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May 10, 2019

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

RE: Non-Docketed and Informational Submission
Electric Cost Adjustment June 2019

In accordance with South Dakota Codified Laws, Chapter 49-34A, Black Hills Power, Inc. d/b/a Black Hills Energy (“Black Hills Power” or “Company”) hereby submits its Electric Cost Adjustment (“ECA”) to its electric rates, to become effective on June 1, 2019.

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 FPPA is calculated based on actual system costs for fuel and purchased power for the twelve months ending March 31, 2019 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 \$0.00886 /kWh.

The TCA is calculated based on actual system transmission costs for the twelve months ending March 31, 2019 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	\$0.00400 /kWh
Small General Service	\$0.00490 /kWh
Large General Service	\$0.00350 /kWh
Industrial Contract Service	\$0.00300 /kWh
Lighting Service	\$0.00430 /kWh

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

	Present ECA Rate ¢/kWh	Proposed ECA Rate ¢/kWh
Total Residential Service	1.09	1.29
Total Small General Service	1.17	1.38
Total Large General Service	1.05	1.24
Total Industrial Contract	1.03	1.19
Total Lighting Service	1.11	1.32

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 70,000 South Dakota retail customers are affected from the ECA rate change. The change to ECA revenue is approximately \$2.8 million or 1.7% more than the ECA revenue billed to customers during the twelve months ending March 31, 2019.

The proposed FPPA rate reflects an increase from current rates. The drivers for the increase from current rates are as follows:

- Total System FPP costs were approximately 3% higher than last year due to an increase in Total System Annual Retail Energy Sales, resulting in a 2.8% higher FPP cost per kWh compared to 2018.
- SD Annual Retail Sales were down by 0.64%, but the SD System received a slight demand increase of 1.2% compared to last filing.
- The Commodity Balancing Account was under collected by \$271,049 whereas in the 2018 filing the Commodity Balancing Account was over-collected by approximately \$1.3 million.
- Wholesale activity includes a customer benefit of \$980,284 related to the long-term wholesale contracts in excess of \$6.4 million, as set forth in the settlement stipulation in Docket No. EL12-062, and further detailed on pages 11 and 12 of Schedule C.
- The proposed TCA rate reflects a small increase across all customer classes due to the increase in Total System Energy Sales. Total Company net transmission costs increased approximately \$950,000 from this year to last.
- The Power Marketing Credit exceeded the minimum of \$2 million for the time period.

Please contact me if you have any questions.

Sincerely,



Jason S. Keil
Manager – Regulatory & Finance