

BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF COLORADO

DOCKET NO. 12A-100E

IN THE MATTER OF THE APPLICATION OF BLACK HILLS/COLORADO ELECTRIC UTILITY COMPANY, L.P. D/B/A BLACK HILLS ENERGY FOR APPROVAL OF ITS ELECTRIC DEMAND SIDE MANAGEMENT (DSM) PLAN FOR PROGRAM YEARS 2012–2013, 2014 AND 2015; FOR APPROVAL OF A PRE-PAY METERING PILOT PROGRAM; AND FOR APPROVAL OF UPDATES TO ITS ELECTRIC DSM COST ADJUSTMENT CLAUSE TARIFFS AND AN INCREASE IN THE ELECTRIC DSM COST ADJUSTMENT RIDER.

STIPULATION AND SETTLEMENT AGREEMENT

Black Hills/Colorado Electric Utility Company, LP, doing business as Black Hills Energy (“Black Hills,” “BHE” or “the Company”), Trial Staff of the Colorado Public Utilities Commission (“Staff”), the Colorado Office of Consumer Counsel (“OCC”), the Colorado Governor’s Energy Office (“GEO”), Southwest Energy Efficiency Project (“SWEEP”), and the Energy Efficiency Business Coalition (“EEBC”) (referred to as the “Settling Parties”), by and through their respective undersigned counsel, and for adequate consideration, herewith enter into this Stipulation and Settlement Agreement (“Settlement Agreement”) that resolves all disputed issues that have arisen, or could have arisen, between them in this docket regarding BHE’s Verified Application for an order: (1) approving Black Hills Energy’s 2012 - 2015 Electric Energy Efficiency Plan, as modified by this settlement,¹ setting forth in detail BHE’s proposed Electric Demand-Side Management (“DSM”) programs, energy savings, budgets, calculation methods, and technical assumptions; (2) approving a Pre-Pay Metering Pilot; (3) approving

¹ Black Hills Energy’s 2012 - 2015 Electric Energy Efficiency Plan, which is sometimes referred to as its 2012 - 2015 Electric DSM Plan, is Attachment A to the Verified Application in this docket.

Black Hills Energy's updates to its Electric Demand-Side Management Cost Adjustment ("DSMCA") tariff to correspond with the proposed 2012-2015 Electric DSM Plan; and (4) authorizing BHE to implement new, increased Electric DSMCA tariffs and rates effective July 1, 2012. The Board of Water Works of Pueblo, Colorado and the Fountain Valley Authority (together the "Public Intervenors") have authorized the Settling Parties to state herein that they have no objection to the Settlement Agreement or to the Colorado Public Utilities Commission's ("Commission") approval of relief sought in this docket as modified by the Settlement Agreement. Cripple Creek & Victor Gold Mining Company and Holcim (US) Inc. (together "CC&V and Holcim") take no position on the Commission's approval of the Settlement Agreement, and Counsel for CC&V and Holcim reserves the opportunity to file a response to the second Joint Motion to update their position.

The Settling Parties submit that this Settlement Agreement results in a fair disposition of all issues in this docket, which were or could have been disputed between them and that this Settlement Agreement is just and reasonable and in the public interest and should be approved by the Commission. A separate Motion to Approve the Stipulation and Settlement Agreement is being filed by Black Hills on behalf of the Settling Parties, concurrently with the filing of this Settlement Agreement.

PROCEDURAL HISTORY

1. On January 31, 2012, Black Hills filed a Verified Application ("Application") seeking Commission approval of its electric DSM plan for program years 2012 through 2013, 2014, and 2015; for approval of a pre-pay metering pilot; and for approval of updates to its electric DSM cost adjustment rider and an increase in the electric DSM cost adjustment rider.

Black Hills filed the direct testimony and exhibits of three witnesses in support of the Application.

2. The Commission issued its Notice of the Application Filed on February 7, 2012.

3. The Trial Staff and the OCC filed timely interventions as of right in this matter. Petitions to intervene permissively were timely filed by SWEEP, the Public Intervenors, GEO, EEBC, and CC&V and Holcim. Decision No. R12-0385-I (mailed on April 12, 2012) acknowledged the notices of intervention and granted the foregoing permissive interventions.

4. On March 14, 2012, the Application was deemed complete by minute order of the Commission and referred to Administrative Law Judge (“ALJ”) Keith J. Kirchubel for disposition.

5. In his Prehearing Order, ALJ Kirchubel adopted a procedural schedule negotiated by the Settling Parties, set the hearing for July 10-12, 2012, and established other filing dates and procedural matters. (*See* Decision No. R12-0385-I, mailed on April 12, 2012.)

6. On April 12, 2012, Black Hills Energy filed a letter confirming that, as a result of negotiations with the Settling Parties, it waived its right to a Commission decision within 120 days after the application was deemed complete, as provided in Colo. Rev. Stat. § 40-6-109.5(1), and that it now seeks a Commission decision within 210 days after the application was deemed complete, pursuant to Colo. Rev. Stat. § 40-6-109.5(2). (*See* Decision No. R12-0385-I, Fn. 1, at page 3.)

7. During the prehearing phase of this docket, the Settling Parties, Public Intervenors, and CC&V and Holcim have actively exchanged information through informal exchanges of information, telephone calls, meetings, and active settlement discussions. As a result of these settlement negotiations, the Settling Parties have concluded a settlement of all

issues in this docket, which were or could have been disputed between them. An agreement in principle to settle all disputed issues between them in this docket was reached by the Settling Parties on May 11, 2012.

8. This Settlement Agreement memorializes the negotiated stipulations and settlement among the Settling Parties. As a result of the settlement negotiations, the Settling Parties agree, as set forth below, that all issues in dispute between them, or that could have been disputed between them, in this docket have been resolved to the satisfaction of the Settling Parties, and that the terms and stipulations in this Settlement Agreement are fair, just and reasonable and should be approved by the Commission.

9. With the modifications set forth in this Settlement Agreement, the Settling Parties agree that the following are just and reasonable and should be approved by the Commission: (1) Black Hills Energy's 2012-2015 Electric Energy Efficiency Plan, including the detailed proposed Electric DSM programs, energy savings, budgets, calculation methods, and technical assumptions set forth therein; (2) the Pre-Pay Metering Pilot and proposed tariff under such conditions as set forth in Section II.C.4 and as revised in Exhibits C and D to this Settlement Agreement; (3) Black Hills Energy's updates to its Electric DSMCA tariff to correspond with the 2012-2015 Electric Energy Efficiency Plan, including the detailed Electric DSM programs, energy savings, budgets, calculation methods, and technical assumptions set forth therein as modified by this Settlement Agreement; and (4) Black Hills Energy's filing of new tariffs to implement an increased Electric DSMCA Rider effective July 1, 2012.

10. This Settlement Agreement includes the following exhibits, which are attached to the Settlement Agreement and incorporated by reference:

- a. Exhibit A – Revised DSM budgets, participation and impact goals for each Program Year, pursuant to the settlement;
- b. Exhibit B – Summary Table Comparing Original DSM Plan with Settlement Agreement;
- b. Exhibit C – Revised Pre-Pay Metering Pilot description; and
- c. Exhibit D – Proposed Pre-Pay Metering Pilot tariff; and
- d. Exhibit E – Revised DSMCA tariffs.

THE SETTLEMENT

This section of the Settlement Agreement sets forth the resolution of specific disputed issues negotiated in the settlement, and the modifications to the following parts of the filing agreed upon by the Settling Parties to achieve the settlement:

Section I of the Settlement Agreement addresses non-program specific changes to the 2012-2015 Electric DSM Plan including (1) Budget Flexibility; (2) Incentive Mechanism; (3) Annual Meeting and a Process for Potential Changes to the 2012-2015 Electric DSM Plan; (4) Filing an Updated 2012-2015 Electric DSM Plan; (5) Measurement, Verification and Evaluation; and (6) Net-to-Gross and Technical Assumptions.

Section II addresses program specific savings and budget changes: (1) Changes to the electric DSM Budget; (2) Changes to Energy Savings and Peak Demand Reduction; (3) Changes to Residential Program; (4) Commercial and Industrial Program Terms; and (5) Other Programs.

