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**SOUTH DAKOTA PUBLIC
UTILITIES COMMISSION**

September 12, 2014

The Honorable Kimberly D. Bose, Secretary
Federal Energy Regulatory Commission
888 First Street, NE
Washington, DC 20426

Re: *Black Hills Power, Inc.*
Docket No. EL14-71-000
Compliance Filing Revising Attachment H Formula Rate Protocols

Dear Secretary Bose:

Pursuant to the Federal Energy Regulatory Commission's ("Commission") July 17, 2014 order in this proceeding,¹ Black Hills Power, Inc. ("Black Hills Power") hereby files to revise the formula rate protocols on file with the Commission as part of Attachment H to the Joint Open Access Transmission Tariff of Black Hills Power, Basin Electric Power Cooperative, and Powder River Energy Corporation ("Joint Tariff"). Black Hills Power requests that the Commission accept the proposed revisions to the Joint Tariff effective as of January 1, 2015. Upon acceptance by the Commission, the formula rate protocols will be implemented only by Black Hills Power because they do not apply to the other transmission service providers under the Joint Tariff.

To comply with Order No. 714,² Black Hills Power submits for filing the revised formula rate protocols under Attachment H to the Joint Tariff in RTF format with attached metadata to appear in the eTariff Public Viewer as the Tariff Record. In addition, Black Hills Power is submitting clean and marked up copies of the revised formula rate protocols for publication in eLibrary.

¹ *Black Hills Power, Inc.*, 148 FERC ¶ 61,035 (2014) ("July 2014 Order").

² *Electronic Tariff Filings*, Order No. 714, FERC Stats. & Regs. ¶ 31,276 (2008).

I. COMPLIANCE FILING

In the July 2014 Order, the Commission, pursuant to Section 206 of the Federal Power Act (“FPA”),³ found that Black Hills Power’s formula rate protocols under Attachment H to the Joint Tariff “appear to be unjust, unreasonable, unduly discriminatory or preferential, or otherwise unlawful,” and directed Black Hills Power, as the Joint Tariff administrator, to file revisions to the Black Hills Power formula rate protocols or to show cause why Black Hills Power should not be required to do so.⁴ Specifically, the Commission found that Black Hills Power’s formula rate protocols may be deficient in three areas: (1) scope of participation (*i.e.*, who can participate in the information exchange); (2) the transparency of the information exchange (*i.e.*, what is exchanged); and (3) the ability to challenge Black Hills Power’s implementation of its formula rate as a result of the information exchange (*i.e.*, how parties may resolve their potential dispute).⁵

The July 2014 Order directed Black Hills Power to revise its formula rate protocols to provide: (1) “all interested parties and the Commission access to information regarding annual updates as provided by the MISO Investigation Order and the MISO Compliance Order”;⁶ (2) “interested parties the information necessary to understand and evaluate the implementation of the formula rate for both the correctness of inputs and calculations, and the reasonableness and prudence of the costs to be recovered in the formula rate, as provided by the MISO Investigation Order and MISO Compliance Order,”⁷ including a requirement that Black Hills Power “notify any interested party, through an email distribution list, of its postings related to the annual updates and, if appropriate, true-up adjustments”;⁸ and (3) “specific procedures for challenges . . . sufficient to ensure that transmission customers pay just and reasonable rates as provided by the MISO Investigation Order and MISO Compliance Order.”⁹ As further discussed below, Black Hills Power respectfully requests that the Commission conclude that Black Hills Power’s proposed revisions to its formula rate protocols under Attachment H to the Joint Tariff fully comply with the July 2014 Order’s directives, and are consistent with the Commission’s guidance provided in the MISO Investigation Order and the MISO Compliance Order.

³ 16 U.S.C. § 824e (2012).

⁴ July 2014 Order at P 29.

⁵ *Id.* P 10.

⁶ *Id.* P 13 (referencing *Midwest Indep. Transmission Sys. Operator, Inc.*, 139 FERC ¶ 61,127 (2012), *order on investigation*, 143 FERC ¶ 61,149 (2013) (“MISO Investigation Order”), *order on reh’g*, 146 FERC ¶ 61,209 (2014), *order on compliance*, 146 FERC ¶ 61,212 (2014) (“MISO Compliance Order”).

⁷ *Id.* P 24.

⁸ *Id.* P 19.

⁹ *Id.* P 28.

A. Scope of Participation

Section II.6 of the proposed formula rate protocols broadly defines an “Interested Party” as “includ[ing], but is not limited to, customers under the Joint Tariff, state utility regulatory commissions, consumer advocacy agencies, and state attorneys general.”¹⁰ This definition adopts the same language that the Commission directed Midcontinent Independent System Operator, Inc. (“MISO”) and the MISO transmission owners to use in their formula rate protocols.¹¹ Also, consistent with the MISO Compliance Order’s findings, the proposed formula rate protocols require Black Hills Power to submit an annual informational filing with Commission to provide the Commission with access to information regarding Black Hills Power’s annual update of its formula rate.¹² In addition, the broad definition of an Interested Party contained in the formula rate protocols would permit Commission staff, if so desired, to participate in Black Hills Power’s annual updates and true-up processes.¹³ Accordingly, Black Hills Power respectfully requests that the Commission accept the proposed formula rate protocols for filing after concluding that they are fully compliant with the July 2014 Order’s directive “to revise [the Black Hills Power] formula rate protocols to provide all interested parties and the Commission access to information regarding annual updates as provided by the MISO Investigation Order and the MISO Compliance Order.”¹⁴

B. Transparency

Black Hills Power’s proposed formula rate protocols provide robust, detailed procedures for, among other things: (1) annually posting Black Hills Power’s projected net revenue requirement and annual true-up on its website and its Open Access Same-Time Information System (“OASIS”); (2) holding annual open meetings with Interested Parties concerning Black Hills Power’s projected net revenue requirement and annual true-up; (3) exchanging information through service of information and document requests on Black Hills Power; (4) calculating Black Hills Power’s annual true-up adjustment; and (5) annually submitting an informational filing with the Commission of Black Hills Power’s formula rate update, concerning both its projected net revenue requirement and annual true-up. These procedures, as shown below, should allow the Commission to conclude that Interested Parties and the Commission will have access to “the information necessary to understand and evaluate the implementation of the [Black Hills Power] formula rate for either the correctness

¹⁰ Attachment A § II.6.

¹¹ MISO Investigation Order at P 34 (directing “MISO and the MISO transmission owners to revise the formula rate protocols to include all interested parties in information exchange and review processes, including but not exclusive to customers under the Tariff, state utility regulatory commissions, consumer advocacy agencies, and state attorney generals.”); *see also* MISO Compliance Order at P 18 (accepting without modification or condition MISO’s and the MISO transmission owners’ proposal to define an Interested Party as “includ[ing], but is not limited to, customers under the Tariff, state regulatory commissions, OMS, consumer advocacy agencies, and state attorneys general.”).

¹² Attachment A § V.

¹³ MISO Compliance Order at P 19.

