Exhibit 3
Direct Testimony
Michael C. Clevinger

Before the South Dakota Public Utilities Commission
of the State of South Dakota

In the Matter of the Application of Black Hills Power, Inc d/b/a Black Hills Energy for Approval of its Tax Cut and Jobs Act Proposal

Docket No. EL18-___

June 29, 2018

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I. INTRODUCTION AND BACKGROUND

Q. PLEASE STATE YOUR NAME AND BUSINESS ADDRESS.

A. My name is Michael C. Clevinger. My business address is 7001 Mount Rushmore Rd., Rapid City, South Dakota 57702.

Q. BY WHOM ARE YOU EMPLOYED AND IN WHAT CAPACITY?

A. I am employed by Black Hills Utility Holdings, Inc. ("BHUH"), a direct, wholly-owned subsidiary of Black Hills Corporation ("BHC"), as Manager - Revenue Requirement.

Q. ON WHOSE BEHALF ARE YOU TESTIFYING?

A. I am testifying on behalf of Black Hills Power Inc., d/b/a/ Black Hills Energy ("Black Hills" or the "Company").

II. STATEMENT OF QUALIFICATIONS

Q. WHAT ARE YOUR DUTIES AND RESPONSIBILITIES IN YOUR CURRENT POSITION?

A. I am responsible for managing the Revenue Requirements team which provides various financial analyses in support of BHC's utility subsidiaries and provides support of revenue requirement calculations in multiple states and jurisdictions.

Q. PLEASE OUTLINE YOUR EDUCATIONAL AND PROFESSIONAL BACKGROUND.

A. A summary of my education, employment history and experience is provided in Appendix A.

III. PURPOSE OF TESTIMONY

Q. WHAT IS THE PURPOSE OF YOUR TESTIMONY?

A. The purpose of my testimony is to outline the calculation of the reduction in the Federal Corporate Income Tax Rate ("FIT Rate") on the revenue requirement determined in Black Hills' last rate review (Docket No. EL14-026).

Q. ARE YOU SPONSORING ANY ATTACHMENTS?

A. Yes, I am sponsoring two (2) exhibits: 1) Confidential Attachment MCC-1 - The confidential settlement Revenue Requirement Model as presented by PUC Staff in Proceeding No. EL14-026 and 2) Confidential Attachment MCC-2 - Revenue Requirement Model updated to reflect the new 21% FIT Rate.

IV. CHANGE IN REVENUE REQUIREMENT

Q. WHAT IS THE BASIS OF THE CHANGE IN REVENUE REQUIREMENT?

A. The Tax Cuts and Jobs Act ("TCJA")[1] was signed into law on December 22, 2017. The TCJA amends the Internal Revenue Code of 1986 ("Tax Code") in several ways. The immediate action taken by the Company is to address the reduction in FIT Rate from 35% to 21% and determine the appropriate reduction in customer base rates to ensure that tax benefit is passed through to Black Hills' South Dakota retail customers. The Company approaches this by first, referring to its current rates and the approved revenue requirement used to set those rates in order to establish the basis for reduction. Next, current rates and the approved revenue requirement are adjusted to reflect the new 21% FIT Rate. Finally, the resulting revenue requirement is compared to the original revenue requirement amount to quantify the change in rates.

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[1] Public Law No. 115-97, an Act to Provide for Reconciliation Pursuant to Titles II and V of the Concurrent Resolution on the Budget for Fiscal Year 2018, is a congressional revenue act originally introduced in Congress as the Tax Cuts and Jobs Act.

Q. WHAT IS THE CHANGE IN REVENUE REQUIREMENT FROM THE LAST RATE REVIEW WHEN THE FEDERAL INCOME TAX RATE IS CHANGED TO 21%?

A. The change is a reduction of $7,671,339 for South Dakota retail customers. See Table 1 below for the comparison of the Revenue Requirement summary as filed in Docket No. EL14-026 and after the model was updated to reflect the new 21% FIT Rate.