I. Non-Program Specific Terms and Conditions

During the course of negotiations, the Settling Parties discussed with Black Hills various details of the Company's proposed plan and technical assumptions. As a result of these

discussions, Black Hills agrees to make certain changes to its 2012-2015 DSM Plan as originally filed with its Application.

A. Budget Flexibility

The Settling Parties agree that the Commission should grant BHE the authority to exceed its approved DSM portfolio budget by 15 percent (for a maximum annual budget of 115 percent of the approved amount) without having to seek Commission approval. Such “over budget” expenses shall be presumed to be prudent. If BHE exceeds its approved annual DSM budget by more than 15 percent, it shall bear the burden of proof in any future proceeding in which the prudence of those expenditures are challenged.

B. Incentive Mechanism

The Settling Parties agree that BHE shall continue to use the same incentive mechanism approved by the Commission in Docket No. 08A-518E as it applies to the energy savings goals in BHE’s 2012-2015 Electric Energy Efficiency Plan as modified by this Settlement Agreement.

C. Annual Meeting and Process for Making Change to the 2012-2015 DSM Plan

1. *Annual Meeting*

BHE agrees to hold annual meetings to discuss issues of concern, new program ideas, existing program evaluations, and the results of its DSM programs. The first meeting will be held after the close of the First Quarter (“Q1”) of 2013. A second meeting will be held after the close of Third Quarter (“Q3”) of 2013 with the annual meetings to be scheduled at the end of Q3 or beginning of the Fourth Quarter (“Q4”) in 2014 and 2015. Notice for all meetings shall be provided to all parties on the certificate of service to Docket 12A-100E. Additional notice for subsequent meetings shall be provided to any other person or entity expressing interest in participating in a BHE electric DSM docket or attending one of the annual meetings. Based on

Erratum Page 7

input from stakeholders at those meetings, modifications may be made to BHE DSM programs.

Such modifications may include, but are not limited to:

- a. Adding or removing programs;
 - b. Adding or removing measures from existing programs; or,
 - c. Making changes in measure delivery or marketing.
2. *Process for Making Change to the 2012-2015 DSM Plan*

The Settling Parties agree BHE may, at any time during the period covered by this filing, propose changes to its electric DSM programs outside of the annual meeting so long as it provides the required 60 or 90 day notice as described below and the proposed changes do not exceed the budget flexibility described in Section I.A. Such modifications include:

- a. Modifying spending budgets;
- b. Modifying incentives provided to customers.

In the event BHE decides to discontinue a DSM program in its 2012-2015 Electric DSM Plan, it shall provide a ninety-day (90) advance notice, including the basis for such a decision, to all parties to this docket and to any parties who have asked to be included on the DSM Annual Meeting mailing list. Parties receiving such notice shall have thirty (30) days following receipt within which to provide a response to BHE's notification.

BHE agrees to provide sixty-day (60) advance notice to any parties to this docket and to any additional parties who have asked to be included on the DSM Annual Meeting mailing list when it decides to: add a new DSM program, change a rebate level for a program, or change technical assumptions or eligibility requirements for any DSM program. Parties receiving such notice shall have thirty (30) days following receipt within which to provide a response to BHE's notification.

In making its final determination to modify or discontinue a program, BHE agrees to act in good faith in considering any responses received and, upon written request, to provide its rationale for the action on the changes to a program proposed by a response.

BHE agrees to work with the GEO to provide a list of Colorado energy efficiency companies on its energy efficiency web-site. This list would highlight Colorado companies with products that may help participants achieve their energy reduction goals. BHE may highlight those companies offering services in its Colorado service territory.

D. Filing an Updated 2012-2015 Electric DSM Plan.

BHE agrees to file with the Commission an updated version of its 2012-2015 Electric DSM Plan that reflects all changes agreed to as part of this Settlement Agreement within 60 days following the issuance of a final Commission decision approving this Settlement Agreement. This updated plan shall include, but not be limited to, changes in number of program participants, program budgets, projected savings, net-to-gross ("NTG"), or technical assumptions. The updated plan shall also include a recalculation of program Total Resource Cost Tests to reflect changes to program assumptions.

In addition, the updated plan shall include an emendation to "Table 12" in the original DSM Plan filing. The new table shall include the following information:

2012/2013				
Sector	Energy Savings Goal	Demand Savings Goal	Budget	TRC
Residential				
C&I				
Special				
2014				
Sector	Energy Savings Goal	Demand Savings Goal	Budget	TRC
Residential				
C&I				
Special				
2015				
Sector	Energy Savings Goal	Demand Savings Goal	Budget	TRC
Residential				
C&I				
Special				

E. Measurement, Verification & Evaluation

BHE agrees to continue its Measurement, Verification and Evaluation (“MV&E”) program, which is to do a comprehensive evaluation of each program once every three years. As part of this Settlement Agreement, BHE agrees to conduct comprehensive MV&E of the following programs on the following schedule:

2012 Program Evaluation:

Residential: new construction, appliance recycling, high efficiency lighting

Non-residential: new construction, commissioning

Other: schools based energy education

2013 Program Evaluations:

Residential: pre-pay billing pilot, low-income, online audit, appliances

Non-residential: direct install

2014 Program Evaluations:

Residential: high efficiency cooling

Non-residential: prescriptive, custom, and self-direct

2015 Program Evaluations:

Residential: new construction, appliance recycling, high efficiency lighting

Non-residential: new construction, commissioning

Other: school based energy education

The Settling Parties agree that principal purposes of comprehensive program evaluations are to assess customer satisfaction with the DSM program being evaluated, assess changes that should be made to the technical assumptions, including but not limited to, net-to-gross (“NTG”) ratios, assess overall program cost effectiveness, and assess program processes based on the evaluator’s own research as well as a thorough review of industry-wide and BHE’s own technical assumptions.

The Company shall file all DSM program evaluation reports conducted under its 2012-2015 Electric DSM Plan in Docket No. 12A-100E within 30 days after completion of the written report.

The Settling Parties agree that BHE shall implement any changes recommended by a DSM program evaluation in the program year following the period of evaluation.² As part of its MV&E plan for each measure, the Company shall define a “period of evaluation”. Conceptually, this is the period during which BHE is actively collecting data on a program being evaluated. Recommended changes may include but not be limited to technical assumptions, NTG values, or program processes. The Settling Parties agree that such changes (e.g., NTG or

² Starting in January 2014, the program and calendar years will be the same.

other technical assumptions) shall not be “backward looking” and so shall not affect calculations, including for achieved savings or net economic benefits, for the period of evaluation.

The following provides an example of how the changes recommended in a program evaluation shall be incorporated:

If BHE evaluates its residential lighting program during the 12 months of calendar year 2013, then 2013 shall be the “period of evaluation.” The changes from that evaluation shall take effect in the next program year, which in this example begins January 1, 2014.

If BHE files its residential lighting evaluation report on April 1, 2014, the period from January 1, 2014 through April 2014 is **not** part of the period of evaluation. Any changes to the NTG or other technical assumptions resulting from the evaluation shall be effective from January 1, 2014 for the purposes of calculating the achieved savings or net economic benefits of the evaluated program for the 2014 period.

F. Net-to-Gross and Technical Assumptions

The Company agrees to use a net-to-gross value for each individual program. These individual program net-to-gross values shall be used to calculate a net-to-gross for each sector and to calculate a net-to-gross value for the overall portfolio of measures.³ If available, the Company shall use the net-to-gross value from its most recent program evaluation. If a program has not been evaluated, then BHE shall use a net-to-gross value based on either (1) a similar program offered by Public Service Company of Colorado or (2) the net-to-gross value of a similar program evaluated within the last three years by a third-party independent evaluation firm. BHE agrees to file into Docket No. 12A-100E a copy of any third-party independent evaluation used to satisfy condition (2) above.

