

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, 2012. 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.
COST OF CAPITAL - PRO FORMA
For the Pro Forma Test Year Ended June 30, 2012

Line No.	Description	Reference	(a) Amount	(b) Percent of Total	(c) Cost	(d) (b)*(c) Weighted Cost
1	Pro Forma:					
2	Long-Term Debt	Stmt. G pg. 3 Ln. 15(j)	270,055,000	46.83%	6.59%	3.09%
3	Common Equity (1)	Ln. 13	<u>306,572,772</u>	<u>53.17%</u>	10.25%	<u>5.45%</u>
4			<u>\$ 576,627,772</u>	<u>100%</u>		<u>8.54%</u>
5						
6	(1) Common Equity:					
7	Common Stock Issued	Stmt. A pg. 2 Ln. 2(a)	\$ 23,416,396			
8	Premium on Capital Stock	Stmt. A pg. 2 Ln. 3(a)	42,076,811			
9	Other Paid-In Capital		-			
10	Capital Stock Expense	Stmt. A pg. 2 Ln. 4(a)	(2,501,882)			
11	Retained Earnings	Stmt. A pg. 2 Ln. 5(a)	243,581,447			
12						
13	Common Equity		<u>\$ 306,572,772</u>			

BLACK HILLS POWER, INC.
DEBT CAPITAL
For the Test Year Ended June 30, 2012

Statement G
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Line No.	(a) Description	(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	BLACK HILLS POWER										
2	<u>FIRST MORTGAGE BONDS:</u>										
3	Series AE	8/13/2002	8/15/2032	75,000,000	7.36%	74,343,750	0.9913	7.36%	7.42%	75,000,000	5,565,000
4	Series AF	10/27/2009	11/1/2039	180,000,000	6.17%	178,300,800	0.9906	6.17%	6.23%	180,000,000	11,214,000
5	Series Y (Note 1)	6/15/1998	6/15/2018	6,000,000	9.49%	5,906,578	0.9844	9.49%	9.64%	-	11,109
6	Series Z (Note 1)	5/29/1991	5/29/2021	35,000,000	9.35%	34,790,305	0.9940	9.35%	9.41%	-	84,828
7	Series AB (Note 1)	9/1/1999	9/1/2024	45,000,000	8.30%	44,507,250	0.9891	8.30%	8.39%	-	116,828
8											
9											
10	<u>OTHER BONDS:</u>										
11	Series 94A Gillette	6/15/1994	6/1/2024	3,000,000	3.08%	2,930,057	0.9767	3.08%	3.16%	2,855,000	90,218
12	Series 84 Bonds, City of Gillette (Notes 1 and 2)	8/1/1984	8/1/2014	16,000,000	10.50%	15,592,000	0.9745	10.50%	10.77%	-	8,133
13	94 NSS Pollution Control, 1994A Gillette Refunding (Note 1)	6/8/1992	7/1/2024	12,200,000	7.50%	12,004,800	0.9840	7.50%	7.62%	-	22,727
14	Series 2004 Campbell County due 2024	10/1/2004	10/1/2024	12,200,000	5.46%	12,062,750	0.9888	5.46%	5.52%	12,200,000	673,440
15	Bear Paw Energy Note (Note 3)	6/15/2000	5/25/2012	539,000	13.66%	539,000	1.0000	13.66%	13.66%	-	5,816
16	Series 2004 Pennington County PCB due 2014 (Note 3)	10/1/2004	10/1/2014	2,050,000	4.80%	2,026,938	0.9888	4.80%	4.85%	-	87,724
17	Series 2004 Campbell County PCB due 2014 (Note 3)	10/1/2004	10/1/2014	1,550,000	4.80%	1,532,563	0.9888	4.80%	4.85%	-	66,746
18	Series 2004 Weston County PCB due 2014 (Note 3)	10/1/2004	10/1/2014	2,850,000	4.80%	2,817,938	0.9888	4.80%	4.85%	-	121,138
19											
20											
21	Total Outstanding									270,055,000	18,067,707
22											
23	Weighted Average Cost of Debt										6.69%
24											
25											
26	BLACK HILLS CORPORATION DEBT										
27	\$250MM Notes Due 2013 (Note 4)	5/21/2003	5/15/2013	250,000,000	6.79%	248,052,500	0.9922	6.79%	6.84%	225,000,000	15,271,044
28	\$250MM Notes Due 2014 (Note 5)	5/14/2009	5/15/2014	250,000,000	9.18%	248,500,000	0.9940	9.18%	9.24%	250,000,000	22,961,956
29	\$200MM Notes Dues 2020 (Note 6)	7/16/2010	7/15/2020	200,000,000	5.96%	198,700,000	0.9935	5.96%	6.00%	200,000,000	11,917,126
30	\$100MM Term Loan	9/30/2011	9/30/2013	100,000,000	(Note 7)	100,000,000	(Note 7)	(Note 7)	(Note 7)	100,000,000	1,681,139
31											
32	Note 1: The bonds have been retired early. FERC allows for deferred financing costs or loss on required debt costs to be amortized over the remaining life of the bonds. Costs										
33	reflected are annual costs incurred.										
34	Note 2: The bond was refinanced, rolling the balanced into a new bond. FERC allows for deferred financing costs or loss on required debt costs to be amortized over the term of										
35	the new bond which expires in 2024.										
36	Note 3: Notes or bonds were paid off in May 2012.										
37	Note 4: Note was issued by Black Hills Corporation, but was allocated through Black Hills Utility Holding Company to the Black Hills Energy entities.										
38	Note 5: Note was issued by Black Hills Corporation in May 2009, but is allocated through Black Hills Utility Holding Company to the Black Hills Energy entities.										
39	Note 6: Note was issued by Black Hills Corporation, but was allocated to Colorado Electric.										
40	Note 7: Cost of borrowing has a fixed and variable rate component, with the variable rate based on Libor.										

