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December 21, 2015

VIA ELECTRONIC DELIVERY

Jeff Pursley
Executive Director
Nebraska Public Service Commission
300 The Atrium
1200 "N" Street
Lincoln, NE 68509-4927

Re: In the Matter of the Joint Application of SourceGas Distribution, LLC,
SourceGas Holdings, LLC and Black Hills Utility Holdings, Inc. for all
Necessary Authorizations and Approvals for Black Hills Holdings, Inc. to
Acquire SourceGas Holdings, LLC

Application No. NG-0084

Dear Mr. Pursley:

Enclosed, please find for filing an original and five (5) copies of the following:

- Public Advocate Stipulation and Agreement
- Nebraska ChoiceGas Settlement Agreement

Please file stamp the extra copy and return to my office in the enclosed self-addressed stamped envelope.

If you have any questions or concerns regarding the enclosed filing, please contact me at your earliest convenience.

Sincerely,

Douglas J. Law

DJL/ars
Enclosures

cc: Nichole Mulcahy
Rose Price
Bill Austin
Service List

BEFORE THE PUBLIC SERVICE COMMISSION OF NEBRASKA

**IN THE MATTER OF THE JOINT)
APPLICATION OF SOURCEGAS)
DISTRIBUTION LLC, SOURCEGAS LLC,)
SOURCEGAS HOLDINGS LLC, AND) Application No. NG-0084
BLACK HILLS UTILITY HOLDINGS, INC.)
FOR ALL NECESSARY)
AUTHORIZATIONS AND APPROVALS)
FOR BLACK HILLS UTILITY HOLDINGS,
INC. TO ACQUIRE SOURCEGAS
HOLDINGS LLC**

SETTLEMENT AGREEMENT

SourceGas Distribution LLC (“SourceGas Distribution”), SourceGas LLC and SourceGas Holdings (collectively “SourceGas”), Black Hills Utility Holdings, Inc. (“BHUH”), hereinafter jointly the “Joint Applicants”, the Nebraska Municipal Power Pool (“NMPP”), the Public Alliance for Community Energy (“ACE”), and Constellation NewEnergy – Gas Division, LLC (“Constellation”) (collectively, “Settling Parties”), by and on behalf of their undersigned counsel, and for good and valuable consideration, enter into this Settlement Agreement (“Settlement Agreement”) to resolve all issues between them related to the Joint Applicants application filed in Application No. NG-0084. The Settling Parties specifically request that the Commission approve this Settlement Agreement as consistent with the public interest.

I. BACKGROUND AND PROCEDURAL HISTORY

1. The SourceGas Owners and BHUH have entered into a Purchase and Sale Agreement. In the Agreement, the SourceGas Owners agreed to sell and BHUH agreed to purchase up to 100% of the ownership of SourceGas Holdings. The Agreement provides that, upon closing, BHUH will own 99.5% of SourceGas Holdings, the parent, through SourceGas, of the Nebraska

jurisdictional utility, SourceGas Distribution. There is an option provision (Agreement, Recitals) and Option Agreement whereby BHUH may acquire the remaining 0.5% interest in SourceGas Holdings. Whether or not BHUH subsequently acquires this remaining 0.5% interest in SourceGas Holdings, BHUH will become the controlling owner of SourceGas Holdings, and therefore, the controlling owner of the jurisdictional public utility entities, SourceGas Distribution, at closing.

2. On August 10, 2015, the Applicants filed a Joint Application for approval of the transaction and requested the following relief:

- A. Grant this Joint Application for approval of the indirect change of control of SourceGas Distribution, as contemplated by the Transaction;
- B. Grant approval, to the extent necessary or appropriate, to allow BHUH to acquire the remaining 0.5% interest in Source Gas Holdings under the option provision and Option Agreement, as described in this Joint Application;
- C. Direct the filing of conforming tariffs based on the approval of this Settlement Agreement;
- D. Permit that an appropriate regulatory asset account be established for the tracking of transition costs for potential recovery in a future proceeding for Black Hills Gas Distribution LLC ("***Black Hills***"); and
- E. Granting such waivers, conditions, approvals or further relief as requested above and as may be deemed necessary and proper in accordance with the Commission's rules.