³ In the BHE 2012-2015 Plan, each measure falls into one of three sectors: Residential, Commercial & Industrial (“C&I”), or Special. Programs refers to such things as Residential High Efficiency Lighting or C&I Prescriptive Rebates

The Settling Parties agree that the technical assumptions, set forth in Appendix D of the updated DSM Plan filed pursuant to in Paragraph I.D of this Settlement Agreement, are reasonable for the purposes of:

- Developing a forecast of annual DSMCA expenditures associated with the Company's electric DSM portfolio in the plan years 2012 through 2015;
- Establishing overall annual energy savings targets for plans years 2012-2015; and
- Determining savings achieved in plan years 2012-13, 2014, and 2015 based on actual project completion in each program year.

The Settling Parties agree that the Company shall use the technical assumptions set forth in Appendix D relating to incremental customer O&M savings, customer O&M costs, incremental capital costs, net-to-gross ratios, and the deemed savings formulas and other technical assumptions set forth in Appendix D to determine program cost effectiveness and to calculate annual portfolio net economic benefits based on measures actually installed during the program years 2012-2013, 2014, and 2015, unless such values are changed pursuant to the conditions set forth in Section I.E.

II. Program Specific Savings and Budgets Changes

The attached Exhibit B is a summary table comparing the originally filed 2012 - 2015 Electric DSM Plan with the budget changes and program-specific savings to which the Settling Parties have stipulated in Sections II.A, II.B, and II.C of this Settlement Agreement.

A. Changes to the Electric DSM Budget

BHE's filed DSM plan requests annual budgets of \$6,139,702 for program years 2012-13, \$4,596,993 for program year 2014, and \$5,081,664 for program year 2015. As part of this Settlement Agreement, BHE agrees to increase its energy savings and peak demand reduction goals as modified in the attached Exhibit A. The Settling Parties agree that BHE shall increase

its DSM budgets to deploy cost-effective DSM program in the amounts of: \$6,513,123 for the 2012-2013 program year; \$4,880,957 for program year 2014; and \$5,437,840 for program year 2015.

B. Changes to Energy Savings and Peak Demand Reduction

BHE's filed DSM plan proposes energy savings of 28,986 MWh for program years 2012-13, 20,649 MWh for program year 2014, and 22,870 MWh for program year 2015.

As part of this Settlement Agreement and pursuant to the changes described below, BHE agrees to increase its annual energy savings goals to 30,935 MWh for the 2012-2013 program year, 22,285 MWh for program year 2014 and 24,992 MWh for program year 2015.

BHE's filed DSM plan proposes peak demand goals of 7,346 kW for program years 2012-13, 5,661 kW for program year 2014, and 6,218 kW for program year 2015.

As part of this Settlement Agreement and pursuant to the changes described below, BHE agrees to increase its peak demand goals to 8,202 kW for the 2012-2013 program year, 6,341 kW for program year 2014 and 7,017 kW for program year 2015.

C. Changes to Residential Program

The Settling Parties agree to the following changes:

1. Residential High Efficiency Lighting Program
 - a. LED targets have increased to the following:
 - i. Year 1: 4,000
 - ii. Year 2: 3,500
 - iii. Year 3: 5,000
 - b. CFL targets have been increased to the following levels:
 - i. Year 1: 160,000
 - ii. Year 2: 110,000
 - iii. Year 3: 125,000
 - c. Lighting fixture goals are doubled for each program year
 - d. Fixture rebates are increased to \$10 per fixture
2. High Efficiency Cooling Program
 - a. A Quality Installation ("QI") Component will be added to the program.

- b. BHE will require a nationally recognized certification requirement for participating contractors.
- c. Qualified/Certified participating contractors will receive a \$100 spiff for proper installations.
- d. \$5,000 will be added to the annual delivery budget for contractor education and training purposes. This additional budget will be used to educate contractors on the administrative requirements of the programs, sales training to leverage the rebates and an explanation to DSM business owners and managers of the benefits of the BHE rebate programs.
- e. BHE will prepare an implementation plan for this program that will be distributed to Settling Parties. EEBC will be able to comment upon and participate in the development of the implementation plan.
- f. The QI component goals that will be applied to the following percentages of units rebated by year are as follows:
 - i. Year 1: 20%
 - ii. Year 2: 25%
 - iii. Year 3: 30%
- g. Attic insulation, wall insulation and envelope air sealing measures will be offered to customers with central cooling systems and with electric space heating. The participation goals for these measures are as follows:

Measures	Year 1 Participants	Year 2 Participants	Year 3 Participants
Attic insulation	80	40	50
Wall insulation	25	30	40
Envelope air sealing	25	30	40

3. Appliance Recycling

- a. BHE agrees to increase goals by 10% for each program year as follows:

Eligible Measure	PY 1	PY 2	PY 3
Refrigerator Recycle	385	248	264
Freezers Recycle	83	61	66
Air Conditioners Recycle	121	110	121
TOTAL	589	419	451

BHE agrees to include early retirement of primary as well as secondary refrigerators and freezers.

4. High Efficiency Appliances
 - a. BHE agrees to add qualified Energy Star televisions with participation goals as follows:
 - i. Year 1: 200
 - ii. Year 2: 150
 - iii. Year 3: 150
 - b. Heat pump water heaters ("HPWH") will be cross sold and be included in the High Efficiency Appliances Program as well as the High Efficiency Cooling Program.
5. Home Energy Report ("HER") Pilot Program
 - a. The program will not be included in the current filing.
 - b. BHE agrees to review the feasibility of implementing a HER program in two years.
 - c. BHE agrees to estimate and to report to the Settling Parties, within thirty (30) months of the effective date of the final Commission decision approving this Settlement Agreement, on the potential energy savings and economic feasibility of implementing a HER Program in a manner that would be linked to the AMI meters now being deployed in the BHE Colorado service territory.

D. Commercial and Industrial ("C&I") Program Terms

1. C&I Prescriptive Rebates
 - a. As with the Residential High Efficiency Cooling Program, BHE agrees to include a QI component. Guidelines will be similar for the residential and commercial programs.
2. C&I Custom Program
 - a. The minimum payback threshold has been changed from two years to one year.
 - b. A design assistance component will be added to the program, as an incentive to customers that utilize design assistance professionals.
 - c. Incentives and participants will be increased.
 - d. Savings were remodeled to reflect greater incentive levels and participation.
3. C&I Self-Direction Program
 - a. BHE will offer a Self-Direction Program. BHE agrees to add to the budget for the Self Direction Program by the following amounts: 10 percent of the custom budget in Program Year ("PY") 2012-13 (\$50,000), 15 percent in PY 14 (\$48,000), and 20% (\$72,000) in PY 15. Energy savings should increase by the same percentages, relative to the energy savings now assumed for the Custom Program. BHE will retain the budgets and impacts as proposed for the Custom Program. However, BHE will reduce the budgets in the C/I Prescriptive Program by those amounts added to the Self Direction Program. Using this approach, the overall plan impacts would increase by 134,403 kWh as a result of the increased

Self-Direction budget and savings assumptions, while the overall plan budget does not increase.

- b. Incentive amounts paid to self-direction projects will be at a 10 percent premium above the Custom Program incentives on a per kWh savings basis, unless a project is affected by the 50 percent of incremental cost cap.
 - c. Similar rules for application to the Custom Program and for project monitoring and evaluation will apply to the Self-Direction Program.
 - d. Eligibility requirements for the Self-Direction Program are:
 - i. An aggregated peak load of a minimum of 1 MW in any single month; and
 - ii. An aggregated annual energy usage of at least 5,000 MWh.
 - e. BHE will pay rebates based on actual savings from a project, up to \$0.11 per kWh. Rebates will be limited to 50% of incremental costs of the projects. In lieu of actual rebate payments, participating customers will receive bill credits equivalent to the monthly DSM surcharge on their bills. Bill reductions will continue until the total amount of the rebate has been recouped through bill credits.
4. Small Business Direct Install ("SBDI") Program
 - a. BHE will offer a SBDI program as originally requested (rebates equal to 60% of installed cost).
 - b. BHE's implementation contractor will provide a financing option to interested participating customers.

