



Black Hills Power, Inc.  
Rapid City, South Dakota

**SOUTH DAKOTA ELECTRIC RATE BOOK**

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**CONDITIONAL ENERGY COST ADJUSTMENT**

Section No. 3C

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First Revised Sheet No. 1 (T)  
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**CONDITIONAL ENERGY COST ADJUSTMENT**

**APPLICABLE**

This Conditional Energy Cost Adjustment (CECA) applies to all rate schedules for all classes of service authorized by the South Dakota Public Utilities Commission (Commission).

The CECA shall be calculated annually based on actual system costs for Other Fuel and Purchased Power (OFAPP) for the previous calendar year as compared to the base year OFAPP 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 CECA filing with the Commission on an annual basis no later than February 10<sup>th</sup>.

**CONDITIONAL ENERGY COST ADJUSTMENT CALCULATION**

For the Year Ended  
December 31, 2007

1.	Annual System OFAPP Costs	\$ <u>22,060,841</u>
2.	Annual System Energy Sales	<u>2,331,069,322</u> kWh
3.	OFAPP Cost / kWh (Line 1 ÷ Line 2)	\$ <u>0.00946/kWh</u>
4.	Approved Base OFAPP Costs	\$ <u>0.00817/kWh</u>
5.	OFAPP Cost / kWh Difference (Line 3 – Line 4)	\$ <u>0.00129/kWh</u>
6.	Total OFAPP Change from Base (Line 2 x Line 5)	\$ <u>3,007,079</u>
7.	Cost Reduction: \$0; Unless Line 6 < 0 and > -\$1,000,000, Then Line 6 x (-1)	\$ <u>0</u>
8.	Cost Reduction per kWh (Line 7 ÷ Line 2)	\$ <u>0.00000/kWh</u>
9.	Power Marketing Credit	\$ <u>(2,018,787)</u>
10.	Power Marketing Credit / kWh Line 9 ÷ Line 2	\$ <u>(0.00087)/kWh</u>
11.	Net OFAPP Costs/kWh (Line 5 + Line 8 + Line 10)	\$ <u>0.00042/kWh</u>
12.	South Dakota Calendar Year Retail Energy Sales	<u>1,485,977,302</u> kWh
13.	Total SD (Refund)/Charge (Line 11 x Line 12)	\$ <u>624,110</u>
14.	Balancing Account (+/-)	\$ <u>0</u>
15.	Net Amount to (Refund)/Charge (Line 13 + Line 14)	\$ <u>624,110</u>
16.	Projected South Dakota Retail Energy Sales	<u>1,502,837,708</u> kWh
17.	CECA (Line 15 ÷ Line 16)	\$ <u>0.00042/kWh</u>

(N)



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**TRANSMISSION COST ADJUSTMENT**

Section No. 3C

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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 previous calendar year 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 February 10th.

**TRANSMISSION COST ADJUSTMENT CALCULATION**

For the Year Ended  
December 31, 2007

(N)

1.	Annual System Transmission Costs	\$ <u>11,457,977</u>
2.	Power Marketing Transmission Costs	\$ <u>987,512</u>
3.	Transmission Costs Reimbursed by Others	\$ <u>772,075</u>
4.	Net Transmission Costs (Line 1 – Line 2 – Line 3)	\$ <u>9,698,390</u>
5.	Annual Retail Energy Sales	<u>1,678,138,215</u> kWh
6.	Adjusted Transmission Costs (Line 4 ÷ Line 5)	\$ <u>0.00578/kWh</u>
7.	Base Transmission Costs	\$ <u>0.00599/kWh</u>
8.	Difference (Line 6 – Line 7)	\$ <u>(0.00021)/kWh</u>
9.	South Dakota Calendar Year Retail Energy Sales	<u>1,485,977,302</u> kWh
10.	Transmission Costs to South Dakota (Line 8 x Line 9)	\$ <u>(312,055)</u>
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%	(106,099)
Small General Service	34.33%	(107,129)
Large General Service	20.73%	(64,689)
Industrial Contract Service	9.97%	(31,112)
Lighting Service	0.97%	(3,027)



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**TRANSMISSION COST ADJUSTMENT**

12. Balancing Account (+/-) for each South Dakota Customer Class

Residential Service	\$ -
Small General Service	\$ -
Large General Service	\$ -
Industrial Contract Service	\$ -
Lighting Service	\$ -

13. Total Transmission Cost for each South Dakota Customer Class  
(Refund)/Charge (Line 11 + Line 12)

Residential Service	\$ (106,099)
Small General Service	\$ (107,129)
Large General Service	\$ (64,689)
Industrial Contract Service	\$ (31,112)
Lighting Service	\$ (3,037)

