

**STATE OF IOWA  
DEPARTMENT OF COMMERCE  
BEFORE THE IOWA UTILITIES BOARD**

**IN RE:**

**BLACK HILLS/IOWA GAS UTILITY  
COMPANY, LLC d/b/a  
BLACK HILLS ENERGY**

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**DOCKET NO. RPU-2021-0002**

**SETTLEMENT AGREEMENT**

**AND**

**JOINT MOTION FOR APPROVAL OF AGREEMENT, MODIFICATION OF  
PROCEDURAL SCHEDULE, AND CANCELLATION OF HEARING**

On this 8th day of November, 2021, Black Hills/Iowa Gas Utility Company, LLC d/b/a Black Hills Energy (BH Iowa Gas or Company), the Office of Consumer Advocate, a division of the Iowa Department of Justice (OCA), the Clean Energy Districts of Iowa (CEDI), and the International Brotherhood of Electrical Workers, Local 204 (IBEW) hereby agree to the terms and conditions of this Settlement Agreement (Agreement or Settlement).<sup>1</sup>

BH Iowa Gas, OCA, CEDI, and IBEW are each a “Party” and are collectively referred to as the “Parties.”

**ARTICLE I**

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<sup>1</sup> Intervenor the Iowa Business Energy Coalition (“IBEC”) does not join the present Motion. Instead, and under separate cover, IBEC will file a Notice of No Objection to Joint Motion for Approval of Agreement, Modification of Procedural Schedule, and Cancellation of Hearing.

## **Introduction**

A. On June 1, 2021, BH Iowa Gas filed with the Iowa Utilities Board (Board) a general rate review proceeding requesting a \$10,544,007 increase in its Iowa retail revenue requirement for its natural gas service, based on a proposed return on equity of 10.15 percent and an equity ratio of 50 percent. On July 1, 2021, the Board issued its Order Approving Corporate Undertaking, Docketing Tariff, and Setting a Scheduling Conference (Docketing Order). In the Docketing Order, the Board acknowledged that the Company had implemented, on June 11, 2021, an interim increase in the annual amount of \$5,331,047, as authorized by Iowa Code § 476.6(9) (2021).

B. The Parties are filing this Agreement with the Board pursuant to Iowa Code § 17A.12(5) and 199 IAC 7.18. By this Agreement, the Parties resolve all issues raised in this proceeding.

## **ARTICLE II**

### **Purpose**

This Agreement has been prepared and executed by the Parties for the sole purpose of settling on a mutually acceptable outcome in this proceeding without resolving the material issues or facts involved therein, and is applicable in this proceeding only, except to the extent necessary to implement this Agreement in relevant future proceedings according to its terms. The Parties hereto understand and agree that the proposals, positions, and adjustments made or obtained in this Agreement, whether express or implied, are made or obtained only through the spirit of compromise and are made subject to Article V herein. The Parties have entered into this Agreement in order

to avoid the burden, expense, delays, and uncertainties of further litigation with respect to the settled issues. This Agreement has been executed as a compromise settlement of disputed claims, and the execution of the Agreement does not constitute admission of or concession on the merits of those claims on the part of any Party. In consideration of the mutual agreement hereinafter set forth, the Parties hereby agree as follows:

### **ARTICLE III**

#### **Joint Motion**

The Parties hereby jointly move the Board to modify the existing procedural schedule to eliminate the filing of the remaining items listed in the procedural schedule. Further, the Parties hereby request the Board issue an order approving this Settlement Agreement in its entirety without condition or modification and canceling the hearing scheduled to begin December 14, 2021.

### **ARTICLE IV**

#### **Condition Precedent**

This Agreement shall not become effective unless and until the Board enters an Order approving this Agreement in its entirety without condition or modification.

### **ARTICLE V**

#### **Privilege and Limitation**

This Agreement shall become binding upon the Parties upon its execution, provided, however, that if this Agreement does not become effective in accordance with Articles III and IV above, it shall be null and void. This Agreement represents a settlement

on a mutually agreeable outcome without resolution of specific issues of law or fact that were raised by any Party.

The Agreement resolves the issues between and among the Parties with respect to revenue requirement. This Agreement is intended to relate only to the specific matters referred to herein; no Party waives any claim or right which it may otherwise have with respect to any matter not expressly provided for herein.