E. Other Programs

1. School-Based Energy Education Program
 - a. BHE will provide 1 LED in place of 2 CFLs in the kit to be provided to participating students.
2. Low-Income Assistance Program
 - a. BHE will provide evaporative coolers with media saturation > 85%.
 - b. BHE is open to discussing a per-home approach with the GEO.
 - c. BHE will add building shell measures for electrically heated homes and/or homes with central air conditioning.
 - d. BHE will include renters, as well as homeowners, in the program.
3. Home Energy Audits
 - a. Settling Parties EEBC and SWEEP agree to approach Xcel Energy regarding cross-promotional activities with BHE for their Home Energy Audit Program.
 - b. Following the initiation of contact by EEBC or SWEEP, BHE agrees to follow-up with Xcel Energy and to coordinate with Xcel Energy, if possible.
 - c. BHE agrees to place information about Xcel Energy's existing Home Energy Audit program on its web-site if BHE is allowed to distribute information about its energy efficiency programs via Xcel's auditors to BHE's customers.
4. Pre-Pay Metering Pilot

- a. BHE agrees to develop a pre-pay metering pilot that will be acceptable to Staff and OCC before BHE launches the pilot:
 - i. BHE will utilize a third-party EM&V consultant to evaluate the level of energy savings and cost effectiveness of energy savings resulting from participation in the pilot program.
 - ii. Other aspects of the program that will be evaluated include:
 1. Customer satisfaction;
 2. Communications effectiveness; and
 3. Bad debt reductions.
- b. The success of the pilot will be determined by a cost-effective, measured reduction in energy use by program participants.
- c. The Settling Parties have reviewed the proposed tariff for the Pre-pay Metering Pilot, which is attached as Exhibit C to this Settlement Agreement, and agree that the Commission should approve it. Once the Prep-Pay Metering Pilot is developed, the Company may file a compliance tariff on less than one days' notice.

III. GENERAL TERMS AND CONDITIONS

1. Through active prehearing investigation and negotiation, the Settling Parties have reached the settlement set forth herein resolving all contested and disputed issues in this docket in a manner which the Settling Parties agree is just and reasonable and in the public interest. This Settlement Agreement reflects the compromise and settlement of all issues raised or that could have been raised between them in this docket. The Settling Parties further agree that reaching agreement by means of negotiation and settlement rather than through litigation is in the public interest.

2. The Settling Parties agree to support and to defend this Settlement Agreement before the Commission, and in the courts if necessary. The Settling Parties further agree, if the Commission sets a hearing on this Settlement Agreement, to present oral testimony and/or exhibits in the hearing for the purpose of obtaining the Commission's approval of this Settlement Agreement. If such a hearing is conducted, the Settling Parties agree that all pre-filed testimony

and exhibits of any Settling Party in this docket shall be admitted into evidence without cross-examination.

3. This Settlement Agreement shall not become effective until the issuance of a final Commission Order approving the Settlement Agreement, which Order does not contain any modifications of the terms and conditions of this Settlement Agreement that are unacceptable to any of the Settling Parties. In the event the Commission modifies this Settlement Agreement in a manner unacceptable to any Settling Party, that Settling Party shall have the right to withdraw from this Settlement Agreement and proceed to hearing on the issues that may be appropriately raised by that Settling Party in this docket. The withdrawing Settling Party shall notify the Commission and the other Settling Parties to this Settlement Agreement by e-mail within five (5) business days of the Commission Order that the Settling Party is withdrawing from the Settlement Agreement and that the Settling Party is ready to proceed to hearing; the e-mail notice shall designate the precise issue or issues on which the withdrawing Settling Party desires to proceed to hearing (the "Hearing Notice").

4. The withdrawal of a Settling Party shall not automatically terminate this Settlement Agreement as to any other Settling Party. Within three (3) business days of the date of the Hearing Notice from the first withdrawing Settling Party, all Settling Parties shall confer to arrive at a comprehensive list of issues that shall proceed to hearing and a list of issues that remain settled as a result of a Settling Party's withdrawal from this Settlement Agreement. Within five (5) business days of the date of the Hearing Notice, the Settling Parties shall file with the Commission a formal notice containing the list of issues that shall proceed to hearing and those issues that remain settled. The Settling Parties who proceed to hearing shall have and be

entitled to exercise all rights with respect to the issues that are heard that they would have had in the absence of this Settlement Agreement.

5. Hearing shall be scheduled as soon as practicable on all of the issues designated in the formal Hearing Notice filed with the Commission. In the event that this Settlement Agreement is not approved, the negotiations or discussions undertaken in conjunction with the Settlement Agreement shall not be admissible into evidence in this or any other proceeding. In the event that this Settlement Agreement is approved with conditions that are unacceptable to any Settling Party who subsequently withdraws, the negotiations or discussions undertaken in conjunction with the Settlement Agreement shall not be admissible into evidence in this or any other proceeding as to that withdrawing Settling Party. However, as to Settling Parties that do not withdraw from this Settlement Agreement, the negotiations or discussions undertaken in conjunction with the Settlement Agreement shall be admissible into evidence in any subsequent proceeding to enforce the terms of this Settlement Agreement.

6. Approval by the Commission of this Settlement Agreement shall constitute a determination that the Settlement Agreement represents a just, equitable and reasonable resolution of all issues that were or could have been contested among the Settling Parties in this proceeding.

7. All Settling Parties specifically agree and understand that this Settlement Agreement represents a negotiated settlement, which they believe is in the public interest with respect to the various matters and issues presented in this docket, and has the sole purpose of the settlement of the matters agreed to in this Settlement Agreement. No Settling Party or person shall be deemed to have approved, accepted, agreed to, or consented to any concept, theory or principle underlying or supposed to underlie any of the matters provided for in this Settlement

Agreement, other than as specifically provided for herein. Notwithstanding the resolution of the issues set forth in this Settlement Agreement, none of the methods or principles herein contained shall be deemed by the Parties to constitute a settled practice or precedent in any future proceeding.

8. This Settlement Agreement may be executed in counterparts and by facsimile or electronic copies of signatures, all of which when taken together shall constitute the entire Settlement Agreement with respect to the issues addressed by this Settlement Agreement.

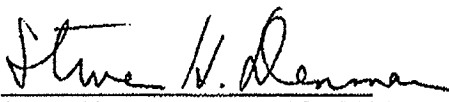
CONCLUSION

For the reasons stated above, the Settling Parties respectfully request that the Commission enter an order approving this Settlement Agreement with the finding that the Commission's approval of this Settlement Agreement represents a fair, just, and reasonable resolution of all disputed issues that have arisen, or which could have arisen, in this docket and further closing this docket.

DATED this 30th day of May 2012.

Approved as to form:

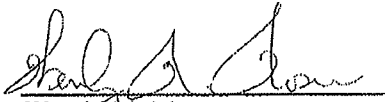
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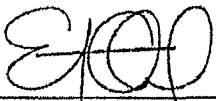
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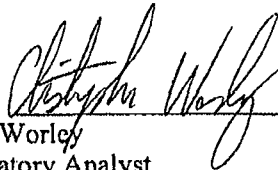
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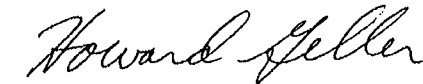
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SOUTHWEST ENERGY EFFICIENCY
PROJECT

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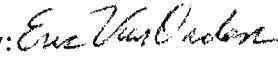
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ENERGY EFFICIENCY BUSINESS
COALITION



By: 

By: _____
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CERTIFICATE OF SERVICE

I hereby certify that on this 30th day of May 2012 the foregoing **STIPULATION AND SETTLEMENT AGREEMENT** was filed through the PUC E-filing system and that notice of that electronic filing was provided to the following at the email addresses shown below:

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/s/ Nicki Heberle

Black Hills Colorado Electric Program Design Comparison: Filed Plan vs. Stakeholder Input Scenario vs. Final Stakeholder Input Scenario

	kW			kWh			Budget		
	Original	Stakeholder Input	Stakeholder Input - Final	Original	Stakeholder Input	Stakeholder Input - Final	Original	Stakeholder Input	Stakeholder Input - Final
PY1 - 2012-2013	7,346	7,675	8,202	28,986,114	30,785,800	30,935,509	\$6,139,702	\$6,494,066	\$6,513,123
PY2 - 2014	5,661	5,869	6,341	20,649,673	22,119,098	22,285,611	\$4,596,993	\$4,834,679	\$4,880,957
PY3 - 2015	6,218	6,483	7,017	22,870,328	24,656,557	24,992,465	\$5,081,664	\$5,357,094	\$5,437,840

Changes Made from Original Filing to Current Version based on Stakeholder Input and PUC Request

Total Program

- 1.) Assigned NTG values to each measure and program consistent with XCEL's filing

Residential Lighting

- 1.) Adjusted CFL participation to account for the increase of LED bulbs
- 2.) Increased LED participation in all three program years
- 3.) Doubled Fixture participation in all three program years
- 4.) Increased Fixture incentive to \$10/fixture

Residential Cooling

- 1.) Added a QIV component to CAC (both 15 and 16 SEER), which added \$100 to the participant incremental cost, \$100 to delivery costs as a contractor incentive, and 10% to customer savings. 20% of total installations were estimated to include the QIV component in year 1, 25% in PY2, 30% in PY3. The costs and savings are only applied to the participants who include QIV.