¹⁴ July 2014 Order at P 13.

of inputs and calculations, or the reasonableness of the costs to be recovered in the formula rate”¹⁵ and, thus, provide the requisite level of transparency that the Commission sought in its July 2014 Order.

i. Annual True-Up and Projected Net Revenue Requirement

Section II of the proposed formula rate protocols covers, among other things, the requirements and procedures for: (1) posting both Black Hills Power’s actual net revenue requirement and true-up adjustment (collectively, “Annual True-Up”), and Black Hills Power’s projected net revenue requirement on its website and OASIS; (2) extending posting deadlines in the event that the date for posting falls on a weekend or holiday; and (3) holding annual open meetings with Interested Parties.

Consistent with the Commission’s directives in the MISO Investigation Order and the MISO Compliance Order, Sections II.1 and II.2 of the proposed formula rate protocols require Black Hills Power to annually post its Annual True-Up and projected net revenue requirement on Black Hills Power’s website and OASIS.¹⁶ To fulfill these posting requirements and to avoid possible mismatching information being posted on Black Hills Power’s website and OASIS, Black Hills Power plans to post the required information in its entirety on its website while providing a direct link to this information on the OASIS. Sections II.1 and II.2 also require Black Hills Power to provide notice to Interested Parties via an email exploder list within 10 days of posting its Annual True-Up and projected net revenue requirement.¹⁷ Interested Parties will be able to subscribe to the exploder list on the Black Hills Power website.

The deadlines for posting Black Hills Power’s Annual True-Up and projected net revenue requirement set forth under Sections II.1 and II.2 are extended to the next business day, pursuant to Section II.3 of the formula rate protocols, if the date for posting falls on a weekend or a holiday recognized by the Commission. However, in accordance with the MISO Compliance Order, Section II.3 of the proposed formula rate protocols provides that any delay in the publication dates—determined by the date that each the Annual True-Up and the projected net revenue requirement are posted on Black Hills Power’s website and OASIS—will result in an equivalent extension of the deadline to submit information and document requests set forth in Section III of the proposed formula rate protocols.¹⁸

In accordance with the MISO Investigation Order, Section II.4 and II.5 of the proposed formula rate protocols set forth the requirements on the contents of Black Hills Power’s annual posts of its Annual True-Up and projected net revenue requirement, including disclosure of any accounting change during the service year that affects inputs to

¹⁵ *Id.* P 14; *see also* MISO Investigation Order at P 83; MISO Compliance Order at P 67.

¹⁶ *See* MISO Investigation Order at P 86; *see also* MISO Compliance Order at PP 59, 62.

¹⁷ *See* July 2014 Order at P 19; *accord* MISO Compliance Order at P 59.

¹⁸ *See* MISO Compliance Order at P 61.

the formula rate or the resulting charges billed under the formula rate, on its website and OASIS set forth in Sections II.1 and II.2.¹⁹

Consistent with the MISO Investigation Order, Sections II.6 and II.7 require Black Hills Power to hold two open meetings with Interested Parties annually—one for the Annual True-Up and the other for the projected net revenue requirement.²⁰ As set forth in the proposed formula rate protocols, these annual open meetings will allow: (1) Black Hills Power an opportunity to explain and clarify its Annual True-Up and projected net revenue requirement posted on its website and OASIS; and (2) Interested Parties an opportunity to seek additional information and clarifications from Black Hills Power about its Annual True-Up and projected net revenue requirement posted on its website and OASIS.²¹ In accordance with the MISO Compliance Order, Black Hills Power must provide notice, via an email exploder list, of the annual open meetings to Interested Parties no less than seven days prior to holding such meetings.²²

Because Black Hills Power does not have any existing or proposed transmission projects that utilize a regional cost sharing mechanism, the proposed formula rate protocols do not include language requiring a joint informational meeting be held by transmission owners as the Commission directed in the MISO Compliance Order.²³ Black Hills Power is participating in WestConnect and will participate in the WestConnect cost allocation proposals.²⁴ In the event that Black Hills Power's participation in WestConnect, or any other regional cost sharing mechanism that may be developed, results in cost recovery of transmission projects under Attachment H to the Joint Tariff that utilize a regional cost sharing mechanism, Black Hills Power commits that it will amend the formula rate protocols in a future FPA Section 205 filing to include a requirement that Black Hills Power will hold a joint informational meeting with the other transmission owners utilizing such a regional cost sharing mechanism with Black Hills Power to allow Interested Parties the opportunity to understand how those transmission owners are implementing their formula rates for cost recovery of such projects.

ii. Information Exchange Procedures

Consistent with the MISO Investigation Order, the proposed formula rate protocols provide Interested Parties with adequate time to review the information posted on Black Hills Power's website and OASIS and to serve reasonable information and document requests on

¹⁹ See MISO Investigation Order at PP 86-87 & accompanying notes; *see also* MISO Compliance Order at PP 65-66.

²⁰ See MISO Investigation Order at P 86.

²¹ Attachment A §§ II.6-7.

²² *Id.*; *see also* MISO Compliance Order at P 59.

²³ See MISO Compliance Order at P 59.

²⁴ See *Pub. Serv. Co. of Colo.*, 142 FERC ¶ 61,206 (2013); *see also Black Hills Power, Inc.*, Compliance Filing, Docket No. ER13-96-002 (filed Sept. 20, 2013).

Black Hills Power.²⁵ Specifically, Sections III.1 and III.2 provide Interested Parties two months to review both the Annual True-Up and projected net revenue requirement posted on Black Hills Power's website and OASIS, and to serve reasonable information and document requests on Black Hills Power. Similar to the extension permitted under Section II.3, Sections III.1 and III.2 extend the deadline to serve information and document requests to the next business day if the deadline falls on a weekend or a holiday recognized by the Commission. In accordance with the MISO Compliance Order, the proposed formula rate protocols adopt the same seven categorical limitations on the types of information and documents that can be requested under the information exchange procedures.²⁶

Section III.3 of the proposed formula rate protocols requires Black Hills Power to make a good faith effort to respond to information and document requests, submitted by Interested Parties in accordance with Sections III.1 and III.2, within 15 business days; however, Black Hills Power shall have no longer than September 1 and December 31 to respond to information and document requests submitted during the Annual True-Up review period and projected net revenue requirement review period, respectively. The Commission accepted the same "good faith effort" to respond within 15 business days with a similar cut-off response date in the MISO Compliance Order.²⁷

Black Hills Power's currently effective formula rate protocols require Black Hills Power to post information regarding frequently asked questions on the OASIS explaining the True-Up Adjustment and responses to customer inquiries. To improve the level of transparency with Interested Parties, Section III.4 of the proposed formula rate protocols requires Black Hills Power to post all information and document requests with Black Hills Power's responses to such requests on its website and OASIS, provided that the responses do not include material deemed by Black Hills Power to be privileged and/or confidential. If Black Hills Power deems responsive material to be privileged and/or confidential, such information will not be publicly posted but Black Hills Power will provide confidential information to requesting parties provided that a confidentiality agreement is executed by Black Hills Power and the requesting party. Further, Section IV.7 (part of the Challenge Procedures discussed below) requires that Black Hills Power post on its website and OASIS all Informal Challenges from Interested Parties and Black Hills Power's response(s) to any such Informal Challenges, subject to the same provision in Section III.4 regarding privileged and/or confidential information.²⁸

In accordance with the MISO Compliance Order, Section III.5 of the proposed formula rate protocols precludes Black Hills Power from withholding responsive information to an information or document request under a claim of any settlement privilege in any

²⁵ See MISO Investigation Order at PP 89-91.

