§ 49-34A-97 through 100, authorize the Commission to approve a tariff mechanism for the automatic annual adjustment of charges for jurisdictional costs of qualifying environmental improvements. South Dakota Codified Law § 49-34A-97 defines qualifying environmental improvements as any requirements under the Clean Air Act, the Clean Water Act, or any other federal law or rule, or any state law or rule implementing a federal law or rule, or voluntary environmental measures designed to protect the environment. The Commission approved the establishment of an EIA tariff for BHP in Docket EL11-001. Per the stipulation in that docket, BHP is required to make an annual rate filing by February 15 of each year if it intends to seek an annual adjustment for the jurisdictional cost of qualifying environmental improvements.

In its Application, BHP proposes to recover the South Dakota jurisdictional portion of the revenue requirements related to the Wyodak Mercury Control Project and Wygen III CO and O2 Grid Installation project. These two projects constitute qualifying environmental improvements, as defined in SDCL § 49-34A-97.

BHP proposed to recover approximately \$161,000 related to these two environmental improvement projects. The average bill impact for a typical residential electric customer using 650 kWh per month would be approximately \$0.08 per month or 0.08%.

Commission Staff and BHP (Parties) held several discussions regarding the Company's Application and, as a result of these discussions, the Parties have been able to resolve all issues identified in this proceeding. The Parties have reached an agreement in the form of this Settlement Stipulation, which, if accepted and ordered by the Commission, will determine the rates that result from this proceeding.

II. PURPOSE

This Settlement Stipulation has been prepared and executed by the Parties for the sole purpose of resolving Docket EL15-008. The Parties acknowledge that they may have differing views that justify the end result, but each Party deems the end result to be just and reasonable. In light of such differences, the Parties agree that the resolution of any single issue, whether express or implied by the Settlement 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 this Settlement Stipulation, the Parties shall file this document with the Commission together with a joint motion requesting that the Commission issue an order approving this Settlement Stipulation in its entirety without further condition or modification.
2. This Settlement Stipulation includes all terms of settlement and is submitted with the condition that in the event that the Commission imposes any material changes in or conditions to this Settlement Stipulation which are unacceptable to either Party, this Settlement 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 nor be used for any other purpose in this case or in any other.
3. This Settlement Stipulation shall become binding upon execution by the Parties, provided however, if this Settlement Stipulation is withdrawn in accordance with Paragraph 2 above, it shall be null, void, and privileged. This Settlement Stipulation is intended to relate only to the specific matters referred to herein; neither Party waives any right or claim 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 allocation underlying the provisions of this Settlement Stipulation, or be advantaged or prejudiced or bound thereby in any other current or future proceeding before the Commission. Neither Party nor representative thereof shall directly or indirectly refer to this Settlement Stipulation or that part of any order of the Commission 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 Settlement Stipulation for the benefit of BHP's South Dakota customers affected by this docket.

III. ELEMENTS OF SETTLEMENT STIPULATION

1. **Eligible Environmental Measures** – The Parties agree the environmental improvements at the Wyodak and Wygen III power plants included in this docket qualify as eligible investments under SDCL § 49-34A-97.
2. **Rate of Return** – The Parties agree that the rate of return applicable to the eligible investments reflected in the EIA shall be based on the Company's capital structure approved in its most recently approved general rate case, Docket EL14-026.
3. **Rate Design** – The Parties agree that, as proposed in the filing, separate rates per kWh based on a capacity allocation, will apply to the residential, small general service, large general service and industrial, and lighting customer classes. This method of revenue distribution may be reviewed by Commission Staff during the Company's next general rate filing and future EIA filings.
4. **Implementation of Rates** – The Parties agree that, after approval of this Settlement Stipulation by the Commission, these EIA rates will be implemented with an effective date of June 1, 2015.

<u>Class</u>	<u>\$/kWh</u>
Residential	\$0.00012
Small General Service	\$0.00011

Large General Service and Industrial	\$0.00009
Lighting	\$0.00006

5. **Tariffs** – The revised tariff sheet setting forth the revised rates provided by this Settlement Stipulation is attached as Exhibit A.

6. **Annual Reports of South Dakota Jurisdictional Financial Condition** – The Parties agree that, by February 15th of each year, the Company will send to Commission Staff an informational report of its South Dakota jurisdictional financial condition for the preceding calendar year. The determinations will be presented on an actual basis and will reflect South Dakota ratemaking practices. This requirement will exist only as long as the Company is receiving revenue from the EIA. The Company is not required to submit the report if BHP has (a) filed a general rate case within 12 months of the report due date or (b) adjusted rates as a result of a general rate case within 12 months of the report due date.

7. **EIA Balancing Account** – The Parties agree that the Company will credit or charge the remaining balance from the Phase In Plan Rate refund process to the EIA balancing account if the Commission approves the proposed credit/charge method in Docket EL12-062.

This Stipulation is entered into effective this 19th day of May, 2015.

Black Hills Power, Inc.

By: Kyle D. White
 Its: V.P. Regulatory Affairs

**South Dakota Public Utilities
 Commission Staff**

By: Karen E. Cremer
 Its: Staff attorney