- 2.) Added a Attic Insulation, Air Sealing, and Wall Insulation as new measures in the program.

Residential Appliances

- 1.) Added ENERGY STAR Televisions to the program.
- 2.) Added Heat Pump Water Heaters to the program.

Appliance Recycling

- 1.) Increased participation due to inclusion of primary appliances.

Commercial Prescriptive

- 1.) Added a QIV component to CAC (both 15 and 16 SEER), which added \$100 to the participant incremental cost, \$100 to delivery costs as a contractor incentive, and 10% to customer savings. 20% of total installations were estimated to include the QIV component in year 1, 25% in PY2, 30% in PY3. The costs and savings are only applied to the participants who include QIV.
- 2.) Reduced total program budget by \$169,554 and adjusted participation.

Commercial Custom

- 1.) Added a Design Assistance component to the program and increased participants and savings as a result.

Commercial Self-Direction

- 1.) Added new program.

School Based Education

- 1.) Changed the 2 CFL bulbs included in the kit to 1 LED bulb, which added \$25 to the cost of the kit.

Low Income

- 1.) Changed evaporative coolers to >85% media saturation.

Black Hills Colorado Program Savings and Participants - Original

Black Hills Colorado Electric			PY1 - 2012-2013			PY2 - 2014			PY3 - 2015		
Sector	Program Name	TRC	Participants	kW Savings	kWh Savings	Participants	kW Savings	kWh Savings	Participants	kW Savings	kWh Savings
Res	High Efficiency Lighting	3.02	153,000	474	6,850,533	102,000	316	4,567,022	112,000	347	5,012,078
Res	High Efficiency Cooling	3.47	810	764	799,042	593	555	577,825	654	615	642,977
Res	Appliance Recycling	2.58	538	93	474,644	380	69	322,380	410	75	346,566
Res	High Efficiency Appliances	4.43	1,575	127	131,839	1,120	98	95,608	1,175	102	100,021
Res	Online Audit	N/A	1,500	N/A	N/A	1,250	N/A	N/A	1,400	N/A	N/A
C&I	Prescriptive	3.35	2,175	3,014	12,648,202	1,660	2,606	9,448,756	1,818	2,871	10,608,733
C&I	Small Business Direct Lighting	2.55	625	1,640	4,161,506	450	1,182	2,999,864	500	1,316	3,338,153
C&I	Custom	4.50	30	564	2,091,793	20	376	1,394,529	22	414	1,533,982
C&I	New Construction	1.65	15	45	214,446	11	33	157,260	13	39	185,853
C&I	Self Direction	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Special	School Education Kits	2.03	2,250	7	658,915	1,500	5	439,277	1,500	5	439,277
Special	Low Income	2.62	8,700	617	955,194	5,820	421	647,153	5,850	436	662,688
Special	Pre-Pay Metering Pilot	N/A	833	N/A	N/A	555	N/A	N/A	555	N/A	N/A
Total	Total Program	3.37	171,218	7,346	28,986,114	114,804	5,661	20,649,673	125,342	6,218	22,870,328

Black Hills Colorado Program Savings and Participants - Stakeholder Adjusted

Black Hills Colorado Electric			PY1 - 2012-2013			PY2 - 2014			PY3 - 2015		
Sector	Program Name	TRC	Participants	kW Savings	kWh Savings	Participants	kW Savings	kWh Savings	Participants	kW Savings	kWh Savings
Res	High Efficiency Lighting	2.93	181,000	563	8,137,868	129,000	401	5,796,125	144,000	447	6,463,709
Res	High Efficiency Cooling	3.26	855	896	908,737	617	631	641,034	684	713	724,701
Res	Appliance Recycling	2.58	538	93	474,644	380	69	322,380	410	75	346,566
Res	High Efficiency Appliances	3.10	1,745	140	184,276	1,220	107	131,894	1,283	111	142,236
Res	Online Audit	N/A	1,500	N/A	N/A	1,250	N/A	N/A	1,400	N/A	N/A
C&I	Prescriptive	3.35	2,175	3,015	12,649,788	1,660	2,606	9,450,130	1,818	2,871	10,610,213
C&I	Small Business Direct Lighting	2.55	625	1,640	4,161,506	450	1,182	2,999,864	500	1,316	3,338,153
C&I	Custom	4.29	35	658	2,440,425	22	414	1,533,982	25	470	1,743,161
C&I	New Construction	1.65	15	45	214,446	11	33	157,260	13	39	185,853
C&I	Self Direction	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Special	School Education Kits	1.36	2,250	7	658,915	1,500	5	439,277	1,500	5	439,277
Special	Low Income	2.62	8,700	617	955,194	5,820	421	647,153	5,850	436	662,688
Special	Pre-Pay Metering Pilot	N/A	833	N/A	N/A	555	N/A	N/A	555	N/A	N/A
Total	Total Program	3.42	199,438	7,675	30,785,800	141,930	5,869	22,119,098	157,483	6,483	24,656,557

Black Hills Colorado Program Savings and Participants - Stakeholder Adjusted Final

Black Hills Colorado Electric			PY1 - 2012-2013			PY2 - 2014			PY3 - 2015		
Sector	Program Name	TRC	Participants	kW Savings	kWh Savings	Participants	kW Savings	kWh Savings	Participants	kW Savings	kWh Savings
Res	High Efficiency Lighting	3.10	168,000	546	7,901,905	117,000	382	5,532,959	135,000	443	6,424,361
Res	High Efficiency Cooling	2.13	940	898	887,335	693	761	729,366	784	921	876,278
Res	Appliance Recycling	1.95	589	78	389,927	419	60	268,116	451	65	288,041
Res	High Efficiency Appliances	3.15	1,795	152	204,012	1,285	117	149,550	1,343	122	160,397
Res	Online Audit	N/A	1,500	N/A	N/A	1,250	N/A	N/A	1,400	N/A	N/A
C&I	Prescriptive	3.18	2,012	2,724	11,861,361	1,490	2,357	8,830,697	1,591	2,557	9,806,374
C&I	Small Business Direct Lighting	2.64	625	1,697	4,305,006	450	1,223	3,103,307	500	1,361	3,453,262
C&I	Custom	4.51	26	514	1,903,532	17	336	1,244,617	19	375	1,391,042
C&I	New Construction	1.76	15	48	229,235	11	36	168,106	13	42	198,670
C&I	Self Direction	5.56	8	222	823,416	6	167	617,562	7	194	720,489
Special	School Education Kits	1.56	2,250	8	757,373	1,500	5	504,916	1,500	5	504,916
Special	Low Income	5.53	8,700	1,315	1,672,406	5,820	898	1,136,416	5,850	930	1,168,635
Special	Pre-Pay Metering Pilot	N/A	833	N/A	N/A	555	N/A	N/A	555	N/A	N/A
Total	Total Program	3.56	186,460	8,202	30,935,509	129,941	6,341	22,285,611	148,458	7,017	24,992,465

