

Black Hills Power, Inc.  
South Dakota  
Cost of Service Model Description

### **Section G**

**20:10:13:72. Statement G -- Rate of return.** Statement G shall show the percentage rate of return claimed, with a brief statement of its basis. The statement shall show the cost of debt capital, preferred stock capital, and the return on the stockholder's equity resulting from the overall rate of return claimed, based upon the utility's capitalization. In addition, items required in §§ 20:10:13:73 to 20:10:13:79, inclusive, shall be submitted as part of statement G. If 50 percent or more of the common stock of the public utility is not held by the public but is owned by another corporation, the information required by §§ 20:10:13:73 to 20:10:13:75, inclusive, shall also be submitted to the extent applicable for the debt, preferred stock, and common stock of the parent company.

**Source:** 2 SDR 90, effective July 7, 1976; 12 SDR 151, 12 SDR 155, effective July 1, 1986.

**General Authority:** SDCL 49-34A-4.

**Law Implemented:** SDCL 49-34A-10, 49-34A-12, 49-34A-41.

## Section G

**20:10:13:73. Statement G -- Debt capital.** Statement G shall also show the weighted average cost of debt capital based upon the following data for each class and series of long term debt outstanding according to the most recently available balance sheet:

- (1) Title;
- (2) Date of issuance and date of maturity;
- (3) Interest rate;
- (4) Principal amount of the issue;
- (5) Net proceeds;
- (6) Net proceeds per unit;
- (7) Amount currently outstanding;
- (8) Cost of money and yield to maturity based on the interest rate and net proceeds per unit outstanding determined by reference to any generally accepted table of bond yields;
- (9) If the issue is owned by an affiliate, the name and relationship of owner and a copy of the latest prospectus issued by the public utility, any superimposed holding company, or subsidiary companies;
- (10) A copy of the bond indenture provisions related to minimum interest coverage requirements for existing and new issues.

**Source:** 2 SDR 90, effective July 7, 1976; 12 SDR 151, 12 SDR 155, effective July 1, 1986.

**General Authority:** SDCL 49-34A-4.

**Law Implemented:** SDCL 49-34A-10, 49-34A-12, 49-34A-41.

**Statement G page 2-- Debt capital as of June 30, 2009.** Weighted cost of debt based on test year.

**Statement G page 3-- Debt capital pro forma.** Weighted cost of debt pro forma.

### Section G

**20:10:13:74. Statement G -- Preferred stock capital.** Statement G shall also show the weighted average cost of preferred stock capital based upon the following data for each class and series of preferred stock outstanding according to the most recently available balance sheet:

- (1) Title;
- (2) Date of issuance;
- (3) If callable, call price;
- (4) If convertible, terms of conversion;
- (5) Dividend rate;
- (6) Par value or stated amount of issue;
- (7) Price to public per share;
- (8) Underwriters' discount or commission:
  - (a) Amount;
  - (b) Percent of gross proceeds;
- (9) Issuance expenses:
  - (a) Amount;
  - (b) Percent of gross proceeds;
- (10) Net proceeds;
- (11) Net proceeds per unit;
- (12) Cost of money, that is, the dividend rate divided by net proceeds per unit or share;
- (13) Amount outstanding;
- (14) Whether issue was offered to stockholders through subscription rights or to the public;
- (15) If issue is owned by an affiliate, then provide the name and relationship of owner.

**Source:** 2 SDR 90, effective July 7, 1976; 12 SDR 151, 12 SDR 155, effective July 1, 1986.

**General Authority:** SDCL 49-34A-4.

**Law Implemented:** SDCL 49-34A-10, 49-34A-12, 49-34A-41.

### Section G

**20:10:13:75. Statement G -- Common stock capital.** Statement G shall also show for each sale of common stock during the five-year period preceding the most recently available balance sheet:

- (1) Number of shares sold;
- (2) Gross proceeds at offering price;
- (3) Underwriters' discount or commission;
- (4) Proceeds to the filing utility;
- (5) Amount of issuance expenses;
- (6) Net proceeds;
- (7) Offering price per share;
- (8) Net proceeds per share;
- (9) Book value per share at date immediately prior to date of issuance;
- (10) Closing market price at latest trading date prior to date of issuance;
- (11) Latest published earnings per share available at date of issuance;
- (12) Dividend rate at date of issuance;
- (13) Whether the issue was offered to stockholders through subscription rights or to the public and whether common stock was issued for property or for capital stock of others.