14. Forecast South Dakota Customer Class Annual Retail Energy Sales

	<u>kWh</u>
Residential Service	511,617,280
Small General Service	420,469,689
Large General Service	358,989,317
Industrial Contract Service	196,995,000
Lighting Service	14,766,421

15. South Dakota Customer Class Transmission Cost Adjustment  
(Line 13/Line 14)

	<u>\$/kWh</u>
Residential Service	(0.00021)
Small General Service	(0.00025)
Large General Service	(0.00018)
Industrial Contract Service	(0.00016)
Lighting Service	(0.00020)



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**TRANSMISSION COST ADJUSTMENT**

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(T)  
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**TRANSMISSION COST ADJUSTMENT**

**Table 1 – South Dakota Customer Class Capacity Allocation Factors**

(T)

<b>South Dakota Customer Class</b>	<b>Customer Class Capacity Allocation Factor</b>
Residential Service	34.00%
Small General Service	34.33%
Large General Service	20.73%
Industrial Contract Service	9.97%
Lighting Service	0.97%

**TRANSMISSION SERVICES**

The TCA shall recover the charges under the Company's Joint Open Access Transmission Tariff approved by the Federal Energy Regulatory Commission (FERC). The TCA may also include allowed charges billed to the Company by any other transmission provider.

Transmissions Services shall include all Network Integrated Transmission Service, all Point-to-Point Transmission Service, including all associated ancillary service charges, and regulation expenses, required to support the Company's system energy sales.

**ANNUAL SYSTEM TRANSMISSION COSTS (Line 1)**

The Annual System Transmission Costs are the total Company calendar year costs for Transmission Services.

**POWER MARKETING TRANSMISSION COSTS (Line 2)**

Power Marketing Sales are defined as short-term sales to wholesale customers. The Power Marketing Transmission Costs are those transmission costs incurred in facilitating Power Marketing Sales.

**TRANSMISSION COSTS REIMBURSED BY OTHERS (Line 3)**

These are the transmission costs of the Company that are reimbursed by others.

**ANNUAL RETAIL ENERGY SALES (Line 5)**

Annual Retail Energy Sales are the total of FERC accounts for Sales of Electricity by Rate Schedules.

**BASE TRANSMISSION COSTS (Line 7)**

The Base Transmission Costs are as approved by the Commission in Docket EL06-019.

**SOUTH DAKOTA CALENDAR YEAR RETAIL ENERGY SALES (Line 9)**

The South Dakota Calendar Year Retail Energy Sales are the total South Dakota retail energy sales for all classes of service authorized by the Commission.



**SOUTH DAKOTA ELECTRIC RATE BOOK**

**TRANSMISSION COST ADJUSTMENT**

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First Revised Sheet No. 7 (T)  
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**TRANSMISSION COST ADJUSTMENT**

**TRANSMISSION COSTS FOR SOUTH DAKOTA (Line 10)**

This is the total dollar amount of Transmission Costs allocated to all South Dakota retail customers.

**CUSTOMER CLASS CAPACITY ALLOCATION OF TRANSMISSION EXPENSE (Line 11)**

This is the total South Dakota transmission expense multiplied by each of the customer class capacity allocators to determine the allocated share of the transmission costs (Line 10) for each customer class.

**BALANCING ACCOUNT FOR EACH CUSTOMER CLASS (Line 12)**

This Balancing Account Amount on Line 12 (positive or negative) is the Line 13 amount for each South Dakota customer class from the previous filing (Total Transmission Costs for each South Dakota Customer Class) less the actual TCA (Refund)/Charge from each customer class for the calendar year as adjusted for applicable interest. The Balancing Account shall have interest applied or credited monthly at the annual rate of seven percent (7%). The TCA (Refund)/Charge will be applied monthly to the Balancing Account for each customer class, first to the interest balance, and thereafter to the principal amount.

**TOTAL TRANSMISSION COST FOR EACH SOUTH DAKOTA CUSTOMER CLASS (Line 13)**

This is the total dollar amount to be collected from or reimbursed to each South Dakota Customer Class.

**FORECAST SOUTH DAKOTA ANNUAL RETAIL ENERGY SALES BY CUSTOMER CLASS (Line 14)**

These are the kilowatt hours of South Dakota retail sales projected by customer class for the period that the TCA (Line 15) will be in effect.