BLACK HILLS POWER, INC.
PRO FORMA DEBT CAPITAL
For the Pro Forma Test Year Ended June 30, 2012

Statement G
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Line No.	(a) Description	(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	BLACK HILLS POWER										
2	FIRST MORTGAGE BONDS:										
3	Series AE	8/13/2002	8/15/2032	75,000,000	7.36%	74,343,750	0.9913	7.36%	7.42%	75,000,000	5,565,000
4	Series AF	10/27/2009	11/1/2039	180,000,000	6.17%	178,300,800	0.9906	6.17%	6.23%	180,000,000	11,214,000
5	Series Y (Note 1)	6/15/1998	6/15/2018	6,000,000	9.49%	5,906,578	0.9844	9.49%	9.64%	-	11,109
6	Series Z (Note 1)	5/29/1991	5/29/2021	35,000,000	9.35%	34,790,305	0.9940	9.35%	9.41%	-	84,828
7	Series AB (Note 1)	9/1/1999	9/1/2024	45,000,000	8.30%	44,507,250	0.9891	8.30%	8.39%	-	116,828
8											
9	OTHER BONDS:										
10	Series 94A Gillette	6/15/1994	6/1/2024	3,000,000	3.08%	2,930,057	0.9767	3.08%	3.16%	2,855,000	90,218
11	Series 84 Bonds, City of Gillette (Notes 1 and 2)	8/1/1984	8/1/2014	16,000,000	10.50%	15,592,000	0.9745	10.50%	10.77%	-	8,133
12	94 NSS Pollution Control, 1994A Gillette Refunding (Note 1)	6/8/1992	7/1/2024	12,200,000	7.50%	12,004,800	0.9840	7.50%	7.62%	-	22,727
13	Series 2004 Campbell County due 2024	10/1/2004	10/1/2024	12,200,000	5.46%	12,062,750	0.9888	5.46%	5.52%	12,200,000	673,440
14											
15	Total Outstanding									270,055,000	17,786,283
16											
17	Weighted Average Cost of Debt										6.59%
18											
19											
20	BLACK HILLS CORPORATION DEBT										
21	\$250MM Notes Due 2013 (Note 3)	5/21/2003	5/15/2013	250,000,000	6.79%	248,052,500	0.9922	6.79%	6.84%	-	-
22	\$250MM Notes Due 2014 (Note 4)	5/14/2009	5/15/2014	250,000,000	9.18%	248,500,000	0.9940	9.18%	9.24%	250,000,000	22,961,956
23	\$200MM Notes Dues 2020 (Note 5)	7/16/2010	7/15/2020	200,000,000	5.96%	198,700,000	0.9935	5.96%	6.00%	200,000,000	11,917,126
24	\$100MM Term Loan (Note 6)	9/30/2011	9/30/2013	100,000,000	(Note 6)	100,000,000	(Note 6)	(Note 6)	(Note 6)	100,000,000	1,681,139
25											
26	Note 1: The bonds have been retired early. FERC allows for deferred financing costs or loss on required debt costs to be amortized over the remaining life of the bonds. Costs reflected										
27	are annual costs incurred.										
28	Note 2: The bond was refinanced, rolling the balanced into a new bond. FERC allows for deferred financing costs or loss on required debt costs to be amortized over the term of the new										
29	bond which expires in 2024.										
30	Note 3: The note was allocated through Black Hills Utility Holding Company to the Black Hills Energy entities. It was paid off on October 31, 2012. Costs incurred from July 1 through										
31	October 31, 2012 included \$19,646,209.										
32	Note 4: The note was issued by Black Hills Corporation in May 2009, but is allocated through Black Hills Utility Holding Company to the BHE entities.										
33	Note 5: The note was issued by BHC in July 2010, but is allocated to Colorado Electric.										
34	Note 6: The cost of borrowing has a fixed and variable rate component, with the variable rate based on Libor.										

**BLACK HILLS POWER, INC.
COST OF PREFERRED STOCK
For the Test Year Ended June 30, 2012**

Line	No.	Policy Description
1		No preferred stock as of June 30, 2012.