**Source:** 2 SDR 90, effective July 7, 1976; 12 SDR 151, 12 SDR 155, effective July 1, 1986.

**General Authority:** SDCL 49-34A-4.

**Law Implemented:** SDCL 49-34A-10, 49-34A-12, 49-34A-41.

Black Hills Power, Inc.  
South Dakota  
Cost of Service Model Description

## Section G

**20:10:13:76. Schedule G-1 -- Stock dividends, stock splits or changes in par or stated value.** Schedule G-1 shall show any stock dividends, stock splits or changes in par or stated value during the five-year period preceding the date of the most recently available balance sheet and by months for the 12-month test period plus subsequent months as available.

**Source:** 2 SDR 90, effective July 7, 1976; 12 SDR 86, effective November 24, 1985; 12 SDR 151, 12 SDR 155, effective July 1, 1986.

**General Authority:**SDCL 49-34A-4.

**Law Implemented:**SDCL 49-34A-10, 49-34A-12, 49-34A-41.

## Section G

**20:10:13:77. Schedule G-2 -- Common stock information.** Schedule G-2 shall show the following information on outstanding common stock for the 5 calendar years preceding the end of the test period and by months for the 12-month test period:

- (1) Average number of shares outstanding;
- (2) Earnings per average share for only the 5 years preceding the test year;
- (3) Annual earnings per share for only the latest reported 12-month average;
- (4) Annual dividend rate per share;
- (5) Dividends listed as percent of earnings;
- (6) Average market price based on the monthly high and low;

(7) Earnings price ratio, the relationship of annual earnings per share to average of the 12 monthly high and low market values of stock. In the case of monthly data, use the latest reported earnings in computing ratio of earnings to average high and low market value for the month;

(8) Dividend price ratio, the relationship of dividend per share to average high and low market value of stock.

**Source:** 2 SDR 90, effective July 7, 1976; 12 SDR 151, 12 SDR 155, effective July 1, 1986.

**General Authority:** SDCL 49-34A-4.

**Law Implemented:** SDCL 49-34A-10, 49-34A-12, 49-34A-41.

Black Hills Power, Inc.  
South Dakota  
Cost of Service Model Description

### Section G

**20:10:13:78. Schedule G-3 -- Reacquisition of bonds or preferred stock.** If any bonds or preferred stock have been reacquired by the utility during the 18 months prior to filing, show full details in schedule G-3, including:

- (1) Title or series;
- (2) Principal amounts or par value reacquired;
- (3) Reacquisition cost;
- (4) Gain or loss on reacquisition;
- (5) Income taxes, if any, allocable to the gain or loss, and basis of allocation.

**Source:** 2 SDR 90, effective July 7, 1976; 12 SDR 151, 12 SDR 151, 12 SDR 155, effective July 1, 1986.

**General Authority:** SDCL 49-34A-4.

**Law Implemented:** SDCL 49-34A-10, 49-34A-12, 49-34A-41.

Black Hills Power, Inc.  
South Dakota  
Cost of Service Model Description

## Section G

**20:10:13:79. Schedule G-4 -- Earnings per share for claimed rate of return.**

Schedule G-4 shall show the earnings per share of common stock which the claimed rate of return would yield and the basis upon which it is determined.