²⁶ MISO Compliance Order at P 67 (finding the six inquiry categories limiting information and document requests proposed by the MISO transmission owners to be reasonable, and directing an additional seventh category be added).

²⁷ *Id.* P 60.

²⁸ *Accord id.* PP 114, 116.

subsequent Commission proceeding addressing Black Hills Power's Annual True-Up or projected net revenue requirement.²⁹

iii. Calculating True-Up Adjustment and Changes to True-Up Adjustment or Projected Net Revenue Requirement Procedures

Sections VI and VII of the proposed formula rate protocols set forth the specific procedures for calculating the True-Up Adjustment and for reflecting changes to the True-Up Adjustment and projected net revenue requirement made after the publication dates. Specifically, Section VI of the proposed formula rate protocols provides the procedures for annually calculating the True-Up Adjustment and calculating interest on any over or under recovery due to the difference between the actual versus projected net revenue requirement.³⁰ Further, consistent with Black Hills Power's formula rate template, under the proposed formula rate protocols, the True-Up Adjustment would be paid in full in July of each year.³¹

Section VII of the proposed formula rate protocols addresses potential situations where Black Hills Power's projected net revenue requirement or Annual True-Up is changed or adjusted after the publication dates. Similar to the posting procedures set forth in Section II, Section VII of the proposed formula rate protocols would require Black Hills Power to post any changes or adjustments to the True-Up Adjustment or the projected net revenue requirement on its website and OASIS and, within 10 days of posting any such change or adjustment, provide notice to Interested Parties of such posting via an email exploder. Regarding changes to the True-Up Adjustment, because Black Hills Power's formula rate template does not carry forward the True-Up Adjustment into the next projected net revenue requirement, Section VII.1 requires any resulting change in Black Hills Power's True-Up Adjustment to be paid in full within 30 calendar days of the date that any such change or adjustment is posted to Black Hills Power's website and OASIS, or in accordance with any Commission order. Interest on the adjusted amount will be calculated in accordance with the same procedures set forth in Section VI.3 for the True-Up Adjustment or as the Commission may otherwise order.

To minimize the burden on both Black Hills Power and its customers in connection with changes to the projected net revenue requirement made after the Projected Rate Publication Date but before January 15, Black Hills Power plans to reflect those changes in the projected net revenue requirement invoiced to customers.³² For changes made to the projected net revenue requirement after January 15, Black Hills Power will reflect the changes in invoices to be delivered no later than 30 days from the date of posting any such change to the Black Hills Power's website and OASIS, or in accord with any Commission order.³³ Pursuant to Section VII.2 of the proposed formula rate protocols, Black Hills Power

²⁹ *Id.* P 68.

³⁰ Attachment A §§ VI.1, VI.3.

³¹ *Id.* § VI.2.

³² *Id.* § VII.2.

³³ *Id.*

will re-invoice customers on any invoices delivered to customers that did not reflect any such changes or adjustments to the projected net revenue requirement made after January 15, which will include an interest calculation outlined in Section VI.3 of the proposed formula rate protocols or as the Commission may otherwise order.

iv. Informational Filings

Black Hills Power's currently effective formula rate protocols do not provide a provision requiring Black Hills Power to make annual informational filings with the Commission. In accordance with the MISO Investigation Order and the MISO Compliance Order, Black Hills Power proposes to include such a requirement in its proposed formula rate protocols.³⁴ Section V of the proposed formula rate protocols requires Black Hills Power to file by March 1 of each year an informational filing of its projected net revenue requirement and Annual True-Up in connection with the postings performed in accordance with Section II of the proposed formula rate protocols during the prior year. The deadline for filing the informational filing with the Commission provides a reasonable amount of time (approximately six weeks) after all Informal Challenges are due, which are discussed below, in which Black Hills Power and a challenging party can seek to resolve any dispute that may arise regarding Black Hills Power's formula rate updates.

Consistent with the MISO Investigation Order and the MISO Compliance Order, Section V.1 of the proposed formula rate protocols requires Black Hills Power to "include the information that is reasonably necessary to determine: (1) that input data under the formula rate are properly recorded in any underlying workpapers; (2) that Black Hills Power has properly applied the formula rate and these procedures; (3) the accuracy of data and the consistency with the formula rate of the net revenue requirement and rates under review; (4) the extent of accounting changes that affect formula rate inputs; and (5) the reasonableness of projected costs."³⁵ Further, consistent with the July 17, 2014 Staff's Guidance on Formula Rate Updates, Section V.1 requires Black Hills Power to include the formula rate template and underlying workpapers in native format fully populated and with formulas intact when submitting its annual informational filing with the Commission. As required by Section V.1, Black Hills Power will describe any corrections or adjustments made to the Annual True-Up or projected net revenue requirement made during the period between the publication dates and the filing date of the informational filing with the Commission.³⁶ Pursuant to the MISO Compliance Order, the proposed formula rate protocols require that Black Hills Power provide notice of its informational filing to Interested Parties via an email exploder list and by posting the docket number assigned to Black Hills Power's informational filing on its website and OASIS within five days of such filing.³⁷

³⁴ See MISO Investigation Order at P 92; MISO Compliance Order at P 71.

³⁵ Attachment A § V.1; see also MISO Investigation Order at P 92; MISO Compliance Order at P 62.

³⁶ Accord MISO Investigation Order at P 92.

³⁷ Attachment A § V.1; see also MISO Compliance Order at P 71.

C. Challenge Procedures

Black Hills Power's currently effective formula rate protocols do not contain procedures for interested parties to challenge Black Hills Power's implementation of its formula rate. In accordance with the July 2014 Order, the MISO Investigation Order, and the MISO Compliance Order, Black Hills Power proposes to include straightforward and well defined challenge procedures to afford Interested Parties the opportunity to raise informal challenges for a reasonable period of time after Black Hills Power posts its Annual True-Up and projected net revenue requirement pursuant to Section II of the proposed formula rate protocols, and to raise formal challenges with the Commission in the event that parties are unable to resolve any potential dispute raised by Interested Parties under the informal challenge procedures.³⁸

Specifically, the proposed formula rate protocols provide Interested Parties approximately three-and-a-half months to review and submit informal, written challenges regarding Black Hills Power's Annual True-Up and projected net revenue requirement.³⁹ Consistent with the guidance in the MISO Compliance Order, the deadlines to notify Black Hills Power of any Informal Challenge under Sections IV.1 and IV.2 (*i.e.*, September 15 for the Annual True-Up, and January 15 for the projected net revenue requirement) follow Black Hills Power's deadlines to provide Interested Parties responses to all information and document requests under Section III.3 (*i.e.*, September 1 for the Annual True-Up, and December 31 for the projected net revenue requirement) by approximately 15 days.⁴⁰ Further, consistent with the other proposed deadlines in the proposed formula rate protocols, Sections IV.1 and IV.2 extend the review periods to the next business day if a deadline for submitting informal, written challenges falls on a weekend or a holiday recognized by the Commission.

