

**BEFORE THE SOUTH DAKOTA
PUBLIC UTILITIES COMMISSION**

**APPLICATION OF BLACK HILLS POWER,)
INC. FOR APPROVAL OF ITS 2014)
ENVIRONMENTAL IMPROVEMENT) Docket EL14-_____
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 an Environmental Improvement Adjustment (“EIA”) to its electric rates, to become effective on June 1, 2014. In particular, the Company seeks approval if its proposal for the annual true-up of the amounts collected in the third effective year of the existing EIA. Black Hills Power submits this Application pursuant to S.D.C.L. §§ 49-34A-97 through 49-34A-100.

In support, Black Hills Power 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, 57701. 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. On June 17, 2011, in Docket EL11-001, the Commission approved Black Hills Power’s tariff establishing an EIA. The approved EIA consisted of an adjustment for the Company’s jurisdictional allocation of eligible environmental improvement investments for the

Wyodak Power Plant (“Wyodak”). The first year revenue requirement for the EIA was effective from April 1, 2011 through March 31, 2012.

4. On September 19, 2013, in Docket EL12-061, the Commission approved shifting the cost recovery for the Wyodak environmental improvement investments from the EIA to base rates. This change became effective on June 16, 2013. As a result of the timing of this change, the costs recovered in the third effective year of the EIA were limited to the associated revenue requirements for April 1, 2013 through June 15, 2013.

5. Through this Application, the Company requests Commission approval of the annual true-up for the third effective year of the EIA as required under the Settlement Stipulation entered in Docket EL11-001.

6. The calculations that are associated with the true-up of the amounts collected during the third effective year of the EIA are provided in Exhibit 4. As shown on Schedule 4-1.1, the calculations begin with the third year EIA revenue requirement and allocate the revenue requirement to customer classes based on the production capacity allocators used in Docket EL09-018. Next, the customer class revenue requirements are combined with the balancing account, and reduced by the actual recoveries, as provided in the Settlement Stipulation entered in Docket EL11-001.

7. The actual third year EIA revenue requirement is provided on Schedule 4-2.1. The only difference between the forecasted third year EIA revenue requirement set forth in Docket EL13-009, and the actual third year EIA revenue requirement reflected on Schedule 4-2.1, is a change to the Commission’s filing fee. The difference between the forecasted and actual filing fee is also reflected in the balancing account.

8. The proposed EIA rates for each customer class are set forth in Schedule 4-1.1 Cost Recovery Rate Calculation – Year 4. The estimated amounts to be credited or charged to customers are also summarized in the following table:

Customer Class	(Over)/Under Recovery Amount
Residential	\$ (45,548)
Commercial	\$ 17,728
Large General Service & Industrial	\$ 11,759
Lighting	\$ 3,165
Net Amount	\$ (12,895)

9. The Company requests permission from the Commission to credit/charge the remaining amounts through the Transmission Facilities Adjustment (“TFA”) that has been requested in Docket EL14-013. This mechanism is appropriate because the customer class allocation percentages for the TFA are not materially different from the allocation percentages for the EIA. Therefore, this mechanism will result in an appropriate allocation of the credits/charges for each customer class. This mechanism is also appropriate because it provides the most efficient and timely way to provide refunds to customers with the least amount of administrative burden.

10. Upon Commission approval of this proposal, the Company will prepare an adjusted rate calculation of the TFA with the EIA balances incorporated. The actual EIA balances at the end of June 2014 will subsequently be incorporated in the 2015 TFA true-up filing.

11. Approximately 66,000 South Dakota retail customers are impacted by the true-up of the amounts collected under the existing EIA.

12. Overall, the decrease to customers is due to the recovery of the assets being moved from the EIA into base rates. The remaining EIA amount to be recovered is attributable to the under or over collection of revenues based on the forecasted kWh's compared to actual kWh's.

13. Attached 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.

14. The following exhibits are provided in support of this Application and incorporated through this reference:

<u>Exhibit No. 1</u>	Report of Tariff Change
<u>Exhibit No. 2</u>	Legislative Format of Tariffs
<u>Exhibit No. 3</u>	Clean Format of Tariffs
<u>Exhibit No. 4</u>	Environmental Improvement Adjustment Calculation
<u>Exhibit No. 5</u>	Notice to Customers

15. Copies of all notices, other correspondence and all inquiries concerning this Application should be sent to:

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WHEREFORE, Black Hills Power respectfully requests that the Commission enter an order effective June 1, 2014, approving: (1) the adjustment to the Company's electric rates set forth in this Application; (2) the recovery of the proposed adjustment through the TFA that has been requested in Docket EL14-013; and (3) the proposed tariffs.

Dated this 30th day of April, 2014.

BLACK HILLS POWER, INC.

By: 
Jon Thurber
Manager, Regulatory Affairs

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

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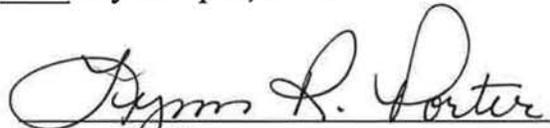
**STATE OF SOUTH DAKOTA)
COUNTY OF PENNINGTON) SS:**

I, Jon Thurber, being duly sworn, do hereby depose and say that I am Manager, Regulatory Affairs 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.



Jon Thurber
Manager, Regulatory Affairs

Subscribed and sworn to before me this 30th day of April, 2014.



Notary Public