Black Hills Colorado Participants, Energy Savings, and TIC by Program and Measure, Original Field

Black Hills Colorado Participants, Energy Savings, and TIC by Program and Measure, Shareholder Input

Black Hills Colorado Participants, Energy Savings, and TIC by Program and Measure, Shareholder Input Final

Contract/Program	Contract/Program	Contract/Program	Contract/Program				Contract/Program				Contract/Program			
			Max	Min	Avg	Std	Max	Min	Avg	Std	Max	Min	Avg	Std
Category	Measure	Year	Program	Measure	Year	Program	Measure	Year	Program	Measure	Year	Program	Measure	Year
CSP	100	100	100	100	100	100	100	100	100	100	100	100	100	100
	101	101	101	101	101	101	101	101	101	101	101	101	101	101
	102	102	102	102	102	102	102	102	102	102	102	102	102	102
	103	103	103	103	103	103	103	103	103	103	103	103	103	103
	104	104	104	104	104	104	104	104	104	104	104	104	104	104
	105	105	105	105	105	105	105	105	105	105	105	105	105	105
	106	106	106	106	106	106	106	106	106	106	106	106	106	106
	107	107	107	107	107	107	107	107	107	107	107	107	107	107
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	109	109	109	109	109	109	109	109	109	109	109	109	109	109
	110	110	110	110	110	110	110	110	110	110	110	110	110	110
CSP	111	111	111	111	111	111	111	111	111	111	111	111	111	111
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	119	119	119	119	119	119	119	119	119	119	119	119	119	119
	120	120	120	120	120	120	120	120	120	120	120	120	120	120
	CSP	121	121	121	121	121	121	121	121	121	121	121	121	121
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CSP		131	131	131	131	131	131	131	131	131	131	131	131	131
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149		149	149	149	149	149	149	149	149	149	149	149	149	149
150		150	150	150	150	150	150	150	150	150	150	150	150	150

NOTE: PARTICIPATING IN THIS PROGRAM ARE NOT ALL THE CURRENT PARTICIPANTS IN THIS PROGRAM.

Black Hills Colorado Electric Program Design Comparison: Filed Plan vs. Final Settlement Changes

	kW			kWh			Budget		
	Original Plan	Final Settlement	% Change	Original Plan	Final Settlement	% Change	Original Plan	Final Settlement	% Change
PY1 - 2012/2013	7,346	8,202	11.7%	28,986,114	30,935,509	6.7%	\$6,139,702	\$6,513,123	6.1%
PY2 - 2014	5,661	6,341	12.0%	20,649,673	22,285,611	7.9%	\$4,596,993	\$4,880,957	6.2%
PY3 - 2015	6,218	7,017	12.8%	22,870,328	24,992,465	9.3%	\$5,081,664	\$5,437,840	7.0%

Black Hills Energy Pre-Pay Metering Pilot Program

Program Objectives

- Measure participant consumption and evaluate potential energy savings
- Increased customer satisfaction through voluntary participation in a new customer billing/payment option
- Provides participants the ability to monitor account frequently via customer alerts and web portal
- Determine ability to increase cash flow, reduce outstanding receivables and limit future bad debt

Program Overview

Black Hills Energy (“BHE”) proposes a Pre-Pay metering pilot program where participants pay for their energy in advance by phone, mail, on-line, or in person at a BHE office or authorized payment location. Participants will be able to track their daily energy usage through a web portal instead of receiving a monthly bill. Participants can opt for notification by phone, email, or text message when their account balance reaches a customer-selected dollar amount.

Participants will be able to access and manage energy usage through a personal computer interface or over the phone. BHE expects that the observance of the relationship between energy consumption and the depletion of the credit balance will provide signals to consumers that will impact and influence energy consumption behaviors.

Target Market

The program will be marketed to all program eligible residential customers. Black Hills will make best efforts to promote the program to a representative group of the residential customer base. Marketing and promotion activities may include bill inserts, print and electronic advertisements, television and radio advertisements, media and community events, direct mail and other tactics.

Program Details

Eligibility

Eligibility is capped at 2,000 customers in any given year. Enrollment will be phased in per the BHE-Efficiency Plan 2012-2015, based on the following three year phase-in schedule:

- Program Year 2012/13: Eligible participants are limited to 833 customers enrolled in a first come first served basis.
- Program Year 2014: Eligible participants are limited up to 555 customers enrolled in a first come first served basis.
- Program Year 2015: Eligible participants are limited up to 555 customers enrolled in a first come first served basis.

Over the lifetime of the pilot program, cumulative participation is not to exceed 2,000 participants in any given year.

Program Budget

No incentives will be given for participation in the program.

Program Year	Incentives	Admin	Market	Delivery	Evaluation	Total
2012/13	\$0	\$10,275	\$13,700	\$136,995	\$16,439	\$177,409
2014	\$0	\$ 8,495	\$11,326	\$113,261	\$13,591	\$146,673
2015	\$0	\$11,891	\$11,891	\$158,549	\$19,026	\$201,357

Enrollment procedures

Potential participants will complete an application and return to BHE (on-line or paper application). The Company will verify that the applicant is an active customer. From there, BHE will process the application within 3 days of receipt of the properly completed application. This entails replacing customers current AMI meter with the program-required remote disconnect AMI meter. Customer will be informed of the start date of Pre-Pay meter billing.

Pre-pay customers are required to sign up for Black Hills Energy eBill program. Electronic Billing or eBill allows a customer to receive and pay their bill online. Upon activation, customer will no longer receive a paper bill. Instead, customer will receive a monthly e-mail reminder when bill is available online. Features of the eBill service include:

- Electronic paperless billing: By creating a user id and password at BlackHillsEnergy.com, customers enroll in the eBill program and select their bill delivery method.
- Free online payments: Customers can use their checking or savings account to pay their bill with NO CONVENIENCE FEES when they enroll in the eBill program.
- Secure and convenient: Electronic billing gives customers secure, convenient delivery and saves time and money.

A welcome packet with all applicable program rules and details plus available utility energy efficiency tips/offerings will provided to all participants.

Existing customers may convert to Pre-Pay Metering. If an existing customer has a utility deposit held on the account, the deposit will first be applied toward any outstanding balance and any remaining balance will be applied to the purchase of future energy use. Debt recovery percentage, if applicable, will be noted on the pilot program agreement.

Once a customer has been accepted into the pilot program, the customer will be responsible for deciding how and when they want to be notified when their account balance is running low. BHE will provide a customer alert to all participants when their account balance falls to ten dollars (\$10.00) by the same alert method (text, phone message, email) chosen for customer designated alerts. All participating customers will have free access to a web portal to monitor usage and account balance information.

Billing

The Regular residential standard rate will apply and will be prorated to a daily basis as required. Customers under the Medical Extension Service Program or those billed on the non-standard residential service tariff (i.e. net metering, low income) are not eligible for participation in the Pre-Pay pilot program.

Pre-Pay billing option will begin during participants' October 2012 bill cycle to coincide with the roll out of the Black Hills Meter Data Management System ("MDMS").

Contract Period

The initial contract period for service under this pilot shall be for thirty (30) days. A participant may request termination of service under this pilot program at any time following the expiration of the initial Contract Period with any outstanding payment balance being refunded after all deferred arrearages are satisfied.

Payments

Each participant will be required to initially fund their Pre-Pay account with at least fifty dollars (\$50.00). Subsequent payments can be made in smaller, more frequent amounts at the customer's choice. The minimum Pre-Pay payment amount accepted is five dollars (5.00).

All payment methods available to customers except the company initiated automated bank transfer ("ABT") are available to Pre-Pay participants. Upon verified payment receipt by company, the Pre-Pay account balance will be recharged and the updated balance reflected on web portal and service restored.

