

**BEFORE THE PUBLIC UTILITIES COMMISSION OF SOUTH DAKOTA**

**APPLICATION OF BLACK HILLS )  
POWER, INC. FOR AN ORDER )  
AUTHORIZING IT TO ISSUE UP ) Docket EL14-\_\_\_\_  
TO \$110 MILLION IN ADDITIONAL )  
FIRST MORTGAGE BONDS )**

Black Hills Power, Inc. (“Black Hills Power” or “Applicant”), a South Dakota corporation, submits this Application to the South Dakota Public Utilities Commission (“Commission”) pursuant to S.D.C.L. § 49-34A-29.

In support, Applicant sets forth the following facts and circumstances justifying the granting of this Application:

1. Applicant’s exact legal name is Black Hills Power, Inc., with its principal place of business located at 409 Deadwood Ave., Rapid City, South Dakota, 57702. Black Hills Power is a corporation, incorporated on August 27, 1941 under the laws of South Dakota. It is a wholly owned, first tier subsidiary of Black Hills Corporation.

2. Black Hills Power is a public utility as described in S.D.C.L. Ch. 49-34A and is engaged in the generation, transmission, distribution, purchase and sale of electric power and energy through an interconnected transmission network.

3. The name, title and address of the persons to whom notice and correspondence with regard to this Application shall be addressed are as follows:

Jon Thurber  
Manager of Regulatory Affairs  
Black Hills Corporation  
625 Ninth Street  
Rapid City, South Dakota 57701

Brian Iverson  
Vice President - Treasurer  
Black Hills Corporation  
625 Ninth Street  
Rapid City, South Dakota 57701

Amy Koenig  
Corporate Counsel  
Black Hills Corporation  
625 Ninth Street  
Rapid City, South Dakota 57701

4. The remaining issued and outstanding bonds as of the date of this application are as follows:

<u>Issue</u>	<u>Amount Outstanding</u>	<u>Maturity Date</u>	<u>Coupon Rate</u>
Series AF First Mtg Bonds	\$180,000,000	11/01/2039	6.125%
Series AE First Mtg Bonds	\$ 75,000,000	08/15/2032	7.23%
Series 1994A EIRR Bonds	\$ 2,855,000	06/01/2024	variable
Series 2004 Campbell Cty PCBs	<u>\$ 12,200,000</u>	10/01/2024	5.35%
Total	<u>\$270,055,000</u>		

5. Black Hills Power and its sister utility Cheyenne Light, Fuel and Power Company (“Cheyenne Light”) are constructing the Cheyenne Prairie Generating Station (“CPGS”) in Cheyenne, Wyoming. CPGS will consist of a 95 MW combined-cycle combustion turbine jointly owned by Black Hills Power (55 MW) and Cheyenne Light (40 MW), and a 37 MW simple-cycle combustion turbine owned entirely by Cheyenne Light. Black Hills Power’s portion of the cost of construction of CPGS is expected to be approximately \$93 million.

6. Black Hills Power intends to issue debt under its existing indenture in an amount up to \$110 million (“Bonds”) to fund CPGS and other capital expenditures and to call the Series 2004 Campbell County Bonds prior to maturity if they can be refinanced at a lower rate of interest. Black Hills Power’s current strategy is to issue debt into the private placement market utilizing a delayed draw feature, allowing Black Hills Power to complete the transaction by June 30, 2014, but not draw the funds until the fall of 2014. The delayed draw strategy allows Black Hills Power to mitigate interest rate risk by locking in an interest rate at the time of contract signing but not draw on the borrowed funds, nor incur the full interest expense, until the in-service date for CPGS, which is expected by October 1, 2014. Black Hills Power expects the following terms and conditions:

<b>Issue</b>	<b>Amount</b>	<b>Term</b>	<b>Maturity Date</b>	<b>Coupon Rate</b>
Bonds of the 2014 Series	up to \$110 million	10-40 years	2024-2054	5-6%

The final determination regarding the amount of the debt issuance will be consistent with the capital structure proposed in Black Hills Power’s pending rate case, Docket EL14-026.

7. The costs of issuing the Bonds are estimated to be up to \$1.65 million. Black Hills Power will record the costs of issuing the Bonds in Account 181, Unamortized Debt Expenses. The costs will be amortized in equal monthly amounts over the life of the Bonds. The amortization period will begin when the Bonds have been issued. The amortization expenses will be recorded in Account 428, Amortization of Debt Discount and Expense.

8. The proposed issuance of the Bonds serves Black Hills Power’s corporate purpose and is compatible with the public interest. The proposed issuance is necessary, appropriate for and consistent with the proper performance by Black Hills Power of service as

a public utility, will not impair its ability to perform this service, and is reasonably necessary and appropriate for such purposes.


9. Black Hills Power has requested approval of its proposal to issue up to \$110 million of First Mortgage Bonds from its Board of Directors. Once received, the Board of Directors Resolution approving the debt issuance will be filed in this docket.

10. No approval of any federal or state governmental commission, for issuance of the securities proposed to be assumed by Black Hills Power, is required except for the approval of this Commission and the Public Service Commission of Wyoming. A companion Application was filed with the Wyoming Public Service Commission.

WHEREFORE, Applicant respectfully requests that the Commission enter an order approving this Application and authorizing Black Hills Power to issue up to \$110 million in First Mortgage Bonds by May 28, 2014.

Dated this 23<sup>rd</sup> day of April, 2014.

BLACK HILLS POWER, INC.


By:   
Brian Iverson  
Vice President - Treasurer

**BEFORE THE PUBLIC UTILITIES COMMISSION  
OF THE STATE OF SOUTH DAKOTA**

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**STATE OF SOUTH DAKOTA )  
COUNTY OF PENNINGTON )      SS:**

I, Brian Iverson, being duly sworn, do hereby depose and say that I am Vice President - Treasurer for Black Hills Power, Inc., Applicant in the foregoing Application; that I have read such Application; and that the facts set forth therein are true and correct to the best of my knowledge, information, and belief.

  
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Brian Iverson  
Vice President - Treasurer

Subscribed and sworn to before me this 23<sup>rd</sup> day of April, 2014.

  
\_\_\_\_\_  
Notary Public



My Commission Expires: 06-23-17