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May 10, 2016

Ms. Patricia Van Gerpen
Executive Director
South Dakota Public Utilities Commission
Capitol Building, 1st floor
500 E. Capitol Ave.
Pierre, SD 57501-5070

RE: Electric Cost Adjustment June 2016

In accordance with South Dakota Codified Laws, Chapter 49-34A, Black Hills Power, Inc. (“Black Hills Power” or “Company”) hereby submits its Electric Cost Adjustment (“ECA”) to its electric rates, to become effective on June 1, 2016.

The ECA for Black Hills Power was approved in Docket No. EL09-018 (the “EL09-018 ECA”). The EL09-018 ECA consists of two separate adjustments: 1) the Fuel and Purchased Power Adjustment (“FPPA”); and 2) the Transmission Cost Adjustment (“TCA”). Each adjustment applies to all rate schedules for all classes of service authorized by the Commission. Each adjustment is calculated annually by taking the net amount to be refunded or charged divided by the projected South Dakota retail energy sales, thus deriving the adjustment per kWh. The two adjustments are combined into the EL09-018 ECA for each rate class, which increases or decreases the rate accordingly.

The FPPA is calculated based on actual system costs for fuel and purchased power for the twelve months of April 2015 through March 2016 as compared to the base year fuel and purchased power costs, and includes an over or under recovery from prior years’ adjustments through the Balancing Account. The FPPA for this period, for all customer classes is \$0.01129 /kWh.

The TCA is calculated based on actual system transmission costs for the twelve months of April 2015 through March 2016 as compared to the base year transmission costs, and shall include an over or under recovery from prior years adjustments through the Balancing Account. The TCA for each customer class is based upon Class Allocators found in Table 1 of Section 3C, Original Sheet No. 18. The TCA for this period for each class is as follows:

Customer Class Transmission Cost Adjustment

Residential Service	\$0.0022 /kWh
Small General Service	\$0.0028 /kWh
Large General Service	\$0.0020 /kWh
Industrial Contract Service	\$0.0019 /kWh
Lighting Service	\$0.0025 /kWh

The present and proposed ECA for each customer class is as follows:

	Present ECA Rate ¢/kWh	Proposed ECA Rate ¢/kWh
Total Residential Service	0.96	1.35
Total Small General Service	1.01	1.41
Total Large General Service	0.94	1.33
Total Industrial Contract	0.92	1.32
Total Lighting Service	0.97	1.38

In support of this filing, attached hereto and made a part hereof by this reference are Attachments A through D, showing the supporting data for the proposed ECA:

<u>Attachment A</u>	Legislative Format of Tariffs
<u>Attachment B</u>	Clean Format of Tariffs
<u>Attachment C</u>	FPPA Calculation
<u>Attachment D</u>	TCA Calculation

Black Hills Power respectfully requests confidential treatment of Attachments C and D pursuant to ARSD Part 20:1:01:41 due to the competitive nature of the data.

Approximately 68,000 South Dakota retail customers are affected by the ECA rate change. The annual increase in the cost of service is approximately \$6,445,000 or 3.97% more than the revenue billed to customers during the twelve months ending March 31, 2016.

The proposed FPPA rates reflect an increase from current rates. The net transmission costs associated with the TCA were slightly lower than last year. The costs recoverable through the FPPA were approximately \$6,500,000 higher than the previous year. The main driver of this increase is the recovery of fuel and purchased power costs associated with wholesale contracts through the FPPA instead of base rates.

The PMOI credit was calculated based on the 70% sharing mechanism for April 2015 through March 2016. The Power Marketing Credit exceeded the annual minimum of \$1,000,000 for the for the time period.

If you have any questions or concerns, please feel free to contact me.

Sincerely,

Margaret McGill

Margaret McGill



Black Hills Power, Inc. d/b/a Black Hills Energy
Rapid City, South Dakota

SOUTH DAKOTA ELECTRIC RATE BOOK

Section No. 3C
Tenth Revised Sheet No. 1
Cancels Ninth Revised Sheet No. 1

(Reserved)

(T)



Black Hills Power, Inc. d/b/a Black Hills Energy
Rapid City, South Dakota

SOUTH DAKOTA ELECTRIC RATE BOOK

Section No. 3C
Fourth Revised Sheet No. 2
Cancels Third Revised Sheet No. 2

(Reserved)

(T)



Black Hills Power, Inc. d/b/a Black Hills Energy
Rapid City, South Dakota

SOUTH DAKOTA ELECTRIC RATE BOOK

Section No. 3C
Fourth Revised Sheet No. 3
Cancels Third Revised Sheet No. 3

(Reserved)

(T)



Black Hills Power, Inc. d/b/a Black Hills Energy
Rapid City, South Dakota

SOUTH DAKOTA ELECTRIC RATE BOOK

Section No. 3C
Fourth Revised Sheet No. 4
Cancels Third Revised Sheet No. 4

(Reserved)

(T)



SOUTH DAKOTA ELECTRIC RATE BOOK

FUEL AND PURCHASED POWER ADJUSTMENT

Section No. 3C

Eighth Revised Sheet No. 12

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Cancels Seventh Revised Sheet No. 12

FUEL AND PURCHASED POWER ADJUSTMENT

APPLICABLE

This Fuel and Purchased Power Adjustment (FPPA) applies to all rate schedules for all classes of service authorized by the South Dakota Public Utilities Commission (Commission).