	(A)	(B)	(C)	(D)	(E)
Line No.	**Description**	**Reference**	**BAM-1 Sch 1 From Proceeding No. EL14-026**	**Attachment MCC-2 Updated to reflect the 21% FIT Rate**	**Change**
1	Average Rate Base	BAM-2, sched 1, pg 1, line 37	$ 543,925,179	$ 543,950,279	$ 25,100
2	Adjusted Test Year Operating Income	BAM-1, sched 2, pg 1, line 30	37,736,318	42,826,287	5,089,969
3	Earned Rate of Return	Line 2 divided by line 1	6.94%	7.87%	0.93%
4	Recommended Rate of Return	BLC-1, Schedule 1, line 3	7.76%	7.76%	0.00%
5	Required Operating Income	Line 1 * line 4	42,208,594	42,210,542	1,948
6	Income Deficiency (Excess)	Line 5 less line 2	4,472,276	(615,745)	(5,088,021)
7	Gross Revenue Conversion Factor	Effective FIT rate / inverse + 1	1.53846	1.26582	(0.27264)
8	Revenue Deficiency (Excess)	Line 6 * line 7	6,880,425	(779,424)	(7,659,849)
9	Gross Receipts Tax (at 0.0015)	Column b, line 8 * 0.0015	10,321	(1,169)	(11,490)
10	**Total Revenue Deficiency (Excess)**	Column b, line 8 plus line 9	**6,890,746**	**(780,593)**	**(7,671,339)**
11	Adjusted Test Year Revenue	BAM-1, sched 2, pg 1, line 5	149,574,187	149,574,187	-
12	**Revenue Requirement**	Line 10 plus line 11	**$ 156,464,933**	**$ 148,793,594**	**$ (7,671,339)**

Q. WHY IS THE COMPANY USING THE STAFF MODEL FROM DOCKET NO. EL14-026 INSTEAD OF ITS OWN MODEL FROM THAT DOCKET?

A. Base rates in Docket No. EL 14-026 were set, based on the Staff Model presented as Confidential Attachment MCC-1. The Company uses that model as the starting point for its determination.

Q. HOW WAS CONFIDENTIAL ATTACHMENT MCC-1 CHANGED TO REFLECT THE NEW 21% FIT RATE?

A. The model was changed in multiple places in order to reflect the impact of the TCJA related to tax expense. Each change will flow through the integrated calculations normally. I will address the changes to the inputs or formulas by schedule below.

Docket No. EL14-026, BAM-1 Schedule 1

The Gross Revenue Conversion Factor on line 7 was updated to reflect the new 21% FIT Rate. The change results in a factor of 1.26582[2] instead of 1.53846[3].

Docket No. EL14-026, BAM-1 Schedule 2

Federal Income Taxes on line 24 under the Revenue Adjustment Column was updated to reflect the new 21% FIT Rate.

Docket No. EL14-026 BAM-1 Schedule 3

Federal Income Taxes on Line 24 was updated to reflect the new 21% FIT Rate. Column (a) contained a hard coded amount of $6,748,135 and was recalculated by dividing the entered amount of 6,748,135 by the old tax rate of 35% and multiplying by the new tax rate of 21% to reflect the change in deferred income tax expense. The result is a deferred income tax expense of $4,048,881. All formulas in columns (c) through (an) were changed from .35 to .21. Column (am) contains a link to Schedule BAM-3 Schedule 11 and will be addressed at that schedule.

Deferred Income Taxes on line 25 column (a) contained a hard coded amount of $3,431,123 and was recalculated by dividing by the old tax rate of 35% and multiplying by the new tax rate of 21% to reflect the change in deferred income tax expense. The result is a deferred income tax expense of $2,058,674.

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[2] $1/(1.00-0.21) = 1.26582$

[3] $1/(1.00-0.35) = 1.53846$

Docket No. EL14-026, BAM-3 Schedule 2

Federal Income Tax Adjustment (35%) on line 6 was updated to reflect the new 21% FIT Rate in both the formula and the reference.

Docket No. EL14-026 BAM-3 Schedule 11

Federal Income Tax Rate on line 2 was updated to reflect the new 21% FIT Rate. Also, lines 6 through 9 contained hard coded amounts and all were recalculated by dividing the entered amount by the old tax rate of 35% and multiplying by the new tax rate of 21% to reflect the change in deferred income tax expense.

Q. YOU REFERENCE A NUMBER OF HARDCODED AMOUNTS FOUND IN CONFIDENTIAL ATTACHMENT MCC-1. DID YOU CONFIRM THAT THE BASIS OF THOSE AMOUNTS WERE IN FACT 35%?

A. Yes. I referred to the referenced workpapers and documents provided by SDPUC Staff during Docket No. EL14-026 to confirm the source and basis of those amounts.

Q. WERE THERE ANY OTHER CHANGES TO THE MODEL?

A. No.

Q. IF THERE WERE NO OTHER CHANGES TO THE MODEL WHY DID RATE BASE CHANGE?

A. Rate base changed due to the effect of the lower revenue requirement on the South Dakota Sales Tax component of Advanced Tax Collections, as part of the working capital adjustment that is calculated on schedule PJS-1, Schedule 6, line 3 in Docket No. EL14-026.