Section IV.6 of the proposed formula rate protocols adopts the seven-factor limitation governing the range of issues that Interested Parties may raise through Informal and Formal Challenges that the Commission directed in the MISO Compliance Order.⁴¹ This seven-factor limitation proposed by Black Hills Power balances the ability of interested parties to participate in Black Hills Power's update or true-up process with the need to avoid exposing Black Hills Power to challenges regarding irrelevant issues.⁴²

Section IV.4 of the proposed formula rate protocols provides the procedures relating to Informal Challenges, which are subject to the limitations under Section IV.6. In accordance with the MISO Investigation Order, Section IV.4 requires Black Hills Power to appoint a senior representative to work with the party (or its representative) submitting the

³⁸ See Attachment A § IV; MISO Investigation Order at P 118; MISO Compliance Order at P 103.

³⁹ Attachment A §§ IV.1-2.

⁴⁰ Accord MISO Compliance Order at P 104.

⁴¹ *Id.* PP 106-107.

⁴² See *id.* P 106.

Informal Challenge toward a resolution of the dispute.⁴³ Furthermore, Section IV.6 permits Black Hills Power to request the appointment of a Commission Administrative Law Judge that is mutually acceptable to the challenging party to facilitate discussions in order to attempt to resolve the dispute.⁴⁴ Consistent with the MISO Compliance Order, Section IV.4 requires Black Hills Power to make a good faith effort to respond to any Informal Challenge with 20 business days, but also requires that Black Hills Power respond to Informal Challenges by October 15 for the Annual True-Up, and by February 15 for the projected net revenue requirement.⁴⁵ Black Hills Power's response deadline to Informal Challenges afford Interested Parties a reasonable time to prepare and file Formal Challenges with the Commission on March 15, which is two weeks after Black Hills Power's Informational Filing discussed above.⁴⁶ Pursuant to Section IV.8 of the proposed formula rate protocols, Interested Parties that choose to file a Formal Challenge with the Commission regarding Black Hills Power's formula rate implementation shall file such challenges in the same docket as Black Hills Power's Informational Filing discussed in Section V of the proposed formula rate protocols.⁴⁷

Section IV.5 of the proposed formula rate protocols governs the requirements for filing a Formal Challenge at the Commission. These requirements are in accordance with the Commission's guidance that formula rate protocols must: "(1) make clear that formal challenges are filed pursuant to the proposed protocols, rather than Rule 206, and (2) detail specifically the filing requirements that an interested party must satisfy in submitting a formal challenge to the Commission."⁴⁸

Section IV.3 provides, in part, that "[f]ailure to pursue an issue through an Informal Challenge or to lodge a Formal Challenge within the timelines provided in these protocols regarding any issue as to a given Annual True-Up or projected net revenue requirement shall bar pursuit of such issue with respect to that Annual True-Up or projected net revenue requirement."⁴⁹ Similarly, Section IV.8 states, in part, that "[a] party may not pursue a Formal Challenge if that party did not submit an Informal Challenge during the applicable True-Up Review Period or Projected Rate Review Period."⁵⁰ The language in these Sections are consistent with the Commission's finding in the MISO Compliance Order wherein the Commission stated "while we are rejecting the proposal to prohibit interested parties from raising any issue in a formal challenge that was not previously raised in the course of that party's informal challenge, we retain the requirement that an interested party submit an informal challenge in order to be able to raise *any* issue in a formal challenge, as this will

⁴³ See MISO Investigation Order at P 119.

⁴⁴ *Accord id.* P 122.

⁴⁵ See MISO Compliance Order at P 105.

⁴⁶ See Attachment A § IV.8.

⁴⁷ *Accord* MISO Compliance Order at P 113.

⁴⁸ *Id.* P 112.

⁴⁹ Attachment A §§ IV.3.

⁵⁰ *Id.* § IV.8.

encourage interested parties to actively engage throughout the process.”⁵¹ However, Section IV.10 clarifies that the informal and formal challenge process does not deny interested parties their statutory right to file a separate complaint pursuant to Section 206 of the FPA.⁵²

Finally, Sections IV.11 and IV.12 of the proposed formula rate protocols clarify that the any modification to the formula rate itself will require, as applicable, an FPA Section 205 or Section 206 filing; however, any interested party seeking changes to the application of the formula rate shall first raise the matter with Black Hills Power in accordance with the challenge procedures set forth in the proposed formula rate protocols.

II. CONTENTS OF THE FILING

In addition to this transmittal letter, this filing consist of:

- Revised Attachment H to the Joint Tariff in RTF format with attached metadata to appear in the eTariff Public Viewer as the Tariff Record;
- A clean copy of revised Attachment H to the Joint Tariff in PDF format for publication in eLibrary (Attachment A); and
- A marked up copy of revised Attachment H to the Joint Tariff in PDF format for publication in eLibrary (Attachment B).

III.EFFECTIVE DATE

Consistent with the Commission’s notice requirements,⁵³ Black Hills Power requests an effective date of January 1, 2015 for the proposed formula rate protocols. The requested January 1, 2015 effective date coincides with the start of the next service year under the formula rate, which runs from the beginning of January through the end of December. With a January 1, 2015 effective date, the proposed formula rate protocols will be applicable for Black Hills Power’s next scheduled Annual True-Up, which will take place on June 1, 2015.⁵⁴

Given Black Hills Power’s current annual rate update process and the time required for the Information Exchange Procedures and Challenge Procedures, it will not be possible to implement the formula rate protocols prior to that date. For example, if the Commission issues an order within sixty days of this filing (e.g., by November 12, 2014), all procedural dates provided in the proposed formula rate protocols, from which all requirements are

⁵¹ MISO Compliance Order at P 109 (emphasis in original).

⁵² *Id.* PP 109-110.

⁵³ 18 C.F.R. § 35.3(a)(1) (2014).

⁵⁴ *See* Attachment A § II.1.

timed, would have passed. Therefore, it would be impossible to apply the procedures and deadlines in the new protocols, as proposed, prior to the Annual True-Up scheduled to occur June 1, 2015. In addition, because the informational filing will be made after the end of the time period allowed for Interested Parties to review the updates and for Black Hills Power to respond to information and document requests, Black Hills Power notes that the first informational filing will not be submitted until March 1, 2016.

Based on the foregoing reasons, the January 1, 2015 requested effective date is appropriate.⁵⁵

IV. SERVICE

Black Hills Power has served a copy of this filing, including attachments, to Black Hills Power's customers under the Joint Tariff, Basin Electric Power Cooperative, Powder River Energy Corporation, the South Dakota Public Utilities Commission, and the Wyoming Public Service Commission. In addition, this filing has been posted electronically on Black Hills Power's website at <http://www.blackhillspower.com/your-neighborhood/transmission-distribution>.

