

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

Section R

20:10:13:102. Statement R -- Purchases from affiliated companies. If any of the preceding statements cover purchases or other transfers of equipment, fuels or gas, materials, or services from an affiliate that are not regulated for price, the applicant shall submit a detailed explanation, including a showing of the affiliate's rate of return on investment associated with the purchases and the prices of comparable equipment, materials, or services offered by unaffiliated suppliers.

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 R - Part I
Wyodak Resources Development Corporation
Computation of Utility Type Investment Base
for Total Sales to Black Hills Power and Cheyenne Light, Fuel and Power Company
for the 12 Months ended December 31, 2010

Line No.		(1) Total Company	(2) Applicable Sales to BHP/CLFP
1	Gross Mining Plant	\$ 96,179,243	
2	Accumulated Provision for Depreciation, Depletion and Amortization -- Mining Plant	<u>43,222,320</u>	
3	Net Mining Plant (Line 1 less Line 2)	\$ 52,956,923	\$ 18,921,509 (a)
4	Blending Facility	6,394,011	
5	Accumulated Provision for Depreciation	<u>5,748,096</u>	
6	Blending Facility (Line 4 less Line 5)	645,915	556,908 (b)
7	Processing Plant	17,605,956	
8	Accumulated Provision for Depreciation	<u>9,290,389</u>	
9	Net Processing Plant (Line 7 less Line 8)	8,315,567	4,097,911 (c)
10	Mining Investment for BHP/CLFP Sales*	425,000	
11	Accumulated Provision for Depreciation*	<u>425,000</u>	
12	Net Investment for Sales to BHP/CLFP (Line 10 less Line 11)	<u>-</u>	<u>-</u>
13	Net Mining and Processing Plant (Sum Lines 3, 6, 9, 12)	61,918,405	23,576,328
14	Unamortized Stripping Costs*	-	- (a)
15	Materials, Supplies and Prepayments*	<u>7,924,877</u>	<u>2,831,559 (a)</u>
16	Total Utility Type Investment Base (Sum Lines 13, 14, 15)	<u>\$ 69,843,282</u>	<u>\$ 26,407,887</u>
17	(a) Percent Applicable to Mining (Part III, Line 6)		35.73%
18	(b) Percent Applicable to Blending Facility (Part III, Line 9)		86.22%
19	(c) Percent Applicable to Processing (Part III, Line 11)		49.28%
20	* from Input page		

Statement R - Part II
Wyodak Resources Development Corporation
Computation of Utility Type Investment Base
for Total Sales to Black Hills Power and Cheyenne Light, Fuel and Power Company
for the 12 Months ended December 31, 2010

Line No.	(1) Total Company	(2) Applicable Sales to BHP/CLFP	(3) Adjusted
1	\$ 68,702,007	\$ 28,049,000	\$ 28,281,429
2	<u>Operating Expenses:</u>		
3	21,138,337	7,552,728 (a)	7,552,728
4	8,587,751	3,494,303 (e)	3,494,303
5	3,243,511	1,258,306 (e)	1,258,306
6	3,784,096	1,468,023 (e)	1,468,023
7	2,895,487	1,178,156 (e)	1,178,156
8	1,411,353	1,216,869 (b)	1,216,869
9	4,184,220	2,061,984 (c)	2,061,984
10	12,608,345	4,504,962 (a)	4,504,962
11	117,852	101,612 (b)	101,612
12	929,034	457,828 (c)	457,828
13	-	-	-
14	2,950,853	1,054,340 (a)	1,054,340
15	<u>Property Taxes:</u>		
16	374,930	133,962 (a)	133,962
17	29,280	25,245 (b)	25,245
18	80,623	39,731 (c)	39,731
19	1,946	1,946	1,946
20			
21	62,337,618	24,549,995	24,549,995
22			
23	2,035,355	692,592 (d)	924,276
24	64,372,973	25,242,587	25,474,271
25	4,329,034	2,806,413	2,807,158
26	3,509,171		
27	-		
28	\$ 7,838,205		
29			
30		26,407,887	26,407,887
31			
32		10.63%	10.63%
33			
34			35.73%
35			86.22%
36	(a) Percent Applicable to Mining (Part III, Line 6)		49.28%
37	(b) Percent Applicable to Blending Facility (Part III, Line 9)	692,592	
38	(c) Percent Applicable to Processing (Part III, Line 11)		
39	(d) Amount Applicable to BHP/CLFP (Part IV, Line 11)	692,592	
40	(e) Coal taxes calculated based on applicable sales to those subsidiaries		