No Party will be deemed to have approved, accepted, or consented to any ratemaking principle or treatment, cost of capital, or other ratemaking determination underlying the provisions of this Agreement, or be prejudiced or bound thereby in any other current or future proceeding before the Board, except as expressly set forth in this Agreement or as necessary to implement this Agreement. No Party or representative shall directly or indirectly refer to this Agreement or any part of any Order of the Board referring to this Agreement as precedent.

## **ARTICLE VI**

### **Revenue Increase and Revenue Requirement**

The Parties agree to an annual Iowa jurisdictional natural gas base rate increase in the amount of \$5,906,519 based on a total annual Iowa natural gas revenue requirement of \$72,214,365. Specific adjustments and support for the revenue requirement can be found in Attachment A. The Parties agree that the Company's reasonable and just rate case expense and amounts assessed by both the Board and OCA related to this rate review proceeding will be recovered through a rider that reflects a three-year amortization period, and recovery through a fixed monthly amount per class,

applicable to all rate classes, subject to true up, and as approved by the Board. In addition, the Parties agree that BH Iowa Gas is allowed to recover the outstanding balances of the Farm Tap Tracker Adjustment (FTTA) and the Annual Tax Refund Mechanism associated with the Tax Cut and Jobs Act of 2017 (TCJA) in the same manner as the rate case expenses described above.

The Parties agree BH Iowa Gas will establish an over/under regulatory account to track any differences between the protected excess deferred taxes being returned to customers in this rate case and actual amounts calculated using the Average Rate Assumption Method. In future rate cases, BH Iowa Gas will assess the balance of the over/under account with respect to the calculations of the appropriate amount of protected excess deferred taxes based on the then-applicable rate base, depreciation rates, and tax laws, and make a recommendation as to how to return the over/under regulatory liability account to customers, so as not to create any normalization violations.

These terms are supported by, among others, the following testimony filed in this case:

<b>Party</b>	<b>Witness</b>	<b>Testimony</b>
BH Iowa Gas	Samantha Johnson	Direct Testimony, pp. 8-19, pp. 31-60 Rebuttal Testimony, pp. 12-22
BH Iowa Gas	Brooke Bassell-Herman	Direct Testimony, pp. 4-10
BH Iowa Gas	Justin Klapperich	Direct Testimony, pp. 6-18
OCA	Blake Kruger	Direct Testimony, pp. 5-29

**ARTICLE VII**

**Rate Base**

BH Iowa Gas' Iowa jurisdictional natural gas rate base for purposes of this Agreement is \$300,922,791 million. These terms are supported by, among others, the following testimony filed in this case:

<b>Party</b>	<b>Witness</b>	<b>Testimony</b>
BH Iowa Gas	Samantha Johnson	Direct Testimony, pp. 19-29 Rebuttal Testimony, pp. 8-9
OCA	Blake Kruger	Direct Testimony, pp. 44-47

**ARTICLE VIII**

**Return on Equity (ROE) and Capital Structure**

- A. The Parties agree that the return on equity for all assets will be 9.60 percent, which is a reasonable compromise based on evidence presented by the Parties in their pre-filed testimony.
- B. The Parties agree that the Company's capital structure for purposes of determining BH Iowa Gas' weighted average costs of capital shall be 50.0 percent common equity, as set forth in Attachment A. These terms are supported by, among others, the following testimony filed in this case:

<b>Party</b>	<b>Witness</b>	<b>Testimony</b>
BH Iowa Gas	Adrien McKenzie Robert Amdor	Direct Testimony, pp. 5-76 Rebuttal Testimony, pp. 6-59 Direct Testimony, pp. 47-59
OCA	Marcos Munoz	Direct Testimony, pp. 11-14, pp. 14-33

**ARTICLE IX**

**Taxes**

A. The parties agree that the amount of tax repair deduction to include in the calculation of revenue requirements will be \$7,800,000 to be accounted for under the flow-through method of tax accounting. This amount was based upon historical levels of tax repair deduction and reflects a reasonable compromise between the Parties. These terms are supported by, among others, the following testimony filed in this case:

<b>Party</b>	<b>Witness</b>	<b>Testimony</b>
BH Iowa Gas	Justin Klapperich	Direct Testimony, pp. 19-23 Rebuttal Testimony, pp. 4-11
OCA	Blake Kruger	Direct Testimony, pp. 29-43

**ARTICLE X**

**Company Proposals**

BH Iowa Gas withdraws its requests, without prejudice, for approval of the following programs in this rate review proceeding:

