

**BEFORE THE SOUTH DAKOTA
PUBLIC UTILITIES COMMISSION**

**IN THE MATTER OF BLACK HILLS)
POWER, INC.'S APPLICATION FOR)
APPROVAL OF DEFERRED COLLECTION)
OF ITS ELECTRIC COST ADJUSTMENT)**

Docket No. _____

APPLICATION FOR DEFERRED COLLECTION OF ELECTRIC COST ADJUSTMENT

Black Hills Power, Inc. ("Black Hills Power" or the "Company"), a South Dakota corporation, respectfully requests an order from the South Dakota Public Utilities Commission ("Commission") approving deferred collection of the Electric Cost Adjustment including the Conditional Energy Cost Adjustment ("CECA"), the Transmission Cost Adjustment ("TCA") and the Steam Plant Fuel Cost Adjustment ("SPFCA") (collectively referred to herein as "EL06-019 ECA") to its electric rates. In support of its Application, Black Hills Power states as follows:

1. Black Hills Power is a public utility as defined under SDCL § 49-34A-1, with a business address of PO Box 1400, 625 Ninth Street, Rapid City, SD 57709.
2. The Company is permitted, in accordance with SDCL §49-34A and the Administrative Rules of South Dakota (ARSD) Chapter 20:10:13, to pass on increases or decreases in costs to its customers in accordance with its tariffs. This Application sets forth the Company's proposal to defer collection of those costs recoverable pursuant to the EL06-019 ECA.
3. The EL06-019 ECA for Black Hills Power currently includes three separate adjustments approved in Docket No. EL06-019: 1) the CECA; 2) the TCA; and 3) the SPFCA. 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 (kWh), thus deriving the adjustment per kWh. The three adjustments are currently combined into the EL06-019 ECA for each rate class, which increases or decreases accordingly and is in effect until February 28, 2011.
4. In Docket No. EL09-018, the Commission approved collection of two energy cost adjustments: 1) the TCA and 2) the Fuel and Purchased Power Adjustment (FPPA) (collectively, the "EL09-018 ECA"). The FPPA includes costs that were formerly recovered through the SPFCA and CECA. The EL09-018 ECA tariff became effective on April 1, 2010. The recovery of the EL09-018 ECA for the twelve months ending March 31, 2011 will begin June 1, 2011 following the filing and approval of an application to the Commission setting forth the costs incurred and the customer impact.
5. Due to the effective date of the EL09-018 ECA tariff, costs to be recovered under the EL06-019 ECA include only three months of costs incurred during the calendar year 2010 (January, February and March). The Company's normal practice for recovery of the EL06-019 ECA has been to file for approval of the ECA in January of each year with an effective date for inclusion in rates of March 1st of that year to

recover costs associated to the TCA, SPFCA and CECA for the previous year. For example, in January 2010, the Company filed for approval of its ECA which recovered costs incurred in calendar year 2009. The recovery of 2009 costs under the EL06-019 ECA began on March 1, 2010. In the present case, the Company does not have a full year to recover under the EL06-019 ECA and cannot, at this time, file for approval of costs incurred under the EL09-018 ECA as they will not be fully incurred until the end of March 2011. Requesting approval of costs incurred under the EL06-019 ECA would result in a rate change to customers on March 1, 2011. Customers would then incur another rate change upon approval of the EL09-018 ECA to be implemented on June 1, 2011.

6. To avoid the rate change in March, the Company proposes deferring collection of the costs related to the EL06-019 ECA for the three months that costs were incurred under these adjustment clauses, January through March 2010, and rolling the amount into the EL09-018 ECA for collection beginning June 1, 2011. By doing this, the Company avoids two separate rate changes for its South Dakota customers and any confusion that may be associated with two separate energy cost adjustments.

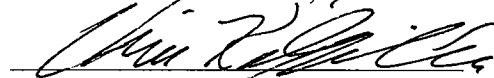
7. Under the Company's proposal, the customer bills for March, April and May of 2011 will not contain an ECA charge. On the expiration of the EL06-019 ECA (February 28, 2011), the amount over or under collected will be part of the balancing account in conjunction with the EL09-018 ECA. Therefore, the rate to be recovered beginning June 1, 2011 would include costs incurred under the EL06-019 ECA during January through March 2010, costs incurred April 1, 2010 through March 31, 2011 under the EL09-018 ECA and the ongoing balancing account calculation.

8. The proposed EL06-019 ECA amount that will be rolled into the EL09-018 ECA for recovery is \$1,794,863.

Black Hills Power respectfully requests that the Commission enter an order approving deferred collection of the ECA.

Dated this 11^A day of February, 2011.

BLACK HILLS POWER, INC.



Chris Kilpatrick

Director of Resource Planning and Electric Rates