

RATE PHASE-IN RIDER

APPLICATION

Applicable to bills for electric service provided under the Company's retail rate schedules.

RIDER

There shall be included on each customer's monthly bill a Rate Phase-In (RPI) Rider adjustment charge, which shall be the RPI Rider Adjustment Factor multiplied by the customer's monthly billing kWh for electric service. This RPI Rider adjustment charge shall be calculated before any city surcharge or city and state sales tax.

DETERMINATION OF RPI ADJUSTMENT FACTOR

The RPI Adjustment Factor shall be calculated by dividing the forecasted balance of the RPI Tracker Account by the forecasted retail sales for the upcoming recovery period. The RPI Adjustment Factor shall be rounded to the nearest \$0.000001 per kWh.

The RPI Adjustment Factor may be adjusted annually subject to a compliance filing with the South Dakota Public Utilities Commission (Commission). Revisions to the RPI Adjustment Factor shall apply to bills rendered on and after January 1. The initial RPI Adjustment Factor for all rate schedules is:

All Customers	\$0.001830 per kWh
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Recoverable Capital Costs shall be the annual revenue requirements associated with those capital projects specified herein expected to be placed in service in 2012 or 2013, if determined by the Commission to be eligible for recovery under this Rate Phase-In Rider, and not included in the calculation of final base rates in Docket No. EL12-046.

Recoverable Property Taxes shall be incremental property taxes for 2013 incurred by the Company that are otherwise not included in base rates as determined in Docket No. EL12-046 or other rate recovery mechanisms.

A standard model will be used to calculate the total forecasted revenue requirements for each eligible project and eligible property taxes for the designated period. All costs appropriately charged to the RPI Tracker Account shall be eligible for recovery through this RPI Rider, and all revenues recovered from RPI Adjustment Factors shall be credited to the RPI Tracker Account.

Forecasted retail sales shall be the estimated total retail electric sales for the designated recovery period.

Projects eligible for Inclusion in RPI Rider

Projects eligible for recovery in the RPI Rider effective on or after May 1, 2013 are those projects with 2012 and 2013 in-service activity. The projects in-service in 2012 eligible for recovery in the RPI Rider are: (1) the Prairie Island H Line; and (2) the Monticello Life Cycle Management/Extended Power Uprate. The projects in service in 2013 eligible for recovery in the RPI Rider are: (1) Monticello Fire Model; (2) Prairie Island Steam Generator; (3) Prairie Island Dry Casks; (4) Sherco Cooling Towers and (5) Sherco HFU.

The Year 1 RPI Rider will be calculated to recognize a full year of annual revenue requirements for the projects in-service in 2012 and a partial year of recovery for the 2013 projects based on the expected 2013 projects' in-service dates. The Company will file an update on October 1, 2013 to revise the RPI Rider Adjustment Factor to recognize a full year of annualized revenue requirements for the projects in-service in 2013.

The Company's compliance filing with the Commission shall provide the in-service date of the specific eligible project, the calculation of the annual revenue requirements for the project(s) placed in service, the eligible property taxes, and the forecasted retail sales. The Company shall provide notice to customers of the change in the RPI Rider Adjustment Factor by a bill message in the month the change is effective.

TRUE-UP

An annual true-up will be filed by October 1 of each year with any changes in the RPI Rider Adjustment Factor implemented the following January 1. The RPI Rider will be updated to true-up the difference between actual costs and revenues for the prior period, reconciling any differences between estimated cost and in-service date and actual cost and in-service date, and include projected revenue requirements for the tracker projects in the following year, including any property taxes incurred but otherwise not yet included in rates, the RPI Rider, or other rate recovery mechanisms. This process of true up to actual costs and reset of the Rate Phase-In Rider factor based on forecast for the following year will continue until the revenue requirements related to projects in the rider are moved into base rates in a future rate case.