3. The petitions for Formal Intervention of the Public Advocate, NMPP/ACE, and Constellation were granted by the Commission in this proceeding.

4. The Hearing Officer convened a Planning Conference establishing a procedural schedule and other discovery matters.

5. Each of the Parties to this proceeding conducted discovery and conducted a thorough investigation and review of the Joint Application. The Joint Applicants responded to all of the discovery.

6. The Settling Parties agree that the Public Advocate, NMPP/ACE, and Constellation separately filed answering testimony and exhibits on or before the deadline for filing such testimony and exhibits.

7. The Settling Parties commenced various separate settlement negotiations. The Settling Parties, individually, and collectively, have reached a settlement of all issues in Application No. NG-0084. Accordingly, the Settling Parties are jointly requesting the Commission to approve this Settlement Agreement, with a final order to be issued on or before January 15, 2016.

II. TERMS OF SETTLEMENT AGREEMENT

This section sets forth the negotiated resolution of the issues between the Settling Parties.

A. *Choice Gas*

8. BHUH agrees that it will continue the SourceGas Choice Gas program for at least three program years after closing the Transaction (i.e., the third program year is 2018/2019).

9. The Settling Parties agree that BHUH shall not make any significant operational or structural changes or file any tariff or other significant operational or structural change with the Nebraska Public Service Commission to the SourceGas Choice Gas program prior to January 1, 2018.

10. The Settling Parties may mutually agree to make a change in the Choice Gas program at any time after the close of this transaction.

11. If BHUH elects to expand the Choice Gas program or creates a new Choice Gas program in the future, then BHUH will not oppose an application by NMPP/ACE to the Commission seeking a statewide Competitive Natural Gas Provider certificate from the Commission, pursuant to all applicable statutory authority or limits provided to NMPP/ACE.

12. If BHUH elects to file an application with the Commission to significantly alter or to terminate the Choice Gas program on or after January 1, 2018, then BHUH agrees to “grandfather” the then-existing Choice Gas customer contracts for the terms of the existing contracts so long as those contract terms are in accordance with the established Choice Gas tariffs or other program term limits.

13. The Settling Parties agree that any new Choice Gas program contracts offered to customers shall not extend beyond two years for residential customers and three years for commercial and agricultural customers.

14. The Settling Parties agree that any tariff or other significant change to the Choice Gas program proposed by BHUH on or after January 1, 2018, shall be made with the Commission pursuant to the requirements of the State Natural Gas Regulation Act of Nebraska.

15. The Settling Parties reserve all of their legal rights to take any position that the Party deems appropriate, lawful, and necessary in any future Commission proceeding.

B. Collaboration

16. The Parties Agree that BHUH will hold collaborative meetings with Choice Gas Suppliers at least twice during the year or as mutually agreed to (a) discuss BHUH’s evaluation of the program, (b) obtain Choice Gas Supplier input on how proposed future changes to the program will impact suppliers, municipalities, and customers, and (c) prior to making any significant change to the Choice Gas program.

III. GENERAL TERMS AND OTHER AGREEMENTS

17. In addition to the provision contained in a separate Settlement Agreement reached between the Joint Applicants and the Public Advocate, this Settlement Agreement memorializes the negotiated settlement among and between the Settling Parties on all the issues raised in Application No. NG-0084. As a result of these negotiations and this Settlement Agreement, the Settling Parties agree as set forth herein that any issues in dispute between them in this proceeding have been resolved to the satisfaction of the Settling Parties. The Settling Parties agree that this Settlement Agreement is a fair, just, and reasonable resolution of these issues. Approval by the Commission of this Settlement Agreement shall constitute a determination that the Settlement Agreement represents a just, equitable, and reasonable resolution of the disputed issues resolved herein.

