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March 11, 2014

Ms. Patricia Van Gerpen
 South Dakota Public Utilities Commission
 State Capitol
 Pierre, SD 57501

RE: DOCKET NO. EL12-062 - IN THE MATTER OF THE APPLICATION OF BLACK HILLS POWER, INC. FOR THE PHASE IN OF RATES REGARDING CONSTRUCTION FINANCING COSTS OF CHEYENNE PRAIRIE GENERATING STATION

Dear Ms. Van Gerpen:

On December 20, 2013, Black Hills Power, Inc. (“Black Hills Power” or “Company”) submitted its quarterly Phase In Plan Rate (“PIPR”) compliance filing for rates effective February 1, 2014. Although the PIPR tariffed rate were changed effective February 1, Black Hills Power did not implement those new rates in its billing system and the rates effective November 1, 2013, continued to be billed to customers.

This oversight was discovered on March 6, 2014, and Black Hills Power immediately notified Commission Staff of the billing issue. Commission Staff agreed with Black Hills Power’s plan to implement the February 1, 2014, rate on March 7, 2014, and advised the Company to file a letter in Docket EL12-062 explaining the billing issue and its impact to Black Hills Power customers.

The following table illustrates the change in PIPR tariffed rates from November 1, 2013, to February 1, 2014, by customer class:

	11/1/2014	2/1/2014	Change
	Rate	Rate	
Residential Service	\$0.00327 /kWh	\$0.00322 /kWh	(\$0.00005) /kWh
General Service Small	\$1.19000 /kW	\$1.14355 /kW	(\$0.04645) /kW
General Service Large	\$1.41000 /kW	\$1.39944 /kW	(\$0.01056) /kW
Industrial Contract Service	\$1.46000 /kW	\$1.42243 /kW	(\$0.03757) /kW
Lighting Service	\$0.00354 /kWh	\$0.00357 /kWh	\$0.00003 /kWh

In comparing the rate change by customer class, every customer class other than Lighting should have received a small rate reduction effective February 1, 2014. Specifically, an average residential customer using 650 kWh per month was overcharged approximately \$0.03 during the month of February. Overall, the proposed change in PIPR rates was very small for each customer class.

The actual recoveries from February 1, 2014, through March 6, 2014, will be compared to the actual construction costs and any variance with flow through the balancing account. Customers will earn an annual interest rate of seven percent on any amounts that were over-collected, and the additional funds collected will reduce the construction costs collected through the May 1, 2014, PIPR rate. Based on the PIPR rider rate calculation, customers are held harmless and a bill credit is not necessary.

Black Hills Power regrets this rate implementation oversight. Fortunately, it was discovered within a little over a month and any differences between actual revenues and actual costs are tracked in the balancing account, with interest applied monthly. The Company will correct this oversight, and the actions described above should not create significant burdens on any customers. Please feel free to contact me if there are any questions related to this filing.

Sincerely,



Jon Thurber
Manager of Regulatory Affairs