

**BEFORE THE SOUTH DAKOTA
PUBLIC UTILITIES COMMISSION**

**IN THE MATTER OF BLACK HILLS)
POWER, INC.'S APPLICATION FOR)
APPROVAL OF ITS ELECTRIC COST) Docket No. _____
ADJUSTMENT)
)**

APPLICATION FOR 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 the Electric Cost Adjustment (“ECA”) to its electric rates, to become effective on June 1, 2012. 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. This ECA filing is made in accordance with SDCL §49-34A and the Administrative Rules of South Dakota (ARSD) Chapter 20:10:13, which permit a public utility to pass on increases or decreases in costs to its customers. This Application sets forth the changes that the Company proposes to its ECA rates to be effective June 1, 2012. Black Hills Power requests that this rate adjustment be approved without the requirement of posting a bond or other security.

3. The ECA for Black Hills Power was approved in Docket No. EL09-018 (the “EL09-018 ECA”). The EL09-018 ECA consists of two separate adjustments: 1) the Fuel and Purchased Power Adjustment (FPPA); and 2) the Transmission Cost Adjustment (TCA). 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 two adjustments are combined into the EL09-018 ECA for each rate class, which increases or decreases the rate accordingly.

4. Fuel and Purchased Power Adjustment (FPPA). The FPPA is calculated annually based on actual system costs for Fuel and Purchased Power (FPP) for the twelve months of April through March as compared to the base year FPP costs, and includes an over or under recovery from prior years' adjustments through the Balancing Account. As defined in the tariff, the \$250,000 Surplus Energy Credit has been included in the calculation for this year. The calculation of the FPPA is attached as Exhibit No. 3. The FPPA for this period, for all customer classes, is \$ 0.0024 /kWh.

5. Transmission Cost Adjustment (TCA). The TCA is calculated annually based on actual system transmission costs for the twelve months of April through March as compared to the base year transmission costs, and shall include an over or under recovery from prior years adjustments through the Balancing Account. The calculation of the TCA is attached as Exhibit No. 4. The TCA for each customer class is based upon Class Allocators, found in Table 1 of Section 3C, Second Revised Sheet No. 17. The TCA for this period for each class is as follows:

Customer Class Transmission Cost Adjustment

Residential Service	\$0.0023 /kWh
Small General Service	\$0.0029 /kWh
Large General Service	\$0.0024 /kWh
Industrial Contract Service	\$0.0018 /kWh
Lighting Service	\$0.0026 /kWh

6. The proposed ECA rate for each customer class is as follows:

	Total Rate Energy Cost Adjustment ¢/kWh
Total Residential Service	0.470
Total Small General Service	0.530
Total Large General Service	0.480
Total Industrial Contract	0.420
Total Lighting Service	0.500

The detailed electric cost adjustments are set forth in the Energy Cost Adjustment Summary sheet contained in Exhibit No. 2, attached hereto.

7. Approximately 67,700 South Dakota retail customers are affected by the ECA rate change. The annual increase in the cost of service is approximately \$6,300,000 or 4.57% higher than the revenue billed to customers during the twelve months ending May 31, 2012. This increase relates to the twelve months ECA rates as shown in paragraph 6.

8. The TCA remained relatively consistent between the current rate in effect through May 31, 2012 and the current rate to be in effect June 1, 2012. The FPPA rate that is in effect through May 31, 2012 has a rate of \$(0.0014) / kWh. The decrease in rate was attributable to lower FPP costs as well as an adjustment for test energy related to Wygen III. The FPPA rate that will be in effect starting June 1, 2012, has a rate of \$0.0024 /kWh. The increase in the FPPA rate is primarily related to increased coal costs for our system. The Northeast corner of the mine is currently where mining is taking place. This area is furthest away from the plant at any given time, which increases hauling expenses. The stripping ratios have increased significantly from 1:1 in 2007 to 2.6:1 in 2011. Further, there is an increase in mining costs due to increased billing and blasting, clay parting removal, equipment maintenance, fuel and staffing levels for the train load out facility. The other increase in costs are related to coal plant planned maintenance and the replacement power that was purchased during this time.

9. Attached hereto as Exhibit No. 5 is a copy of the notice that has been provided to the public in accordance with ARSD § 20:10:13:15 and pursuant to §§ 20:10:13:17 to 20:10:13:19, inclusive.

10. In support of this Application, attached hereto and made a part hereof by this reference are Exhibit Nos. 1 through 5, showing supporting data for the proposed ECA:

<u>Exhibit No. 1</u>	Report of Tariff Change
<u>Exhibit No. 2</u>	Energy Cost Adjustment Summary (Section No. 3C, Eighth Revised Sheet No. 11)
<u>Exhibit No. 3</u>	FPPA Tariff calculation (Section No. 3C, Second Revised Sheet No.12)
<u>Exhibit No. 4</u>	TCA Tariff calculation (Section No. 3C, Second Revised Sheet No.16 and Second Revised Sheet No. 17)
<u>Exhibit No. 5</u>	Notice to Customers

WHEREFORE, Black Hills Power respectfully requests that the Commission enter an order approving the proposed tariffs and ECA rate, and placing the rate into effect for service on and after June 1, 2012.

Dated this 16th day of April, 2012.

BLACK HILLS POWER, INC. '

By: _____

Chris Kilpatrick

Director of Resource Planning and Electric Rates