

BLACK HILLS POWER
SD PUBLIC UTILITIES COMMISSION
DOCKET NO. EL14-034

REQUEST DATE : April 30, 2014
RESPONSE DATE : May 5, 2014
REQUESTING PARTY : South Dakota Public Utilities Commission

SDPUC Request 1-6:

Refer to page 3 of the application. The cost of issuing "up to" \$110 million is estimated to be "up to" \$1.65 million, for an estimated "DFC" of 1.5% of the amount issued. In Docket EL14-026, Statement G, Page 3 of 5, shows an estimated financing cost of \$1 million for the "New Financing" of \$50 million and Note 3 says "DFC's estimated at 2% of amount issued." Please explain, or justify, the higher figure used in the rate filing.

Response to SDPUC Request 1-6:

In the rate filing, the Company estimated the deferred financing costs ("DFCs" or "debt issuance costs") of a public debt issuance to be approximately 2% of the amount issued. After further evaluation of financing alternatives, the company believes it is more likely to issue debt through a private placement. Debt issuance costs for a private placement are generally less than a public offering because privately placed securities are not subject to the costly and lengthy process of registering with the Securities and Exchange Commission. The Company estimates the DFCs of a private placement to be approximately 1.5%. Confidential negotiations are still underway and the actual debt issuance costs will be reflected in the revenue requirement in Docket EL14-026.

Attachments: None