V. CONCLUSION

For the foregoing reasons, Black Hills Power respectfully requests that the Commission accept these revised formula rate protocols under Attachment H to the Joint Tariff as fully compliant with the July 2014 Order without modification or condition, effective January 1, 2015.

Respectfully submitted,

/s/ Catherine P. McCarthy

Catherine P. McCarthy

Blake R. Urban

Counsel to Black Hills Corporation

⁵⁵ *Accord* MISO Compliance Order at PP 126-128 (conditionally accepting MISO's and the MISO transmission owners' proposed formula rate protocols with a prospective effective date of January 1, 2014).

Attachment A

ATTACHMENT H

MONTHLY NETWORK TRANSMISSION REVENUE REQUIREMENT FOR TRANSMISSION SERVICE ON THE AC TRANSMISSION SYSTEM

1. The Annual Transmission Cost for Transmission Service on the AC Transmission System is:
 - a. Black Hills Component: Annual Transmission Revenue Requirement as determined pursuant to the formula set forth in this Attachment H
 - b. Basin Electric Component: \$16,482,130
 - c. PRECorp Component: \$1,297,602
 - d. Annual Transmission Cost: $\$(a + b + c)$

The amounts in (a) (b) and (c) shall be effective until amended by the Transmission Provider or until modified by the Commission. Each of Black Hills, Basin Electric and PRECorp ("Party") may unilaterally modify its component of the Annual Transmission Cost pursuant to a filing with the FERC; provided that it must notify the other two Parties in writing not less than thirty (30) days prior to making such filing.

2. The Monthly Network Transmission Revenue Requirement shall be computed each month as follows:

$$x = (y \div 12) - z$$

- | | | |
|---|---|---|
| x | = | Monthly Network Transmission Revenue Requirement |
| y | = | Annual Transmission Cost (item 1(d)) |
| z | = | Revenues from all Point-to-Point Transmission Service on the AC Transmission System in the month. |

Black Hills Power, Inc.
Annual Transmission Revenue Requirement Formula

Estimate

Service Year 2009

Cost of Service Utilizing FERC Form 1 Data

Black Hills Power, Inc.

Line No.	(1) RATE BASE:	(2) Form No. 1 Page, Line, Col.	(3) Company Total	(4) Allocator (page 4)	(5) Transmission (Col 3 times Col 4)
GROSS PLANT IN SERVICE					
1	Production	205.46.g	329,718,108	NA	
2	Transmission	207.58.g	70,930,677	TP 0.73987	52,479,764
3	New Construction CUS Assets	See Workpaper 2 (line 9)	17,247,000	TP 0.73987	12,760,607
4	New Construction CUS Assets	See Workpaper 3 (line 19 col D)	2,974,250	TP 0.73987	2,200,570
5	Distribution	207.75.g	239,729,489	NA	
6	General & Intangible	See Workpaper 4 (line 5 col 1)	31,450,235	W/S 0.07016	2,206,407
7	Allocated Plant	See Workpaper 5 (line 5)	5,054,792	W/S 0.07016	354,621
8	Communication System	207.94.g	6,874,999	T&D 0.21360	1,468,503
9	Common	356.1	0	CE 0.00000	0
10	TOTAL GROSS PLANT	(sum lines 1 - 9)	703,979,550	GP= 10.152%	71,470,473
ACCUMULATED DEPRECIATION					
13	Production	219.20-24.c	159,696,980	NA	
14	Transmission	219.25.c	23,826,360	TPA 0.88176	21,009,226
15	Additional Transmission Depr	See Workpaper 2 (line 48)	2,090,423	TPA 0.88176	1,843,259
16	Distribution	219.26.c	79,001,766	NA	
17	General & Intangible	See Workpaper 4 (line 24 col 1)	15,050,577	W/S 0.07016	1,055,881
18	Allocated Plant	See Workpaper 5 (line 11)	2,073,154	W/S 0.07016	145,443
19	Communication System	See Workpaper 4 (line 22 col 2)	2,136,253	T&D 0.21360	456,305
20	Common	356.1	0	CE 0.00000	0
21	TOTAL ACCUM. DEPRECIATION	(sum lines 13 - 20)	283,875,513		24,510,115
NET PLANT IN SERVICE					
24	Production	(line 1 - line 13)	170,021,128	Auto	
25	Transmission	(line 2 - line 14)	47,104,317	Auto	31,470,537
26	New Construction CUS Assets	(line 3 - line 15)	15,156,577	Auto	10,917,347
27	New Construction CUS Assets	(line 4)	2,974,250	Auto	2,200,570
28	Distribution	(line 5 - line 16)	160,727,723	Auto	
29	General & Intangible	(line 6 - line 17)	16,399,658	Auto	1,150,526
30	Allocated Plant	(line 7 - line 18)	2,981,638	Auto	209,178
31	Communication System	(line 8 - line 19)	4,738,746	Auto	1,012,199
32	Common	(line 9 - line 20)	0	Auto	0
33	TOTAL NET PLANT	(sum lines 24 - 32)	420,104,037	NP= 11.178%	46,960,358
ADJUSTMENTS TO RATE BASE (Note A)					
36	Account No. 281 (enter negative)	273.8.k	(4,343)	NA zero	-
37	Account No. 282 (enter negative)	275.2.k	(68,245,483)	NP 0.11178	(7,628,663)
38	Account No. 283 (enter negative)	277.9.k	(8,788,261)	NP 0.11178	(982,375)
39	Account No. 190	234.8.c	7,258,863	NP 0.11178	811,415
40	Account No. 255 (enter negative)	267.8.h	(307,159)	NP 0.11178	(34,335)
41	FAS 109 Adjustment	(232.1.f - 278.1.f - 278.3.f)*.35	806,475	NP 0.11178	90,150
42	TOTAL ADJUSTMENTS	(sum lines 36 - 41)			(7,743,809)
44	LAND HELD FOR FUTURE USE	214.x.d (Note B)	0	DA 0.00000	0
WORKING CAPITAL (Notes C & H)					
47	CWC	(1/8 * line 63)	2,437,258	Auto	232,223
48	Materials & Supplies	227.5.c	4,668,225	T&D 0.21360	997,135
49	Materials & Supplies	227.8.c	94,372	TP 0.73987	69,823
50	Prepayments (Account 165)	111.57.c	6,173,396	GP 0.10152	626,745
51	TOTAL WORKING CAPITAL	(sum lines 47 - 50)			1,925,927
52					
53	TRANSMISSION RATE BASE	(sum lines 33, 42, 44, & 51)			41,142,476

Cost of Service
Utilizing FERC Form 1 Data

Black Hills Power, Inc.