**TRANSMISSION COST ADJUSTMENT (Line 15)**

The TCA on Line 15 shall be included in the Company's annual Energy Cost Adjustment and shall be applied to all rate schedules in all classes of service authorized by the Commission. Each customer class TCA is calculated by dividing class allocated expense (Line 13) by the forecast kilowatt hours of retail sales for each customer class (Line 14).

**SOUTH DAKOTA CUSTOMER CLASS CAPACITY ALLOCATION FACTORS (Table 1)**

The South Dakota Customer Class Capacity Allocation Factors in Table 1 are as approved by the Commission in Docket Number EL06-019.

**EFFECTIVE DATE**

The TCA shall first be applied to South Dakota retail rate schedules on March 1, 2008, based on calendar year 2007 results, and will continue for twelve (12) months thereafter. The TCA will be updated and filed each year thereafter with the same effective date of application of March 1st.



Black Hills Power, Inc.  
Rapid City, South Dakota

**SOUTH DAKOTA ELECTRIC RATE BOOK**

**STEAM PLANT FUEL COST ADJUSTMENT**

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Section No. 3C  
First Revised Sheet No. 8 (T)  
Replaces Original Sheet No. 8 (T)

**STEAM PLANT FUEL COST ADJUSTMENT**

**APPLICABLE**

This Steam Plant Fuel Cost Adjustment (SPFCA) applies to all rate schedules for all classes of service authorized by the South Dakota Public Utilities Commission (Commission). The SPFCA shall recover the fuel costs associated with the steam plant generation resources of Black Hills Power, Inc. (the Company) used to serve retail customers.

The SPFCA shall be calculated annually based on actual system steam plant fuel costs for the previous calendar year as compared to the base year steam plant fuel costs, and shall include an over-or-under recovery from prior years' adjustments through the Balancing Account. The Company will update and make a SPFCA filing with the Commission on an annual basis no later than February 10th.

<b><u>STEAM PLANT FUEL COST ADJUSTMENT CALCULATION</u></b>		For the Year Ended December 31, 2007	(N)
1.	Annual System Steam Plant Fuel Costs	\$ <u>16,609,549</u>	
2.	Power Marketing Steam Plant Fuel Costs	\$ <u>1,153,715</u>	
3.	Net Steam Plant Fuel Costs (Line 1 – Line 2)	\$ <u>15,455,834</u>	
4.	Annual System Energy Sales	<u>2,331,069,322</u> kWh	
5.	Adjusted Steam Plant Fuel Costs (Line 3 ÷ Line 4)	\$ <u>0.00663/kWh</u>	
6.	Base Steam Plant Fuel Costs	\$ <u>0.00631/kWh</u>	
7.	Difference (Line 5 – Line 6)	\$ <u>0.00032/kWh</u>	
8.	South Dakota Calendar Year Retail Energy Sales	<u>1,485,977,302</u> kWh	
9.	Steam Plant Fuel Costs to South Dakota (Line 7 x Line 8)	\$ <u>475,513</u>	
10.	Balancing Account (+/-)	\$ <u>0</u>	
11.	Balance of Steam Plant Fuel Costs for South Dakota (Refund)/Charge (Line 9 + Line 10)	\$ <u>475,513</u>	
12.	Projected South Dakota Retail Energy Sales	<u>1,502,837,708</u> kWh	
13.	Steam Plant Fuel Cost Adjustment (Line 11 ÷ Line 12)	\$ <u>0.00032/kWh</u>	



Black Hills Power, Inc.  
Rapid City, South Dakota

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**ENERGY COST ADJUSTMENT SUMMARY**

Section No. 3C  
Original Sheet No. 11

(N)

**ENERGY COST ADJUSTMENT SUMMARY**

	Energy Cost Adjustment (¢/kWh)
<u>Residential Service</u>	
1. CECA	0.04200
2. TCA	(0.02100)
3. SPCA	0.03200
4. Total Residential Service	0.05300
 <u>Small General Service</u>	
5. CECA	0.04200
6. TCA	(0.02500)
7. SPCA	0.03200
8. Total Small General Service	0.04900
 <u>Large General Service</u>	
9. CECA	0.04200
10. TCA	(0.01800)
11. SPCA	0.03200
12. Total Large General Service	0.05600
 <u>Industrial Contract Service</u>	
13. CECA	0.04200
14. TCA	(0.01600)
15. SPCA	0.03200
16. Total Industrial Contract Service	0.05800
 <u>Lighting Service</u>	
17. CECA	0.04200
18. TCA	(0.02000)
19. SPCA	0.03200
20. Total Lighting Service	0.05400

CECA – Conditional Energy Cost Adjustment  
TCA – Transmission Cost Adjustment  
SPCA – Steam Plant Cost Adjustment