- System Safety and Integrity Rider (SSIR)
- High Efficiency Assistance Tool (HEAT)
- Data Infrastructure Improvement Plan (DIIP)
- Credit Card Fee Socialization

The Parties agree to the implementation of the following Company proposal:

- General Service Transportation Schedule (“GSTS”)

These terms are supported by, among others, the following testimony filed in this case:

<b>Party</b>	<b>Witness</b>	<b>Testimony</b>
BH Iowa Gas	Brooke Bassell-Herman	Direct Testimony, pp. 14-15

**ARTICLE XI**

**Revenue Allocation and Rate Design**

A. The Parties agree that the fixed customer charges and volumetric charges for the following customer classes should be set as follows:

<b>Customer Class</b>	<b>Monthly Customer Charge</b>	<b>Volumetric Charge (\$/therm)</b>
Residential	\$18.25	\$0.13905
Commercial / Industrial	\$35.00	\$0.13905
Small Volume	\$92.00	\$0.05577
Small Volume Interruptible	\$92.00	\$0.05577
Large Volume	\$300.00	\$0.03198
Large Volume Interruptible	\$300.00	\$0.03198
LVI-3 (Grain Dryer)	\$900.00 (billed Sep-Dec)	\$0.03198

B. The Parties accept the use of BH Iowa Gas' Class Cost of Service Study (CCOSS) and rate design models. Subject to Article XI(A), above, the Parties agree that the Board should allocate BH Iowa Gas' increase in retail revenue requirements (as provided in Article VI) to BH Iowa Gas' proposed customer

classes and implement a rate design for those classes as set forth in the testimony BH Iowa Gas has filed in this proceeding, and as set forth specifically in Attachment B. These terms are supported by, among others, the following testimony filed in this case:

<b>Party</b>	<b>Witness</b>	<b>Testimony</b>
BH Iowa Gas	Douglas Hyatt	Direct Testimony, pp. 8-36 Rebuttal Testimony, pp. 4-8
OCA	Ashley Taylor	Direct Testimony, pp. 4-12, pp. 12-16

## **ARTICLE XII**

### **Interim Rates**

The Parties agree that if the Board enters an Order approving this Agreement in its entirety without condition or modification, no refund shall be due to any of the Company's customers pursuant to the Corporate Undertaking ordered by the Board in its Docketing Order.

## **ARTICLE XIII**

### **Schedules**

The attached schedules, included as Attachments A and B, set forth the specific data used to develop information herein. No Party shall be deemed to have approved, accepted, agreed to, or consented to any principle or determination as may be displayed on the attached schedules (except for purposes of this Agreement) and no Party shall be prejudiced or bound thereby in any other current or future proceeding before the Board.

## **ARTICLE XIV**

### **Cooperation**

A. Waivers. To the extent necessary to support this Agreement, the Parties support any and all waivers from Board rules necessary to effectuate this Agreement.

B. Effective Date of Rates. The Parties agree to work cooperatively, including in the compliance tariff process, with the goal that final rates consistent with this Agreement go into effect on January 3, 2022.

C. No Cross-Examination or Further Discovery. The Parties agree that, prior to or during the hearing in this proceeding currently scheduled to begin on December 14, 2021, they will not conduct further discovery or cross-examination of another Party's witness(es) on any issue addressed in this Agreement.

D. Agreement to Support Settlement. The Parties agree to the terms of the Agreement and agree to represent to others the fairness of the result reflected in the Agreement. Further, on any issue resolved by the Agreement on which a Party has not submitted pre-filed testimony in this proceeding, that Party shall be deemed to have taken no position on that respective issue and agrees that, for purposes of this Agreement only, the Party does not oppose the resolution of that issue as reflected in this Agreement.

## **ARTICLE XV**

### **Non-Severability**

This Agreement is not severable. Each provision of the Agreement is dependent upon all other provisions of the Agreement. Failure to comply with any provision of the

Agreement constitutes failure to comply with the entire Agreement. If the Board rejects or modifies the terms of this Agreement, any Party may withdraw its support. In such event, this Agreement will have no binding effect as to such Party, and, as such Party, no Party may seek to make this Agreement part of the record in any proceeding or use it for any other purpose.

## ARTICLE XVI

### Motion for Approval

The Parties request that the Board review and approve this Agreement, without change, in a timely manner.

Dated this 8<sup>th</sup> day of November 2021.

Respectfully,

#### **Office of Consumer Advocate**

/s/ Jeffrey J. Cook

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