Line No.	(1)	(2)	(3)	(4)	(5)
	Form No. 1 Page, Line, Col.	Company Total	Allocator (page 4)	Transmission (Col 3 times Col 4)	
O&M					
54	Transmission	321.112.b	9,746,087	TP 0.73987	7,210,876
55	Less: Account 565 and 561	321.84-92.b & 96.b	9,091,256	TP 0.73987	6,726,391
56	A&G	323.194.b	19,414,837	W/S 0.07016	1,362,058
57	Less FERC Annual Fees (Note D)	350.1.b	201,513	W/S 0.07016	14,137
58	Plus: Fixed PBOP expense (Note I)		227,200	W/S 0.07016	15,939
59	Less: Actual PBOP expense (Company Records)		224,682	W/S 0.07016	15,777
60	Less: EPRI & Reg. Comm. Exp. & Non-safety Ad. (Note E)		449,068	W/S 0.07016	31,505
61	Plus Trans Related Reg. Comm. Exp. (Note E) (Workpaper 1 line 11)		76,667	TP 0.73987	56,724
62	Common	356.1	0	CE 0.00000	0
63	TOTAL O&M (sum lines 54, 56, 58, 61, 62 less lines 55, 57, 59, 60)		19,496,062		1,857,767
64	DEPRECIATION EXPENSE (Note I)				
66	Transmission	336.7.b	1,650,459	TP 0.73987	1,221,132
67	New Construction CUS Assets	See Workpaper 2 (line 13)	400,130	TP 0.73987	296,046
68	New Construction CUS Assets	See Workpaper 3 (line 23)	69,003	TP 0.73987	51,053
69	General & intangible	336.10.b & 336.1.d&e	2,389,067	W/S 0.07016	167,606
70	Common	336.11.b	0	CE 0.00000	0
71	TOTAL DEPRECIATION (Sum lines 66 - 70)		4,508,659		1,735,837
72	TAXES OTHER THAN INCOME TAXES (Note F)				
74	LABOR RELATED				
75	Payroll	263.3i, 263.4i, 263.12i	1,667,209	W/S 0.07016	116,964
76	Highway and vehicle	263.i	0	W/S 0.07016	0
77	PLANT RELATED				
78	Property	263.23i	4,341,000	GP 0.10152	440,714
79	Gross Receipts	263.i	0	NA zero	0
80	Other	263.i	0	GP 0.10152	0
81	TOTAL OTHER TAXES (sum lines 75 - 80)		6,008,209		557,677
82	INCOME TAXES (Note G)				
84	T=1 - (((1 - SIT) * (1 - FIT)) / (1 - SIT * FIT * p)) =				
85			35.00%		
86	CIT=(T/1-T) * (1-(WCLTD/R)) =				
87			34.99%		
88	where WCLTD=(line 156) and R=(line 159) and FIT, SIT & p are as given in footnote G.				
89	Total Income Taxes (line 86 * line 93)				
90					1,363,778
91	RETURN				
92	[Rate Base (line 53) * R (line 159)]				
93				Auto	3,897,187
94	ESTIMATED REVENUE REQUIREMENT (sum lines 63, 71, 81, 90, 93)				
95			30,014,930		9,412,267

Cost of Service
Utilizing FERC Form 1 Data

Black Hills Power, Inc.

SUPPORTING CALCULATIONS AND NOTES

Line No.	TRANSMISSION PLANT INCLUDED IN JOINT TARIFF RATES	Form 1 Reference			
96	Total transmission plant	Column (3) sum lines 2 - 4			91,151,927
97	Less transmission plant excluded from Common Use Facilities	Company Records			25,310,952
98	Less transmission plant included in Ancillary Services				0
99	Transmission plant included in Common Use Facilities (line 96 less lines 97 and 98)				65,840,975
100	Plus Common Use AC Facilities (line 110)				6,150,861
101	Total Gross Plant for the CUS System (line 99 plus line 100)				71,991,836
102	Total CUS Plant (line 96 plus line 110)				97,302,788
103					
104	Percentage of transmission plant included in Common Use Facilities (line 101 divided by line 102)			TP=	0.739874
105					
106	DISTRIBUTION PLANT INCLUDED IN JOINT TARIFF RATES	Form 1 Reference			
107	Total distribution plant	Column (3) line 5			239,729,489
108	Less distribution plant excluded from Common Use Facilities	Company Records			233,578,628
109	Less distribution plant included in Ancillary Services				0
110	Common Use AC Facilities (line 107 less lines 108 & 109)				6,150,861
111					
112	Percentage of distribution plant included in Common Use Facilities (line 107 divided by line 110)			DP=	0.025658
113					
114	ACCUMULATED DEPRECIATION	Form 1 Reference			
115	Total Transmission Accumulated Depreciation	Column (3), sum lines 14 - 15			25,916,783
116	Less transmission plant excluded from Common Use Facilities	Company Records			3,428,179
117	Total Transmission Accumulated Depreciation included in Common Use Facilities (line 115 - line 116)				22,488,604
118	Plus Common Use AC Facilities Accumulated Depreciation (line 127)				3,077,649
119	Total Accumulated Depreciation for the CUS System (line 117 plus line 118)				25,566,253
120	Total CUS Accumulated Depreciation (line 115 plus line 118)				28,994,432
121					
122	Percentage of transmission plant accumulated depreciation included in Common Use Facilities (line 119 divided by line 120)			TPA=	0.881764
123					
124		Form 1 Reference			
125	Total Distribution Accumulated Depreciation	219.26.c			79,001,766
126	Less distribution accumulated depreciation excluded from Common Use Facilities (Company Records)				75,924,117
127	Common Use AC Facilities (line 125 less line 126)				3,077,649
128					
129	Percentage of distribution plant accumulated depreciation included in Common Use Facilities (line 127 divided by line 125)			DPA=	0.038957
130					
131	WAGES & SALARY ALLOCATOR (W&S)				
132		Form 1 Reference	\$	TP	Allocation
133	Transmission	354.21.b	1,171,648	0.74	866,872
134	Total Wages Expense	354.28.b	14,244,451	0.00	0
135	Less: A&G Wages	354.27.b	1,888,017	0.00	0
136	Adjusted Total (sum lines 134-135)		12,356,434		866,872 WS=
137					0.07016
138	TRANSMISSION & DISTRIBUTION ALLOCATOR (T&D)		\$	% TP	T&D
139	Transmission Net Plant	lines 25, 26 & 27	65,235,144	28.87%	74% 21.36%
140	Distribution Net Plant	line 28	160,727,723	71.13%	
141	Total (sum lines 139 - 140)		225,962,867	100%	T&D =
142					21.36%
143	RETURN (R)	Form 1 Reference			\$
144	Long Term Interest	117, sum of 62.c through 66.c			11,817,050
145					
146	Preferred Dividends	118.29.c (positive number)			
147					
148	Development of Common Stock:	Form 1 Reference			
149	Proprietary Capital	112.16.c			232,419,703
150	Less: Preferred Stock	112.3.c			
151	Less: Undistributed Earnings	112.12.c (enter negative)			
152	Less: Accum Other Comp Inc	112.15.c (enter negative)			1,277,097
153	Adjusted Common Stock	(sum lines 149-152)			233,696,800
154					
155		Form 1 Reference	\$	%	Cost
156	Long Term Debt	112.24.c	153,217,473	43.00%	7.71%
157	Preferred Stock	112.3.c	0	0.00%	0.00%
158	Adjusted Common Stock	(see above line 153)	233,696,800	57.00% (Note I)	10.80% (Note I)
159	Total (sum lines 156-158)		386,914,273		R = 9.47%

Cost of Service
Utilizing FERC Form 1 Data

Black Hills Power, Inc.