Q. WHY WOULD RATE BASE IN THE LAST FILING, SPECIFICALLY ADIT, NOT BE IMPACTED BY TCJA?

A. The Company's approach is to adjust current rates to reflect a single known change of normal business operations; a change in the federal income tax expense. The TCJA will effect rate base on a forward looking basis in two ways. First, the repeal of bonus depreciation for tax purposes will effect projects placed in service after September 27, 2017. This provision is not retroactive, therefore, it will not cause a change to those assets which were already placed into service and included in rate base from Docket No. EL14-026. Second, the requirement to revalue Accelerated Deferred Income Taxes ("ADIT") under ASC 740 has a zero impact to rate base currently. In December of 2017 the Company revalued ADIT so that every $35 of income taxes owed to the Federal Government is now valued at $21. The $14 change in liability, or Excess Deferred Federal Income Tax ("EDFIT"), was recorded in FERC account 254 and is included in the calculation of rate base. Therefore, before TCJA the rate base would be reduced by $35 ($35 ADIT) and after TCJA rate base would still be reduced by $35 ($21 ADIT plus $14 EDFIT).

Q. WHAT IS THE TOTAL AMOUNT THAT BASE RATES ARE PROPOSED TO BE REDUCED IN 2019?

A. The amount is $7,671,339. Additionally, Mr. White proposes another $1.3 million related to the return of EDFIT estimated for 2018 utilizing the ARAM methodology. Therefore, the total reduction in revenue requirement is $8,971,339. As Mr. White explains in his testimony, this is not a final number and the Company intends to update it in November once the Company's 2017 tax return has been completed.

Q. HOW IS THE $1.3 MILLION ADDITIONAL REDUCTION IN REVENUES CALCULATED?

A. The $1.3 million is a placeholder. As discussed by Ms. Watkins and Mr. White, the ARAM calculation will be updated and used as a basis to reduce base rates.

Q. EXPLAIN WHAT YOU MEAN BY THE ARAM AMOUNT WILL BE USED AS A BASIS?

A. The ARAM calculation is estimated to produce a reduction in tax expense of approximately $1.1 million on a total company basis. In order to provide customers the total benefit of that reduction in the revenue requirement, the Company has included the grossed-up amount of $1.4 million ($1.1 million x 1.26582). The South Dakota share of the $1.4 million would then be allocated between the jurisdictions and result in approximately $1.3 million ($1.4 million x 2017 total plant allocator) for South Dakota. The Company has included a revenue reduction of $1.3 million as a placeholder for its South Dakota retail customers. The Company will provide a full calculation showing the total company and the South Dakota share of the ARAM amount in its update in November 2018. That update will also include the increase in rate base due to the change in the excess deferred liability account which is necessary to comply with tax normalization rules associated with including ARAM in rates.

Q. DOES THIS CONCLUDE YOUR TESTIMONY?

A. Yes.

Appendix A

Statement of Qualifications

Michael C. Clevinger

Mr. Clevinger graduated from Pensacola Christian College with a Bachelor's degree in Accounting (1993) and from California Coast University with a Master's in Business Administration (2010).

He began his career in Accounting with Interim Healthcare as Payroll Accountant. Additionally, he has held positions with Regent Lighting Corp. as Staff Accountant from 1996 to 2000; University of North Carolina Dental Faculty Practice as Accounting Manager from 2000 to 2002; Redeye Inc. as Royalty Accounting Manager from 2004 to 2005; and Wavecom, Incorporated as a Financial Analyst from 2007 to 2009.

In 2011, he joined Xcel Energy as Senior Rate Analyst, and then Principal Rate Analyst in the Rates Dept. of their utility subsidiary, Public Service Company of Colorado ("PSCo"). His responsibilities included development of cost of service studies, calculation of various rate riders, as well as, annual reports, earnings test calculations, and supporting various base rate filings made by PSCo for their electric, gas, and steam utilities.

Mr. Clevinger began his employment with Black Hills Utilities Holding in August 2015 as Manager, Regulatory Services for the Company's two utility properties in Colorado. His current duties include preparing annual reports, normalized earnings reports, various riders, and preparing cost of service studies for rate reviews in the various states including Colorado. He supervises three analysts in this area.

STATE OF SOUTH DAKOTA)
) SS
COUNTY OF PENNINGTON)

I, Michael Clevinger, being duly sworn on oath, depose and state that I am the witness identified in the foregoing prepared testimony and I am familiar with its contents, and that the facts set forth are true to the best of my knowledge, information and belief.

Michael Clevinger

Subscribed and sworn to before me this 27 day of June, 2018.

BECKY PURINGTON NOTARY PUBLIC STATE OF SOUTH DAKOTA

(SEAL)

Notary Public

My Commission Expires: My Commission Expires June 22, 2023