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March 31, 2014

HAND-DELIVERED

Ms. Patricia Van Gerpen
Executive Director
South Dakota Public Utilities Commission
State Capitol Building
500 East Capitol
Pierre, South Dakota 57501

Re: Application of Black Hills Power, Inc. for an Increase in Electric Rates

Dear Ms. Van Gerpen:

Black Hills Power, Inc. (Company) hereby submits its Application to the South Dakota Public Utilities Commission (Commission) for authority and consent to make certain changes in its charges for retail electric service provided to the Company's South Dakota customers, for authority and consent for an accounting order for the Company's FutureTrack Workforce Development Program, for an accounting order regarding its Winter Storm Atlas regulatory asset, for revisions to the cost adjustment tariffs, and other changes to the tariffs for service to its South Dakota electric customers.

The Company herewith submits an original and eleven (11) copies of the following, together with a CD with a pdf version:

<u>VOLUME</u>	<u>SECTION</u>	
1	1	Letter of Transmittal Notice of Proposed Changes of Rates and Charges Attestation by the Authorized Accounting Representative
	2	Tariffs, in legislative and non-legislative format
	3	Comparison of Revenue under Pro Forma and Proposed Rates

VOLUME

SECTION

4

Statements A through R showing the Revenue Requirement, including Schedules as appropriate

- A. Balance Sheet
- B. Income Statement
- C. Statement of Retained Earnings
- D. Utility Plant in Service
- E. Accumulated Depreciation
- F. Working Capital
- G. Cost of Capital
- H. Operation and Maintenance Expense
- I. Operating Revenues
- J. Depreciation Expense
- K. Income Taxes
- L. Taxes Other Than Income
- M. Overall Revenue Requirement
- N. Allocated Cost of Service by Jurisdiction
- O. Allocated Cost of Service by SD Customer Class
- P. Energy Cost Adjustment Factors
- Q. Description of Utility Operations
- R. Coal Supply Pricing Methodology

5

Work papers 1-5

VOLUME

SECTION

2

6

Testimony of Witnesses

Vance Crocker
Kyle D. White
Jill S. Tietjen
Mark Lux
Kent J. Kopetzky
Michael J. Fredrich
Jennifer Landis
Laura E. Patterson
Jon Thurber
Christopher J. Kilpatrick
Charles Gray
John J. Spanos
Brian G. Iverson
William E. Avera

The Application proposes an approximate 9.27% increase for South Dakota electric revenues and other changes to the tariffs for service to its South Dakota electric customers. The proposed changes to the rate schedules would increase revenues from South Dakota customers by \$14,634,238 for a South Dakota jurisdictional revenue requirement of \$138,803,591, based on the billings issued for sales of electricity for the twelve months ended September 30, 2013. The proposed changes would affect the billings of approximately 65,500 customers in South Dakota. The requested effective date of the proposed changes is the in-service date of the Cheyenne Prairie Generating Station, which is expected to be October 1, 2014.

The additional revenue requested in the Application is needed to offset the increased costs incurred by the Company in providing service to its customers, including the addition of the Cheyenne Prairie Generating Station.

The Company also requests, effective October 1, 2014:

- 1) Approval of an accounting order allowing the Company to use deferred accounting for the costs associated with the FutureTrack Workforce Development Program that deviate from the costs included in base rates (See Exhibit CJK-4 to Direct Testimony of Christopher J. Kilpatrick);
- 2) Approval of an accounting order for the Company's Winter Storm Atlas regulatory asset if this Application is not resolved by December 31, 2014 (See Exhibit CJK-3 to Direct Testimony of Christopher J. Kilpatrick);
- 3) Approval of revisions to the Energy Cost Adjustment tariff (See Exhibit CJK-2 to Direct Testimony of Christopher J. Kilpatrick); and
- 4) Approval of a modification to the major maintenance account to expense a portion of the plant overhaul cost each year based on a plant's planned maintenance cycle (See Direct Testimony of Mark Lux).

The Company hereby certifies that the Notice of Proposed Changes of Rates and Charges will be exhibited in a conspicuous place in each of the Company's local district offices in the territory affected, for at least thirty (30) days prior to the date such change is to become effective. Each Notice states that the proposed rate and charges are available in that office for inspection. The Company also certifies Notice has been or is being provided to the public in all respects as required by ARSD §§ 20:10:13:17 through 20:10:13:19.

In addition to complying with the requirements of the Commission's administrative rules and regulations pertaining to notifying customers of the Application, the Company is sending a letter and customer notice to key account customers and community and government leaders; and all of our customers will be made aware of this Application through our Notice that will be included in customer bills, our press release and our website www.blackhillspower.com, which will contain information describing the Application. We are also prepared to meet with customer groups as

Ms. Patricia Van Gerpen
March 31, 2014
Page 4

requested to provide detailed information regarding our Application. Finally, copies of the Application will be available in all of our local district offices.

The Commission's communications with the Company regarding this Application should be directed to:

Jon Thurber, Manager of Regulatory Affairs
Black Hills Power, Inc.
P.O.Box 1400 – 625 Ninth Street
Rapid City, South Dakota 57709-1400
(605) 721-1603
Jon.Thurber@blackhillscorp.com

with a copy to:

Todd L. Brink, Senior Counsel
Black Hills Power, Inc.
P.O.Box 1400 – 625 Ninth Street
Rapid City, South Dakota 57709-1400
(605) 721-2516
Todd.brink@blackhillscorp.com

with a copy to:

Lee A. Magnuson
Lindquist & Vennum, LLP
101 South Reid Street, Suite 302
Sioux Falls, SD 57103
(605) 978-5201
lmagnuson@lindquist.com

with a copy to:

Amy Koenig
Corporate Counsel
Black Hills Corporation
625 Ninth Street – P.O.Box 1400
Rapid City, South Dakota 57709-1400
(605) 721-1166
amy.koenig@blackhillscorp.com

The Applicant's legal name is Black Hills Power, Inc. with its principal place of business in Rapid City, South Dakota. The Company is a corporation, organized on August 27, 1941 under the laws of South Dakota.

The Company provides retail electric service in South Dakota, Wyoming and Montana.

The Company requests confidential treatment of the following in their entirety:

- Schedule K-1
- Schedule K-3
- Portions of Exhibits CRG-1, CRG-3, CRG-4, CRG-6, CRG-7 and CRG-8

The noted documents qualify for confidential treatment because they contain proprietary business information which the Company does not disclose to the public. The Company requests these noted documents be treated as confidential forever.

Respectfully submitted,

BLACK HILLS POWER, INC.

By *Vance A. Crocker*
Vance Crocker, Vice President of Operations

Sworn to and subscribed before this 28th day of March, 2014.

Pamela K. Wiley
Notary Public of South Dakota

My Commission Expires: 10-5-2015