Note
Letter

- A The balances in Accounts 281, 282, 283 and 190, as adjusted by any amounts in contra accounts identified as regulatory assets or liabilities related to FASB 109. Balance of Account 255 is reduced by prior flow through and excluded if the utility chose to utilize amortization of tax credits against taxable income. Account 281 is not allocated.
- B Identified in Form 1 as being only transmission related.
- C Cash Working Capital assigned to transmission is one-eighth of O&M allocated to transmission at line 47, column 5.
- D The FERC's annual charges for the year assessed the Transmission Owner for service since annual charges assessed directly under this tariff.
- E Line 1 - EPRI Annual Membership Dues listed in Form 1 at 335.1.b, all Regulatory Commission Expenses itemized at 351.1.h, and non-safety related advertising included in Account 930.1.
- F Includes only FICA, unemployment, highway, property, gross receipts, and other assessments charged in the current year. Taxes related to income are excluded. Gross receipts taxes are not included in transmission revenue requirement in rates, since they are recovered elsewhere.
- G The currently effective income tax rate, where FIT is the Federal income tax rate; SIT is the State income tax rate, and p = "the percentage of federal income tax deductible for state income taxes". If the utility is taxed in more than one state it must attach a work paper showing the name of each state and how the blended or composite SIT was developed. Furthermore, a utility that elected to utilize amortization of tax credits against taxable income, rather than book tax credits to Account No. 255 and reduce rate base, must reduce its income tax expense by the amount of the Amortized Investment Tax Credit (Form 1, 266.8.f) multiplied by (1/1-T) (page 7, line 26).
 Inputs Required:

FIT =	35.00%	
SIT =	0.00%	(State Income Tax Rate or Composite SIT)
p =	0.00%	(percent of federal income tax deductible for state purposes)
- H See Note H for the True-Up calculation.
- I Depreciation rates, PBOP, ROE, and Capital Structure are fixed amounts that can be changed only through a Section 205 filing.

True Up

Service Year 2009

Cost of Service Utilizing FERC Form 1 Data

Black Hills Power, Inc.

Line No.	(1) RATE BASE:	(2) Form No. 1 Page, Line, Col.	(3) Company Total	(4) Allocator (page 4)	(5) Transmission (Col 3 times Col 4)
1	GROSS PLANT IN SERVICE	(Note H)			
1	Production	205.46.g		NA	
2	Transmission	207.58.g		TP	0.00000
3	Distribution	207.75.g		NA	0
4	General & Intangible	See Workpaper 4		W/S	0.00000
5	Allocated Plant	See Workpaper 5		W/S	0.00000
6	Communication System	See Workpaper 4		T&D	0.00000
7	Common	356.1		CE	0.00000
8	TOTAL GROSS PLANT	(sum lines 1 - 7)	0	GP=	0.000%
9					
10	ACCUMULATED DEPRECIATION	(Note H)			
11	Production	219.20-24.c		NA	
12	Transmission	219.25.c		TPA	0.00000
13	Distribution	219.26.c		NA	0
14	General & Intangible	219.28.c		W/S	0.00000
15	Allocated Plant	See Workpaper 5		W/S	0.00000
16	Communication System	See Workpaper 4		T&D	0.00000
17	Common	356.1		CE	0.00000
18	TOTAL ACCUM. DEPRECIATION	(sum lines 11 - 17)	0		0
19					
20	NET PLANT IN SERVICE	(Note H)			
21	Production	(line 1 - line 11)	0	Auto	
22	Transmission	(line 2 - line 12)	0	Auto	0
23	Distribution	(line 3 - line 13)	0	Auto	
24	General & Intangible	(line 4 - line 14)	0	Auto	0
25	Allocated Plant	(line 5 - line 15)	0	Auto	0
26	Communication System	(line 6 - line 16)	0	Auto	0
27	Common	(line 7 - line 17)	0	Auto	0
28	TOTAL NET PLANT	(sum lines 21 - 27)	0	NP=	0.000%
29					
30	ADJUSTMENTS TO RATE BASE	(Notes A & H)			
31	Account No. 281 (enter negative)	273.8.k		NA	zero
32	Account No. 282 (enter negative)	275.2.k		NP	0.00000
33	Account No. 283 (enter negative)	277.9.k		NP	0.00000
34	Account No. 190	234.8.c		NP	0.00000
35	Account No. 255 (enter negative)	267.8.h		NP	0.00000
36	FAS 109 Adjustment	(232.1.f - 278.1.f - 278.3.f)*.35		NP	0.00000
37	TOTAL ADJUSTMENTS	(sum lines 31 - 36)			-
38					
39	LAND HELD FOR FUTURE USE	214.x.d (Notes B & H)	0	DA	0.00000
40					
41	WORKING CAPITAL (Notes C & H)				
42	CWC	(1/8 * line 58)	0	Auto	0
43	Materials & Supplies	227.5.c		T&D	0.00000
44	Materials & Supplies	227.8.c		TP	0.00000
45	Prepayments (Account 165)	111.57.d		GP	0.00000
46	TOTAL WORKING CAPITAL	(sum lines 42 - 45)			0
47					
48	TRANSMISSION RATE BASE	(sum lines 28, 37, 39, & 46)			0

Cost of Service
Utilizing FERC Form 1 Data

Black Hills Power, Inc.

