| **To:** | City of Rapid City – Civic Center |
| **From:** | Black Hills Power Inc., D/B/A Black Hills Energy |
| **Date:** | November ______, 2018 |

**RENEWABLE READY PROGRAM – CONFIDENTIAL MEMORANDUM OF UNDERSTANDING**

**DRAFT TERMS**

| **Term Length:** | • _____ years (term options include 5, 10 and 15 years).  
• After the initial term, contracts shall auto-renew with one (1) year terms unless either party provides contractually required notice. |
| **Fees:** | • Initial application fee: $500 |
| **Regulatory:** | • These terms are contingent on Black Hills Energy receiving the relevant regulatory approvals which may include new and/or amended tariffs. |
| **Renewable Energy Availability and Subscription Level:** | • Customer elects to subscribe to _____% of the energy consumed at the service locations listed in this term sheet. The amount of subscribed energy will be converted to a share of renewable energy generating capacity as follows:

  - Capacity of Proposed Facility – 20,000 kW
  - Total Estimated Facility Production – 78,840,000 kWh (kWh = kW X 365 days X 24 hours X 45%)
  - Customer’s Annual Subscription - ____________ kWh (rolling 12 months of kWh purchased)
  - Customer’s Share of Production – _____% (Customer kWh / Total kWh Production)
  - Customers Subscribed Capacity – _____kW (Customer kW = Customer Share of Production % X Facility Capacity)

  • Customer may choose up to 100% of the energy usage for the last twelve (12) months at identified service location(s). |
| **Service Location(s):** | • 444 Mount Rushmore Road, Rapid City, SD 57701 |
| **Current rate structure/application of subscribed** | • At the above service location(s), customer is currently subject to SD752. Customer understands that all standard rate components under their current tariff will continue to apply. |
**energy:**

- Customer understands that a subscription under this program is in addition to its existing rate structure and that subscribed energy under this program will be subject to:
  - an additional charge for renewable energy (kWh) generated by the customer’s share of production in any given billing cycle during the term of this agreement.
  - a credit against the fuel and purchased power costs for renewable energy (kWh) generated for the customer’s share of production in any given billing cycle during the term of this agreement.

**Billing components to be offset by subscribed energy:**

- Cost of fuel
- Cost of purchased power
- Currently $.02217/kWh (2018); adjustments filed on an annual basis by June 1st.

**Subscribed Energy Rates:**

- Fifteen (15) year term - $.024/kWh
- Ten (10) year term - $.026/kWh
- Five (5) year term - $.028/kWh
- Final pricing will be determined during the regulatory approval process.
- Pricing may be subject to adjustment at the end of a subscription term.

**Early Termination Fee:**

- Applicable when customer discontinues taking service at the subscribed premise(s) or when over a twelve month period the customer’s load declines to below 90% of the contracted subscription amount.
  - In the event a customer’s load falls below 90% of the contracted subscription amount, a pro rata portion of the termination fee will be assessed.
  - The termination fee shall be equal to $25 multiplied by subscribed kW multiplied by the number of years remaining in the contract term.

**Assignability:**

- If customer ceases to receive service at the premises and begins taking service at another location within Black Hills Energy-SD’s service territory, Black Hills Energy-SD will automatically transfer the program subscription to the new service location. The subscription shall not exceed 100% of customer’s load at new location.
  - If consumption during the first 12 months of service at the new meter is lower than 90% of the contracted subscription amount, the contract shall be reduced to a contract subscription amount that matches the 12-month energy usage at the new meter and the customer will pay a pro-rated portion of the early termination fee.
  - The original subscription term will continue to apply to the transferred subscription.

**Other:**

- Renewable energy credits (RECs) equal to the renewable energy (kWh) generated by the customer’s share of production shall be transferred to or retired on behalf of the subscribing customer.
- Onsite generation at a contracted service location shall not reduce a customer’s obligations under this program.

**Confidentiality:**

- Information related to customer subscription level and subscription term shall be considered confidential customer information and shall not be released without the express permission of the customer.
Upon execution, this Confidential Memorandum of Understanding will be considered receipt of the customer’s written application for a subscription under the Renewable Ready Program to be filed with the South Dakota Public Utilities Commission and development of a final agreement may commence. This Confidential Memorandum of Understanding may be provided confidentially to the South Dakota Public Utilities Commission as a part of Black Hills Energy’s efforts to secure required regulatory approvals for the Renewable Ready program.

This Confidential Memorandum of Understanding is non-binding on any party, or on any party’s affiliate(s). As such, it is not intended to be received, delivered, or accepted as an agreement, or as a partial agreement to any particular term or any terms collectively. No party (including each party’s affiliate(s)) shall rely on this Confidential Memorandum of Understanding prior to the execution of a final agreement.

BLACK HILLS POWER, INC
(D/B/A BLACK HILLS ENERGY)  
CITY OF RAPID CITY
CIVIC CENTER

______________________________  
(signature)

______________________________  
(name printed)

______________________________  
(title)

______________________________  
(date)