**Source:** 2 SDR 90, effective July 7, 1976; 12 SDR 151, 12 SDR 155, effective July 1, 1986.

**General Authority:**SDCL 49-34A-4.

**Law Implemented:**SDCL 49-34A-10, 49-34A-12, 49-34A-41.



**BLACK HILLS POWER, INC.**  
**PRO FORMA RATE OF RETURN**  
**JUNE 30, 2009**

**Statement G**  
**Page 1 of 5**

Line No.	Description	Reference	(a) Amount	(b) Percent of Total	(c) Cost	(d) Weighted Cost
1	Long-Term Debt (1)	Stmt G pg.3 Ln.17(j)	276,603,041	48.00%	6.85%	3.29%
2	Common Equity (2)	Ln.17	299,663,676	52.00%	11.50%	5.98%
3			<u>\$ 576,266,717</u>	<u>100.00%</u>		<u>9.27%</u>
4						
5	(1) Statement G, Page 3.					
6						
7	(2) Common Equity:					
8	Common Stock Issued	Stmt A pg.2 Ln.2(b)	\$ 23,416,396			
9	Premium on Capital Stock	Stmt A pg.2 Ln3(b)	42,076,811			
10	Other Paid-In Capital		-			
11	Capital Stock Expense	Stmt A pg.2 Ln.4(b)	(2,501,882)			
12	Accumulated Other Comprehensive Income/(Loss)	Stmt A pg.2 Ln.6(b)	(1,327,735)			
13	Retained Earnings	Stmt A pg.2 Ln.5(b)	203,350,086			
14	Common Equity	Ln.8 + Ln.13	<u>\$ 265,013,676</u>			
15						
16	Pro forma Adjustment (3)		34,650,000			
17		Ln.14 + Ln.16	<u>\$ 299,663,676</u>			
18						
19	(3) Adjustment to reflect future debt/equity structure to be maintained by Black Hills Power, Inc.					

**BLACK HILLS POWER, INC.**  
**DEBT CAPITAL**  
**FOR THE TEST YEAR ENDED JUNE 30, 2009**

Statement G  
Page 2 of 5

Line No.	(a) Title	(b) Issue	(c) Maturity	(d) Amount Issued	(e) Interest Rate	(f) Net Proceeds Amount	(g) (f) / (d) Per Unit	(h) (e) Yield to Maturity	(i) (h) / (g) Cost of Money	(j) Principal Outstanding	(k) Annual Cost
1	<b>BLACK HILLS POWER</b>										
2	<b><u>FIRST MORTGAGE BONDS:</u></b>										
3	Series Y	6/15/1988	6/15/2018	6,000,000	9.49%	5,906,578	0.9844	9.49%	9.64%	2,520,000	269,719
4	Series Z	5/29/1991	5/19/2021	35,000,000	9.35%	34,790,305	0.9940	9.35%	9.41%	19,980,000	2,023,738
5	Series AC	2/3/1995	2/1/2010	30,000,000	8.06%	29,812,500	0.9938	8.06%	8.11%	30,000,000	2,433,000
6	Series AE	8/13/2002	8/15/2032	75,000,000	7.23%	74,343,750	0.9913	7.23%	7.29%	75,000,000	5,467,500
7											
8	<b><u>OTHER BONDS:</u></b>										
9	Bear Paw Energy Note	6/15/2000	5/25/2012	539,000	13.66%	539,000	1.0000	13.66%	13.66%	219,249	34,356
10	Series 94A (1)	6/15/1994	6/1/2024	3,000,000	8.00%	2,930,057	0.9767	8.00%	8.19%	2,855,000	233,825
11	Series 2004 Campbell County due 2024	10/1/2004	10/1/2024	12,200,000	5.35%	12,062,750	0.9888	5.35%	5.41%	12,200,000	660,020
12	Series 2004 Pennington County due 2014	10/1/2004	10/1/2014	2,050,000	4.80%	2,026,938	0.9888	4.80%	4.85%	2,050,000	99,425
13	Series 2004 Campbell County due 2014	10/1/2004	10/1/2014	1,550,000	4.80%	1,532,563	0.9888	4.80%	4.85%	1,550,000	75,175
14	Series 2004 Weston County due 2014	10/1/2004	10/1/2014	2,850,000	4.80%	2,817,938	0.9888	4.80%	4.85%	2,850,000	138,225
15											
16	Total Outstanding									149,224,249	11,434,983
17											
18	Weighted Average Cost of Debt										7.66%
19											
20											
21	<b>BLACK HILLS CORP. DEBT:</b>										
22	Revolving Credit Facility (2)	5/5/2005	5/4/2010	55,000,000	(2)	(2)	(2)	(2)	(2)	270,500,000	(2)
23	\$250MM Notes Due 2013 (3)	5/21/2003	5/15/2013	250,000,000	6.50%	248,052,500	0.9922	6.50%	6.55%	224,886,319	14,730,475
24	\$250MM Notes Due 2014 (4)	5/14/2009	5/15/2014	250,000,000	9.00%	248,500,000	0.9940	9.00%	9.05%	250,000,000	22,635,815
25											