18. The Settling Parties agree that all testimonies and attachments filed by any of the individual Settling Parties in Application No. NG-0084 should be admitted into evidence without objection from the other parties, and made part of the record in this proceeding. Unless required by the Commission, the Settling Parties agree that the witnesses of the Settling Party do not need to personally appear to present their testimony. The Settling Parties further agree to waive any and all cross-examination of all other Settling Party witnesses.

19. The Settling Parties agree to support and defend the terms and principles of this Settlement Agreement before the Commission, and before any other state commission in which a Settling Party has intervened. The Settling Parties agree that the Commission should grant the Joint Application filed in Application No. NG-0084 consistent with this Settlement Agreement. The Settling Parties shall request as part of the settlement that the Commission issue a final decision by January 15, 2016

20. The Settling Parties agree that this Settlement Agreement is subject to the Joint Applicants receiving any and all necessary Commission approvals in Nebraska and other states in which the Joint Applicants have filed for approval of the transaction.

21. The Settling Parties agree that this Settlement Agreement is subject to a successful closing of the proposed transaction between BHUH of SourceGas.

22. The Settling Parties agree to present, to support, and to defend this Settlement Agreement before the Commission and in the courts. If required by the Commission, they further agree to present testimony and exhibits in any hearing set, in whole or in part, for the purpose of obtaining the Commission's approval of this Settlement Agreement. This Settlement Agreement shall not become effective until the issuance of a final Commission Order approving the Settlement Agreement which Commission Order does not contain any modification of the terms and conditions of this Settlement Agreement that is unacceptable to any of the Settling Parties. In the event the Commission modifies this Settlement Agreement in a manner unacceptable to any of the Settling Parties, that Party shall have the right to object to the modified terms and conditions as determined by the Commission and litigate the unacceptable, modified terms. The objecting Party shall notify the Commission and the other parties to the Settlement Agreement by filing within three business days of the Commission-ordered modification that the Party is objecting to the modified terms and must request expedited treatment. The filing shall designate the precise issue or issues upon which the Party desires to litigate.

23. The Settling Parties specifically agree and understand that this Settlement Agreement represents a negotiated settlement that is in the public interest with respect to the various matters and issues. The Settling Parties shall not 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 Settling Parties to constitute a settled practice or precedent in any future proceeding.

24. This Settlement Agreement embodies the entire agreement and understanding between the Settling Parties hereto with respect to the subject matter hereof and supersedes all prior oral or written agreements and understandings relating to the subject matter hereof. The Settling Parties are not relying on any statement or representation not contained herein.

25. 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 matters addressed herein.

26. This settlement agreement complies with Neb. Rev. Stat. § 84-713. The parties released under the settlement are those signatures on the settlement agreement and that the settlement resolves ACE's claim as ACE is a public agency under § 84-713. The Settling Parties also agree that this Settlement Agreement is a public record and may be included as an agenda item at ACE's next meeting for informational purposes.

IV. CONCLUSION

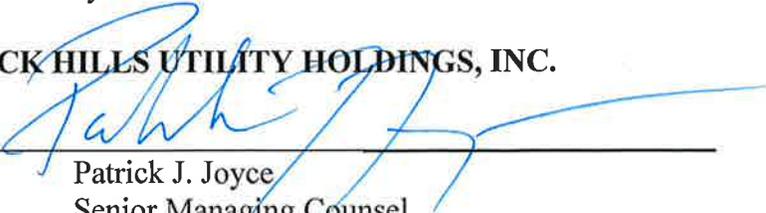
For the reasons stated above, the Settling Parties respectfully request that the Commission enter an order approving this unanimous Settlement Agreement, with the finding that the Commission's approval of this Settlement Agreement represents a fair, just, and reasonable resolution of any and all disputes in this proceeding.

Date: December 9, 2015

Agreed to By:

BLACK HILLS UTILITY HOLDINGS, INC.

By: _____


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**SOURCEGAS HOLDINGS LLC
SOURCEGAS LLC
SOURCEGAS DISTRIBUTION LLC**

By: _____


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**NEBRASKA MUNICIPAL POWER POOL AND
PUBLIC ALLIANCE FOR COMMUNITY ENERGY**

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