Shutoff/Disconnect Timing

At such time as the value of the electric service used equals or exceeds the prepaid purchases, the Pre-Pay account will not have a credit balance, exigent circumstances will exist, and the condition of nonpayment for regulated service will exist. At that time, the participant's electric service will be scheduled to be disconnected remotely by the AMI metering system unless additional funds are deposited in the account. Pre-Pay participants will not receive written notice of disconnection by mail or hand-delivery, but will be notified of pending disconnection by the method of notice chosen by customer. Disconnections will occur between the hours of 9:00AM through 5:00pm, normal business days. Disconnections shall not take place on weekend days or holidays. Daily charges associated with the customer charge will continue to accrue during the period of service disconnection and will immediately deducted from the next payment.

Reconnections

If a participating customer has been disconnected, they must bring their account credit balance to ten dollars (\$10.00) before service will be restored. Automatic reconnections will occur within two hours of payment receipt, typically in as little as fifteen minutes after verified payment receipt.

Arrearages

Arrearage repayment option is available when converting to Pre-Pay pilot program. A graduated split of all future payments made by participant will be made until the full arrearage repayment has been satisfied. The arrearage repayment option shall be structured to reduce the pre-existing arrearages to \$0 over twelve months from enrollment into Pre-Pay pilot program. Approved pre-

existing arrears shall not serve as the basis for disconnection of service for non-payment so long as the account balance for current usage does not reach a zero balance.

<u>Arrearage level</u>	<u>Percentage of each payment applied to Arrearage</u>
<u>Balance</u>	
\$0 - \$300	25% of all future payments applied to arrearage balance
\$301- \$600	40% of all future payments applied to arrearage balance
\$601- above	50% of all future payments applied to arrearage balance

Evaluation Plan

BHE will survey program participants annually to aid in evaluating the programs’ effectiveness and satisfaction levels. Aspects of the program that will be surveyed will include:

1. Customer satisfaction - Were participants satisfied with the Pre-Pay pilot? Would they recommend the program to friends and family?
2. Energy savings – Do participants feel their usage monitoring has led to reduced usage and dollar savings? Do they feel they are more conscientious and conservative about energy usage? What actions have they taken to conserve energy since they have been participating in the pilot?
3. Communications effectiveness – How do they monitor their usage and account balance? Usefulness of each different alert method (phone, text, email) Does the Pre-Pay internet site provide clear and adequate information? Do they take action as a result of an alert? Do they use each type of alert (Daily Balance, Low Balance, Pending Disconnect, Reconnect confirmation, Account Recharged)?
4. Bad Debt reductions - Did Company notice a reduction in bad debt, reduced O&M expenses related to Pre-Pay pilot?

In addition, BHE’s third party Evaluation, Measurement and Verification (“EM&V”) consultant will quantify the level of energy savings resulting from participation in the pilot program. This will be done through a consumption analysis of pilot participants and a comparison group of nonparticipants. The consumption analysis will compare pre-pilot consumption (12 months of historical data) and post-pilot consumption (12 months of consumption) for participants and nonparticipants to quantify any net energy savings resulting from the pilot. Results of the evaluation of the energy savings as well as the other key areas above will determine how successful the pilot program has been.

Program Integration

Weatherization/Energy Efficiency/DSM: Once enrolled in the Pre-Pay pilot, participants will be provided a welcome packet with all information on the Pre-Pay pilot program, payment locations/options as well as other important energy efficiency options. This will enable the participant to have a better understanding and greater control of their energy use and the associated cost of their consumption patterns. By participation in the Pre-Pay pilot, customers are still eligible to participate in any other Black Hills Energy electric DSM programs and measures.

BLACK HILLS/COLORADO ELECTRIC UTILITY COMPANY, LP
 d/b/a BLACK HILLS ENERGY
 105 South Victoria
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**RESIDENTIAL PRE-PAY PILOT PROGRAM
 ELECTRIC**

RATE DESIGNATION – RS-PP

- Classification:** Residential customers. Customers who are accepted into the Pre-pay Pilot Program will be participants in a unique Demand Side Management pilot program. Unlike other residential customers, this select group of customers will be able to pay for their electricity in advance of usage, to track their daily energy usage through a web portal instead of receiving a monthly bill, to opt for notification by phone, email, or text message when their account balance reaches a customer-selected dollar amount, and to access and manage their energy usage through a personal computer interface or over the telephone.
- Availability:** Service hereunder is available to a maximum of two thousand (2000) residential customers in any given year, when the Company has installed all required Advanced Metering Infrastructure (AMI) equipment necessary to bill for this type of service.
 This pilot program is available until December 31, 2015.
- Character of Service:** Alternating current, 60 Hertz, single-phase, 120/240 V or 208Y/120 V*.
 • Available only at option of Company.
- Monthly Rate:** All electric energy delivered by the Company to the Customer shall be received and paid for by the Customer under the applicable residential service schedule as such rates, terms and conditions are on file and in effect from time to time with the Commission. Non-metered charges are pro-rated and charged on a daily basis.
- Program Description:** The Company will provide residential customers a pay-as-you-go billing option, access to telephone and web based feedback on their daily balance and energy usage, multiple account notification types of alerts as selected by the participant and energy conservation information to provide a greater awareness of their usage pattern to more easily remain under the customer's budget. A more detailed explanation of the Pilot Program, which was approved by the Commission In Docket No. 12A-100E, can be found in that docket in the document entitled "Black Hills Energy Pre-Pay Metering Pilot Program."
- Payments:** Each participant will be required to fund their Pre-Pay account initially with at least fifty dollars (\$50.00). The minimum Pre-Pay payment amount thereafter is five dollars (\$5.00). Subsequent payments can be made in smaller, more frequent amounts at the customer's choice, as often as needed to maintain a credit balance on the account. The customer is solely in control of and responsible for maintaining a credit balance on the account, managing the account and updating notification alert settings.

Advice Letter No.	Decision or Authority No.	
Signature of Issuing Officer /s/ Ann Hendrickson	Issue Date January 31, 2012	
Title Manager- Regulatory Affairs	Effective Date July 1, 2012	

BLACK HILLS/COLORADO ELECTRIC UTILITY COMPANY, LP
 d/b/a BLACK HILLS ENERGY
 105 South Victoria
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Colo. PUC No. 8
 Sheet No. 53b
 Cancells First Revised Sheet No. _____
Original Sheet No. _____

**RESIDENTIAL PRE-PAY PILOT PROGRAM
 ELECTRIC**

- Terms and Conditions of Delivery:
1. The Customer will be required to complete an enrollment agreement following program explanation with a company program representative.
 2. Eligible customers shall be provided the rules and requirements of Pre-Pay pilot program billing and must confirm their full understanding of this information prior to enrolling for participation in the pilot program.
 3. Pre-pay customers are required to sign up for Black Hills Energy Electronic Billing ("eBill") program.
 4. If an existing customer has a utility deposit held on the account, the deposit will first be applied toward any outstanding balance and any remaining balance will be applied to the purchase of future energy use.
 5. Upon enrollment, Pre-Pay participants will choose a dollar threshold which will trigger alerts that the account balance must be replenished, as well as the method, type and frequency of alerts/communications when the selected dollar threshold is reached.
 6. Company will provide a customer alert to all Pre-Pay participants when their account balance falls to ten dollars (\$10.00) by the same alert method (text, phone message, email) chosen for customer designated alerts.
 7. The initial contract period for service under this pilot shall be for thirty (30) days. A participant may request termination of service under this pilot program, or to leave the pilot program and return to standard monthly billing, at any time following the expiration of the initial Contract Period with any outstanding payment balance being refunded after all deferred arrearages are satisfied.
 8. Pre-Pay accounts are not eligible for budget billing.
 9. Electric Service may be subject to immediate disconnection if at any time the account does not have a credit balance. Reconnection is initiated once a credit balance is re-established.
 10. Pre-Pay participants will not receive written notice of disconnection by mail or hand-delivery, but will be notified of pending disconnection by the method of notice chosen by customer.
 11. Customers under the Medical Extension Service Program are not eligible for participation in the Pre-Pay pilot program.
 12. If a Pre-Pay customer wishes to leave the pilot program and return to standard monthly billing, any credit balance in the account will be applied to the first standard monthly billing amount.