- 26 (1) The Series 94A Environmental Improvement Revenue Bonds are variable rate. The rate shown was the rate at June 30, 2009.
- 27 (2) The amount listed as issued is the balance outstanding at 6/30/09. This is a \$525 million credit facility which BHC can borrow on as needed.
- 28 The borrowings can change on a daily basis.
- 29 (3) Note was issued by BHC, but has been allocated to BHWHY. O/S balance at 6/30 includes unamortized discount on debt issuance.
- 30 (4) Note was issued by BHC in May 2009, but is allocated to the BHE entities.

**BLACK HILLS POWER, INC.  
PRO FORMA DEBT CAPITAL  
FOR THE TEST YEAR ENDED JUNE 30, 2009**

**Statement G  
Page 3 of 5**

Line No.	(a) Title	(b) Issue	(c) Maturity	(d) Amount Issued	(e) Interest Rate	(f) Net Proceeds Amount	(g) (f) / (d) Per Unit	(h) (e) Yield to Maturity	(i) (h) / (g) Cost of Money	(j) Principal Outstanding	(k) Annual Cost
1	<b>BLACK HILLS POWER</b>										
2	<b>FIRST MORTGAGE BONDS:</b>										
3	Series Y	6/15/1988	6/15/2018	6,000,000	9.49%	5,906,578	0.9844	9.49%	9.64%		9,000 (5)
4	Series Z	5/29/1991	5/19/2021	35,000,000	9.35%	34,790,305	0.9940	9.35%	9.41%		86,000 (5)
5	Series AC	2/3/1995	2/1/2010	30,000,000	8.06%	29,812,500	0.9938	8.06%	8.11%	-	-
6	Series AE	8/13/2002	8/15/2032	75,000,000	7.23%	74,343,750	0.9913	7.23%	7.29%	75,000,000	5,467,500
7	NEW Series issued in 2009	9/30/2009	9/30/2019	180,000,000	6.68%	178,200,000	0.9900	6.68%	6.75%	180,000,000	12,150,000
8											
9	<b>OTHER BONDS:</b>										
10	Bear Paw Energy Note	6/15/2000	5/25/2012	539,000	13.66%	539,000	1.0000	13.66%	13.66%	98,041	18,930
11	Series 94A (1)	6/15/1994	6/1/2024	3,000,000	8.00%	2,930,057	0.9767	8.00%	8.19%	2,855,000	233,825
12	Series 2004 Campbell County due 2024	10/1/2004	10/1/2024	12,200,000	5.35%	12,062,750	0.9888	5.35%	5.41%	12,200,000	660,020
13	Series 2004 Pennington County due 2014	10/1/2004	10/1/2014	2,050,000	4.80%	2,026,938	0.9888	4.80%	4.85%	2,050,000	99,425
14	Series 2004 Campbell County due 2014	10/1/2004	10/1/2014	1,550,000	4.80%	1,532,563	0.9888	4.80%	4.85%	1,550,000	75,175
15	Series 2004 Weston County due 2014	10/1/2004	10/1/2014	2,850,000	4.80%	2,817,938	0.9888	4.80%	4.85%	2,850,000	138,225
16											
17	Total Outstanding									276,603,041	18,938,100
18											
19	Weighted Average Cost of Debt										6.85%
20											
21											
22	<b>BLACK HILLS CORP. DEBT:</b>										
23	Revolving Credit Facility (2)	5/5/2005	5/4/2010	55,000,000	(2)	(2)	(2)	(2)	(2)	270,500,000	(2)
24	\$250MM Notes Due 2013 (3)	5/21/2003	5/15/2013	250,000,000	6.50%	248,052,500	0.9922	6.50%	6.55%	224,886,319	14,730,475
25	\$250MM Notes Due 2014 (4)	5/14/2009	5/15/2014	250,000,000	9.00%	248,500,000	0.9940	9.00%	9.05%	250,000,000	22,635,815
26											