The FPPA shall be calculated annually based on actual system costs for Fuel and Purchased Power (FPP) for the twelve months of April through March as compared to the base year FPP costs, and shall include an over-or-under recovery from prior years' adjustments through the Balancing Account. Black Hills Power, Inc. (the Company) will update and make a FPPA filing with the Commission on an annual basis no later than May 10th.

For the Twelve months
Ended March 1, 2016

FUEL AND PURCHASED POWER ADJUSTMENT CALCULATION

1.	Annual System FPP Costs	\$	38,352,504	
2.	Annual Retail Energy Sales		1,741,737,453	kWh
3.	FPP Cost /kWh (Line 1 ÷ Line 2)	\$	0.02202	/kWh
4.	Approved Base FPP Costs	\$	0.0146	/kWh
5.	FPP Cost /kWh Difference (Line 3 – Line 4)	\$	0.00742	/kWh
6.	Total FPP Change from Base (Line 2 x Line 5)	\$	12,923,692	
7.	South Dakota Annual Retail Energy Sales		1,466,553,332	kWh
8.	Total SD (Refund) / Charge (Line 5 x Line 7)	\$	10,881,826	
9.	SD Balancing Account (+/-)	\$	959,073	
10.	Incremental SD Jurisdictional Costs	\$	5,575,265	
11.	Rate Case True-up Items	\$	(217,097)	
12.	Net SD Amount to (Refund)/Charge (Line 8 through Line 11)	\$	17,199,068	
13.	Projected South Dakota Retail Energy Sales		1,523,829,812	kWh
14.	SD FPPA (Line 12 ÷ Line 13)	\$	0.01129	/kWh



SOUTH DAKOTA ELECTRIC RATE BOOK

TRANSMISSION COST ADJUSTMENT

Section No. 3C

Sixth Revised Sheet No. 16

Cancels Fifth Revised Sheet No. 16

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TRANSMISSION COST ADJUSTMENT

APPLICABLE

This Transmission Cost Adjustment (TCA) applies to all rate schedules for all classes of service authorized by the South Dakota Public Utilities Commission (Commission). The TCA shall be calculated annually based on actual system transmission costs for the twelve months April through March as compared to the base year transmission costs, and shall include an over-or-under recovery from prior years' adjustments through the Balancing Account. Black Hills Power, Inc. (the Company) will update and make a TCA filing with the Commission on an annual basis no later than May 10th.

TRANSMISSION COST ADJUSTMENT CALCULATION

For the Twelve months
 ended March 31, 2016

1.	Annual System Transmission Costs	\$	19,518,657	
2.	Power Marketing Transmission Costs	\$	221,514	
3.	Transmission Costs Reimbursed by Others	\$	1,332,032	
4.	Net Transmission Costs (Line 1 – Line 2 – Line 3)	\$	17,965,110	
5.	Annual Retail Energy Sales		1,741,737,453	kWh
6.	Adjusted Transmission Costs (Line 4 ÷ Line 5)	\$	0.01031	/kWh
7.	Base Transmission Costs	\$	0.00810	/kWh
8.	Difference (Line 6 – Line 7)	\$	0.00221	/kWh
9.	South Dakota Annual Year Retail Energy Sales		1,466,553,332	kWh
10.	Transmission Costs to South Dakota (Line 8 x Line 9)	\$	3,241,083	
11.	For Each Customer Class Calculate the Customer Class Allocation of Total South Dakota Transmission Expense Based Upon Class Allocators in Table 1 – Multiply Each Class Allocator by Line 10			

	Customer Class Allocation Factor	Allocated Amount
Residential Service	34.00%	\$1,101,968
Small General Service	34.33%	\$1,112,664
Large General Service	20.73%	\$671,877
Industrial Contract Service	9.97%	\$323,136
Lighting Service	0.97%	\$ 31,439



SOUTH DAKOTA ELECTRIC RATE BOOK

TRANSMISSION COST ADJUSTMENT

Section No. 3C

Sixth Revised Sheet No. 17

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Cancels Fifth Revised Sheet No. 17

TRANSMISSION COST ADJUSTMENT

12.	Balancing Account (+/-) for each South Dakota Customer Class	\$	<u>241,133</u>
	Residential Service	\$	81,985
	Small General Service	\$	82,781
	Large General Service	\$	49,987
	Industrial Contract Service	\$	24,041
	Lighting Service	\$	2,339
13.	Total Transmission Cost for each South Dakota Customer Class (Refund)/Charge (Line 11 + Line 12)		
	Residential Service	\$	1,183,953
	Small General Service	\$	1,195,445
	Large General Service	\$	721,863
	Industrial Contract Service	\$	347,177
	Lighting Service	\$	33,778
14.	Forecast South Dakota Customer Class Annual Retail Energy Sales (kWh/Class)		
	Residential Service		534,996,818
	Small General Service		423,681,795
	Large General Service		364,730,470
	Industrial Contract Service		186,641,555
	Lighting Service		13,779,174
15.	South Dakota Customer Class Transmission Cost Adjustment (Line 13/Line 14)		
	Residential Service	\$	<u>0.0022/kWh</u>
	Small General Service	\$	<u>0.0028/kWh</u>
	Large General Service	\$	<u>0.0020/kWh</u>
	Industrial Contract Service	\$	<u>0.0019/kWh</u>
	Lighting Service	\$	<u>0.0025/kWh</u>