Advice Letter No.	Decision or Authority No.	
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BLACK HILLS/COLORADO ELECTRIC UTILITY COMPANY, LP

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105 South Victoria

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Colo. PUC No. 8

Second Revised Sheet No. 50

Cancels First Revised Sheet No. 50

DEMAND SIDE MANAGEMENT COST ADJUSTMENT (DSMCA) ELECTRIC
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Definitions: Effective July 1, 2012, the annual determination periods, DSMCA filing dates and goals will be as follows: T

	<u>Year 1</u>	<u>Year 2</u>	<u>Year 3</u>	
Determination Period	07/01/2012 – 12/31/2013	01/01/2014 – 12/31/2014	01/01/2015 – 12/31/2015	T T
First DSMCA Filing	04/01/2013	04/01/2014	04/01/2015	T
Second DSMCA Filing	10/01/2013	10/01/2014	10/01/2015	T
Energy Savings Goal	30,935,509 kWh	22,285,611 kWh	24,992,465 kWh	T T

Determination Period: The period in which DSMP costs, DSMP revenues, and DSMP cost remainder are accumulated for Public Utilities Commission (“PUC”) review and authorized recovery.

First DSMCA Filing Date. The annual date at which the Company will formally submit an Annual Report on the status and performance of each DSM program and apply with the PUC for revisions to its DSMCA to reflect recovery of the Financial Disincentive Offset and Performance Incentive and any over or under collection of prior year costs. The DSMCA rate will be calculated to recover these costs over twelve consecutive billing months beginning July 1 (ninety days after filing). T

Second DSMCA Filing Date: The annual date at which the Company will formally apply with the PUC for revisions to its annual Demand Side Management Cost Adjustment (“DSMCA”) to reflect the approved budget for the next Plan Year. The DSMCA rate will be calculated to recover these costs over twelve consecutive billing months beginning January 1 of the next year (ninety days after filing). T

DSMP Costs: Costs eligible for DSMCA treatment include the actual demand side management expenses associated with contractors, load research equipment, computer equipment and other miscellaneous program costs associated with the Demand Side Management Program (“DSMP”). DSMCA program expenses directly related to ERP planning will not be eligible for recovery through the DSMCA. Company DSM-related employee costs that are covered by base rates will not be eligible for recovery through the DSMCA. Company will not be permitted to recover any lost revenue associated with the DSM programs.

Recovered DSMP Costs: Amount billed to customers for recovery of DSMP costs: calculated by multiplying the actual sales revenue billed to customers in applicable rate classes times the DSMCA Rider then in effect.

Advice Letter No.	Decision or Authority No.	
Signature of Issuing Officer	Issue Date January 31, 2012	
Title- Manager-Colorado Electric Regulatory Affairs Black Hills Corporation	Effective Date July 1, 2012	

BLACK HILLS/COLORADO ELECTRIC UTILITY COMPANY, LP

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Colo. PUC No. 8

Second Revised Sheet No. 51

Cancels First Revised Sheet No. 51

DEMAND SIDE MANAGEMENT COST ADJUSTMENT (DSMCA) (CONTINUED) ELECTRIC
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Definitions: DSMP Revenues: Application fees or other revenues collected from DSMP participants.

DSMP Cost Remainder: The net difference between the actual DSMP costs, recovered DSMP costs and DSMP Revenues for a Determination Period. This net difference will be accumulated and collected or refunded over twelve consecutive billing months as approved for the First DSMCA Filing.

Financial Disincentive Offset. Contingent upon the successful implementation of Commission approved DSM programs, the Company is authorized to collect \$150,000 in additional after-tax revenue annually through the DSMCA. Successful implementation is accomplished when eighty percent of the annual Energy Savings Goal is achieved. Application for recovery of the Financial Disincentive Offset shall be made with the Second DSMCA Filing in conjunction with the filing of the Annual Report.

Performance Incentive. Contingent upon the successful execution of Commission approved DSM programs, the Company is authorized to collect a performance incentive as follows:

- For each one percent of DSM Energy Savings Goal attainment beyond eighty percent, the Company shall earn two tenths of one percent of the net economic benefits achieved, up to a level of ten percent at one hundred thirty percent of goal attainment.
- For each one percent of DSM Energy Savings Goal attainment beyond one hundred thirty percent, the Company shall earn one tenth of one percent of the net economic benefits achieved, up to a level of twelve percent at one hundred fifty percent of goal attainment.

Application for recovery of the performance incentive bonus shall be made with the Second DSMCA Filing in conjunction with the filing of the Annual Report.

Incentive Cap. The sum of the Financial Disincentive Offset and the Performance Incentive shall be limited to an amount equal to twenty percent of the total annual expenditure on DSM for each program year.

Projected Sales Revenue: Projected electric revenue to be collected from applicable rate classes during the period a DSMCA Rider is in effect excluding revenue from the RESA and TCA Riders.

DSMCA Rider: The percentage to be applied to sales revenue for collection from customers in applicable rate classes.

Applicable Rate Classes: The rate classes the rider shall be applied to consist of RS-1, SGS-N, SGS-D, LGS-S, LGS-P, LPS-S, LPS-P, LPS-T and IP-1.

Advice Letter No.	Decision or Authority No.	
Signature of Issuing Officer	Issue Date January 31, 2012	
Title- Manager-Colorado Electric Regulatory Affairs Black Hills Corporation	Effective Date July 1, 2012	

BLACK HILLS/COLORADO ELECTRIC UTILITY COMPANY, LP

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Colo. PUC No. 8
 Second Revised Sheet No. 52
 Cancels First Revised Sheet No. 52

DEMAND SIDE MANAGEMENT COST ADJUSTMENT (DSMCA) (CONTINUED) ELECTRIC

Application: The base rate for electricity will be adjusted subject to application and approval by the PUC. Such application will include the determination period costs and revenues. In addition, the application will include the calculated DSMCA rider rounded to the nearest 0.00%.

The DSMCA Rider formula:

$$(C - F \pm R + B + P) / S$$

Where:

- C = Projected DSMP costs for the current Determination Period
- F = Projected DSMP revenue for the current Determination Period
- R = DSMP cost remainder from the prior Determination Period
- B = Financial Disincentive Offset from the prior Determination Period
- P = Performance Incentive from the prior Determination Period
- S = Projected Sales Revenue (Dollars)

Annual Report Filing Requirements: The following information will be submitted on the annual report filing date:

1. status and performance report for each DSM program for which recovery is being sought;
2. actual and projected costs (for the remaining determination periods) including itemized DSM-related employee costs for each DSM program for which recovery is being sought;
3. estimated DSM program costs for each program for the remaining determination periods;
4. total actual and projected annual DSMP costs, DSMP revenues, and DSMP cost remainders;
5. projected sales revenues;
6. actual and projected DSMCA riders; and
7. actual and projected average rate impacts.

This Demand Side Management Cost Adjustment tariff will expire on December 31, 2015. T

Advice Letter No.	Decision or Authority No.	
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Colo. PUC No. 8
 Fifth Revised Sheet No. 53
 Canceled Fourth Revised Sheet No. 53

DEMAND SIDE MANAGEMENT COST ADJUSTMENT (DSMCA) (CONTINUED) ELECTRIC

**Demand Side Management Cost Adjustment Data
 Under Colorado P.U.C. No. 8 Electric**

DETERMINATION PERIOD JULY 1, 2012 – DECEMBER 31, 2013		T
TOTAL PROJECTED DSMP COST – CURRENT DETERMINATION PERIOD	\$ 6,513,123	I
TOTAL PROJECTED DSMP REVENUE – CURRENT DETERMINATION PERIOD	\$ -0-	
TOTAL ACTUAL DSMP COST REMAINDER – PRIOR DETERMINATION PERIOD	\$ -0-	
NET DSMP COST TO BE RECOVERED	\$ 6,513,123	I
FINANCIAL DISINCENTIVE OFFSET – PRIOR DETERMINATION PERIOD	\$ -0-	
PERFORMANCE INCENTIVE – PRIOR DETERMINATION PERIOD	\$ -0-	
PROJECTED SALES REVENUE	\$357,656,381	I
DSMCA RIDER (%)	1.82 %	I

Advice Letter No.	Decision or Authority No.	
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