Statement R - Part III
Wyodak Resources Development Corporation
Computation of Utility Type Investment Base
for Total Sales to Black Hills Power and Cheyenne Light, Fuel and Power Company
for the 12 Months ended December 31, 2010

<u>Line No.</u>		<u>TONS SOLD</u>
1	Total Coal Sold	6,545,317
2	Total Coal Sold - Wyodak Plant	<u>2,104,455</u>
3	Total Coal Sold - All Except Wyodak	4,440,862
4	Total Tons Sold - BHP Wyodak	420,891
5	Total Coal Sold - BHP/CLFP Other Plants	1,917,663
6	Percent Applicable to Mining ((Line 4+Line 5)/Line 1)	35.73%
7	Total Coal Sold - BHP/CLFP by Blending Facility	1,382,414
8	Other Coal Sold by Blending Facility	221,007
9	Percent Applicable to Processing Blending Facility (Line 7/(Line 7+Line 8))	86.22%
10	Total Coal Sold - Train Load Out	1,800,000
11	Percent Applicable to Processing (Line 4+Line 5)/(Line 1-Line 10)	49.28%

Statement R - Part IV
Wyodak Resources Development Corporation
Computation of Utility Type Investment Base
for Total Sales to Black Hills Power and Cheyenne Light, Fuel and Power Company
for the 12 Months ended December 31, 2010

<u>Line No.</u>		
1	Total Federal Income Tax Applicable to Mining Income	\$ 2,035,355
2	Income before Federal Income Tax:	
3	Net Income	8,247,346
4	Plus Federal Income Tax	<u>2,035,355</u>
5	Mining Income Before Federal Income Tax	10,282,701
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6	Unadjusted Receipts from Coal Sales (from Part II)	28,049,000
7	Total Operating Expenses (from Part II)	<u>24,549,995</u>
9	Income before Federal Income Tax Applicable to BHP/CLFP	3,499,005
10	Federal Income Tax Rate (Line 4/Line 5)	<u>19.79%</u>
11	Federal Income Tax	<u><u>\$ 692,592</u></u>

Statement R - Part V
Wyodak Resources Development Corporation
Computation of Utility Type Investment Base
for Total Sales to Black Hills Power and Cheyenne Light, Fuel and Power Company
for the 12 Months ended December 31, 2010

<u>Line No.</u>	<u>Amount</u>	<u>Percent of Total</u>	<u>Cost</u>	<u>Weighted Cost</u>
1	Long Term Debt	-	0.00%	0.00%
2	Common Equity	159,023,494	100.00%	10.63%
3	Total Capitalization	<u>\$ 159,023,494</u>	<u>100%</u>	<u>10.63%</u>
4				
5				
6				
7	Return on Equity			
8	Utility A Rated Bonds		6.63%	
9	Plus 400 Basis Points -		4.00%	
10	ROE		<u>10.63%</u>	
11				
12	Weighted Cost of Equity	10.63%	10.63%	
13	Weighted Cost of Debt	0.00%	0.00%	
14	Weighted Cost of Capital		<u>10.63%</u>	

Statement R - Part VI
Wyodak Resources Development Corporation
Computation of Utility Type Investment Base
for Total Sales to Black Hills Power and Cheyenne Light, Fuel and Power Company
for the 12 Months ended December 31, 2010

<u>Line No.</u>		<u>Amount</u>
1	Price per Ton required to balance Affiliate Coal Adjustment to approximately	\$ 12.09
2	Coal Receipts from BHP/CLFP	\$ 28,049,000
3	Coal Receipts from BHP/CLFP as Adjusted (from Part II)	<u>\$ 28,281,429</u>
4	Difference in Coal Receipts BHP/CLFP (Line 1 - Line 2)	(232,429)
5	Annual Retail Energy Sales in South Dakota - MWH	1
6	Annual Total Energy Sales - MWH	1
7	Percent Applicable to South Dakota (Line 4/Line 5)	100.00%
8	Affiliate Coal Adjustment (Line 3 x Line 6)	<u>\$ (232,429)</u>