(1) The Series 94A Environmental Improvement Revenue Bonds are variable rate. The rate shown was the rate at June 30, 2009.  
(2) The amount listed as issued is the balance outstanding at 6/30/09. This is a \$525 million credit facility which BHC can borrow on as needed. The borrowings can change on a daily basis.  
(3) Note was issued by BHC, but has been allocated to BHWHY. O/S balance at 6/30 includes unamortized discount on debt issuance.  
(4) Note was issued by BHC in May 2009, but is allocated to the BHE entities.  
(5) Annual cost is the premium paid to call these bonds. The premium will be amortized in accordance with FERC rules.

**BLACK HILLS POWER AND BLACK HILLS CORPORATION  
COST OF PREFERRED STOCK  
FOR THE TEST YEAR ENDED JUNE 30, 2009**

**Statement G  
Page 4 of 5**

<u>Line No.</u>	<u>Description</u>
1	No preferred stock as of June 30th, 2009.

**BLACK HILLS CORPORATION**  
**SALE OF COMMON STOCK**  
**FOR THE PERIOD JANUARY 1, 2004 THROUGH DECEMBER 31, 2008**

**Statement G**  
**Page 5 of 5**

Line No.	Description	Number of Shares Issued	Gross proceeds at Offering Price	Under-writer's Discount	Proceeds to Black Hills Corporation	Issuance Expense	Net Proceeds	Offering Price Per Share	Book Value Per Share	Closing Mkt Price Per latest Trading Date Prior to Date of Issuance	Earnings/Sh are at Date of Issuance	Dividend Rate at Date of Issuance	Public or Subscribed Issue
1	<b>Black Hills Corporation</b>												
2													
3	<b>Year 2004</b>												
4	ESPP (1)	15,644	447,434	-	447,434	-	447,434	28.60	28.60	22.43	30.68	1.76	1.24 Private
5	Stock Options	71,099	1,572,506	-	1,572,506	-	1,572,506	22.12	22.12	22.43	30.68	1.76	1.24 Private
6	DRIP (2)	22,934	697,522	-	697,522	-	697,522	30.41	30.41	22.43	30.68	1.76	1.24 Subscribed by Shareholders
7													
8	<b>Year 2005</b>												
9	Stock Options	407,357	10,195,136	-	10,195,136	-	10,195,136	25.03	25.03	22.28	34.61	1.00	1.28 Private
10													
11	<b>Year 2006</b>												
12	Stock Options	126,467	3,682,719	-	3,682,719	-	3,682,719	29.12	29.12	23.68	36.94	2.42	1.32 Private
13													
14	<b>Year 2007</b>												
15	Stock Options	181,384	5,408,871	-	5,408,871	-	5,408,871	29.82	29.82	25.66	44.10	2.64	1.37 Private
16	Private Equity Offering	4,170,891	150,152,076	-	145,645,014	-	145,645,014	36.00	34.92	25.19	39.04	2.64	1.37 Private
17													
18	<b>Year 2008</b>												
19	Stock Options	90,214	2,266,176	-	2,266,176	-	2,266,176	25.12	25.12	27.19	26.96	2.75	1.40 Private
20													
21													

(1) ESPP is the Company's Employee Stock Purchase Plan

(2) DRIP is the Company's Dividend Reinvestment Plan

24  
25

**BLACK HILLS POWER, INC.**  
**STOCK DIVIDENDS, STOCK SPLITS, OR CHANGES IN PAR VALUE OF COMMON STOCK**  
**FOR THE PERIOD JANUARY 1, 2004 THROUGH DECEMBER 31, 2008**

