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March 14, 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:

In accordance with the Settlement Stipulation (“Stipulation”) approved in Docket EL12-062, Black Hills Power, Inc. (“Black Hills Power” or Company) hereby submits its quarterly Phase In Plan Rate (“PIPR”) compliance filing for rates effective May 1, 2014.

The PIPR tariff allows for the recovery of construction financing costs associated with the Cheyenne Prairie Generating Station. The clean and legislative versions of the revised PIPR tariff sheet, Section No. 3C, Sheet No. 5, have been attached hereto.

In the Staff Memorandum Supporting Settlement Stipulation in Docket EL12-062, on page 8 in the confidential section, Staff accepts and acknowledges the change to the rate calculation moving forward. The calculation for the Residential and Lighting classes will remain based on forecasted kWh. The Small General Service, Large General Service and Industrial classes will be calculated based on forecasted kW or kVA.

The following schedules have been provided to support the quarterly rate effective May 1, 2014 through September 30, 2014:

- Schedule A – PIPR Calculation
- Schedule B – PIPR Quarterly Revenue Requirement Calculation CONFIDENTIAL
- Schedule B – PIPR Quarterly Revenue Requirement Calculation
- Schedule C – Customer Impact
- Schedule D – Monthly CPGS Construction Costs
- Schedule E – Balancing Account
- Schedule F – Actual Revenue Requirement CONFIDENTIAL
- Schedule F – Actual Revenue Requirement

Due to the confidential nature of the Settlement between the parties to docket EL12-061, the capital structure, return on equity and cost of debt are to remain confidential. Enclosed are confidential versions of Schedule B and Schedule F.

This quarterly compliance filing reflects an update to the following:

- Forecasted and actual CPGS construction costs;
- Forecasted Libor-based interest rate plus 150 basis points for Black Hills Corporation's short term revolving credit agreement dated February 1, 2012; and
- Forecasted kWh and kW/kVA sales by customer class;
- Balancing Account updated with actual revenue requirement (Schedule F) and actual billed amounts from November 2013 - February 2014.

The impact to customers' bills for the quarterly Phase In Plan Rate, effective May 1, 2014 through September 30, 2014, is provided in Schedule C. For the residential customer averaging 650 kWh usage per month, the bill increase will be approximately \$0.54 per month, or 0.63%.

Please feel free to contact me if there are any questions related to this compliance filing.

Sincerely,



Chris Kilpatrick
Director of Rates