**Schedule G-1**  
**Page 1 of 1**

Line No.	Year	Stock Dividends	Stock Splits	Changes in Par Value
1	2004	N/A	N/A	N/A
2	2005	N/A	N/A	N/A
3	2006	N/A	N/A	N/A
4	2007	N/A	N/A	N/A
5	2008	N/A	N/A	N/A

**BLACK HILLS POWER, INC.**  
**COMMON STOCK INFORMATION**  
**FOR THE PERIOD JANUARY 1, 2004 THROUGH JUNE 30, 2009**

**Schedule G-2**  
**Page 1 of 1**

Line No.	YEAR	AVERAGE SHARES OUTSTANDING	EARNINGS PER AVERAGE SHARE (1)	DIVIDENDS PER SHARE (2)	DIVIDENDS AS A % OF EARNINGS	BHP MARKET PRICE AT END OF YEAR	BHP PRICE / EARNINGS RATIO	BHP DIVIDEND YIELD
1	2004	23,416,396	\$ 0.82	\$ 1.02	124%	N/A	N/A	N/A
2	2005	23,416,396	\$ 0.77	\$ -	0%	N/A	N/A	N/A
3	2006	23,416,396	\$ 0.80	\$ -	0%	N/A	N/A	N/A
4	2007	23,416,396	\$ 1.06	\$ -	0%	N/A	N/A	N/A
5	2008	23,416,396	\$ 0.97	\$ -	0%	N/A	N/A	N/A
6								
7	Jul-08	23,416,396	\$ 0.27	\$ -	0%	N/A	N/A	N/A
8	Aug-08	23,416,396	\$ 0.27	\$ -	0%	N/A	N/A	N/A
9	Sep-08	23,416,396	\$ 0.27	\$ -	0%	N/A	N/A	N/A
10	Oct-08	23,416,396	\$ 0.24	\$ -	0%	N/A	N/A	N/A
11	Nov-08	23,416,396	\$ 0.24	\$ -	0%	N/A	N/A	N/A
12	Dec-08	23,416,396	\$ 0.24	\$ -	0%	N/A	N/A	N/A
13	Jan-09	23,416,396	\$ 0.30	\$ -	0%	N/A	N/A	N/A
14	Feb-09	23,416,396	\$ 0.30	\$ -	0%	N/A	N/A	N/A
15	Mar-09	23,416,396	\$ 0.30	\$ -	0%	N/A	N/A	N/A
16	Apr-09	23,416,396	\$ 0.13	\$ -	0%	N/A	N/A	N/A
17	May-09	23,416,396	\$ 0.13	\$ -	0%	N/A	N/A	N/A
18	Jun-09	23,416,396	\$ 0.13	\$ -	0%	N/A	N/A	N/A

(1) Earning Per Average Share excludes net income of discontinued operations.

(2) Monthly dividends per share are computed on the current quarter and preceding three quarters.

**BLACK HILLS POWER, INC.**  
**REACQUISITION OF BONDS OR PREFERRED STOCK**  
**FOR THE 18 MONTH PERIOD PRIOR TO FILING**

**Schedule G-3**  
**Page 1 of 1**

<u>Line No.</u>	<u>Description</u>
1	Black Hills Power did not reacquire any bonds or preferred stock in the 18 months
2	prior to filing.



**BLACK HILLS POWER, INC.**  
**EARNINGS PER SHARE FOR CLAIMED RATE OF RETURN**  
**FOR THE TEST YEAR ENDED JUNE 30, 2009**

**Schedule G-4**  
**Page 1 of 1**

Line No.	Description	Reference	Amount
1	Common equity	Stmt G pg.1 Ln.14	\$ 265,013,676
2	Return-Percentage	Stmt G pg.1 Ln.2(c)	11.50%
3	Return-Amount	Ln.1 * Ln.2	<u>\$ 30,476,573</u>
4	Common Shares outstanding June 30, 2009	Sched G-2 Ln.18	<u>23,416,396</u>
5	Earnings per Common Share-Black Hills Power	Ln.3 / Ln.4	<u>\$ 1.30</u>