Line No.	(1)	(2)	(3)	(4)	(5)
	Form No. 1 Page, Line, Col.	Company Total	Allocator (page 4)	Transmission (Col 3 times Col 4)	
O&M					
49	Transmission	321,112.b	TP	0.00000	0
50	Less: Account 565 and 561	321.84-92.b & 96.b	TP	0.00000	0
51	A&G	323,194.b	W/S	0.00000	0
52	Less FERC Annual Fees (Note D)	350.1.b	W/S	0.00000	0
53	Plus: Fixed PBOP expense (Note I)		W/S	0.00000	0
54	Less: Actual PBOP expense (Company Records)		W/S	0.00000	0
55	Less: EPRI & Reg. Comm. Exp. & Non-safety Ad. (Note E)		W/S	0.00000	0
56	Plus Transmission Related Reg. Comm. Exp. (Note E)		TP	0.00000	0
57	Common	356.1	CE	0.00000	0
58	TOTAL O&M (sum lines 49, 51, 53, 56, 57 less lines 50, 52, 54, 55)	0			0
59					
DEPRECIATION EXPENSE (Note I)					
61	Transmission	336.7.b	TP	0.00000	0
62	General & intangible	336.10.b & 336.1.d&e	W/S	0.00000	0
63	Common	336.11.b	CE	0.00000	0
64	TOTAL DEPRECIATION (Sum lines 61 - 63)	0			0
65					
TAXES OTHER THAN INCOME TAXES (Note F)					
LABOR RELATED					
68	Payroll	263.3i, 263.4i, 263.12i	W/S	0.00000	0
69	Highway and vehicle	263.i	W/S	0.00000	0
PLANT RELATED					
71	Property	263.23i	GP	0.00000	0
72	Gross Receipts	263.i	NA	zero	0
73	Other	263.i	GP	0.00000	0
74	TOTAL OTHER TAXES (sum lines 68 - 73)	0			0
75					
76					
INCOME TAXES (Note G)					
78	T=1 - ((1 - SIT) * (1 - FIT)) / (1 - SIT * FIT * p) =	35.00%			
79	CIT=(T/1-T) * (1-(WCLTD/R)) =	53.85%			
80	where WCLTD=(line 154) and R=(line 157)				
81	and FIT, SIT & p are as given in footnote G.				
82					
83	Total Income Taxes	(line 79 * line 86)			0
84					
RETURN					
86	[Rate Base (line 48) * R (line 157)]		Auto		0
87					
88	REVENUE REQUIREMENT (sum lines 58, 64, 74, 83, 85)	0			0
89					
90	ESTIMATED REVENUE REQUIREMENT (pg. 3 line 95)				
91					
92	TRUE-UP AMOUNT TO BE (REFUNDED)/PAID (line 88 - line 90)				0

Cost of Service
Utilizing FERC Form 1 Data

Black Hills Power, Inc.

SUPPORTING CALCULATIONS AND NOTES

Line No.	TRANSMISSION PLANT INCLUDED IN JOINT TARIFF RATES		Form 1 Reference		
93	Total transmission plant		Column (3) line 2		0
94	Less transmission plant excluded from Common Use Facilities		Company Records		
95	Less transmission plant included in Ancillary Services		Company Records		
96	Transmission plant included in Common Use Facilities (line 93 less lines 94 and 95)				0
97	Plus Common Use AC Facilities (line 107)				0
98	Total Gross Plant for the CUS System (line 96 plus line 97)				0
99	Total CUS Plant (line 93 plus line 107)				0
100					
101	Percentage of transmission plant included in Common Use Facilities (line 98 divided by line 99)			TP=	0.000000
102					
103	DISTRIBUTION PLANT INCLUDED IN JOINT TARIFF RATES		Form 1 Reference		
104	Total distribution plant		Column (3) line 3		0
105	Less distribution plant excluded from Common Use Facilities		Company Records		
106	Less distribution plant included in Ancillary Services		Company Records		
107	Common Use AC Facilities (line 104 less lines 105 & 106)				0
108					
109	Percentage of distribution plant included in Common Use Facilities (line 104 divided by line 107)			DP=	0.000000
110					
111	ACCUMULATED DEPRECIATION		Form 1 Reference		
112	Total Transmission Accumulated Depreciation		Column (3) line 12		0
113	Less transmission plant excluded from Common Use Facilities		Company Records		
114	Total Transmission Accumulated Depreciation included in Common Use Facilities (line 112 - line 113)				0
115	Plus Common Use AC Facilities Accumulated Depreciation (line 124)				0
116	Total Accumulated Depreciation for the CUS System (line 114 plus line 115)				0
117	Total CUS Accumulated Depreciation (line 112 plus line 115)				0
118					
119	Percentage of transmission plant accumulated depreciation included in Common Use Facilities (line 116 divided by line 117)			TPA=	0.000000
120					
121			Form 1 Reference		
122	Total Distribution Accumulated Depreciation		Column (3) line 13		0
123	Less distribution accumulated depreciation excluded from Common Use Facilities (Company Records)				
124	Common Use AC Facilities (line 122 less line 123)				0
125					
126	Percentage of distribution plant accumulated depreciation included in Common Use Facilities (line 124 divided by line 122)			DPA=	0.000000
127					
128	WAGES & SALARY ALLOCATOR (W&S)				
129		Form 1 Reference	\$	TP	Allocation
130	Transmission	354.21.b		0.00	0
131	Total Wages Expense	354.28.b		0.00	0
132	Less: A&G Wages	354.27.b		0.00	0
133	Adjusted Total (sum lines 131-132)		0		0 WS= 0.00000
134					
135	TRANSMISSION & DISTRIBUTION ALLOCATOR (T&D)				
136			\$	% TP	T&D
137	Transmission Net Plant	line 22	0	0.00%	0% 0.00%
138	Distribution Net Plant	line 23	0	0.00%	
139	Total (sum lines 137 - 138)		0	0%	T&D = 0.00%
140					
141	RETURN (R)		Form 1 Reference		\$
142	Long Term Interest	117, sum of 62.c through 66.c			
143					
144	Preferred Dividends	118.29.c (positive number)			
145					
146	Development of Common Stock:		Form 1 Reference		
147	Proprietary Capital	112.16.c			
148	Less: Preferred Stock	112.3.c			
149	Less: Undistributed Earnings	112.12.c (enter negative)			
150	Less: Accum Other Comp Inc	112.15.c (enter negative)			
151	Adjusted Common Stock		(sum lines 147-150)		
152					
153		Form 1 Reference	\$	%	Cost
154	Long Term Debt	112.24.c		43.00%	0.00%
155	Preferred Stock	112.3.c		0.00%	0.00%
156	Adjusted Common Stock	(see above line 151)	0	57.00% (Note I)	10.80% (Note I)
157	Total (sum lines 154-156)		0		R = 6.16%

Cost of Service
Utilizing FERC Form 1 Data

Black Hills Power, Inc.

Note
Letter

- A The balances in Accounts 281, 282, 283 and 190, as adjusted by any amounts in contra accounts identified as regulatory assets or liabilities related to FASB 109. Balance of Account 255 is reduced by prior flow through and excluded if the utility chose to utilize amortization of tax credits against taxable income. Account 281 is not allocated.
- B Identified in Form 1 as being only transmission related.
- C Cash Working Capital assigned to transmission is one-eighth of O&M allocated to transmission at line 42, column 5.
- D The FERC's annual charges for the year assessed the Transmission Owner for service since annual charges assessed directly under this tariff.
- E Line 1 - EPRJ Annual Membership Dues listed in Form 1 at 335.b, all Regulatory Commission Expenses itemized at 351.h, and non-safety related advertising included in Account 930. f.
- F Includes only FICA, unemployment, highway, property, gross receipts, and other assessments charged in the current year. Taxes related to income are excluded. Gross receipts taxes are not included in transmission revenue requirement in rates, since they are recovered elsewhere.
- G The currently effective income tax rate, where FIT is the Federal income tax rate; SIT is the State income tax rate, and p = "the percentage of federal income tax deductible for state income taxes". If the utility is taxed in more than one state it must attach a work paper showing the name of each state and how the blended or composite SIT was developed. Furthermore, a utility that elected to utilize amortization of tax credits against taxable income, rather than book tax credits to Account No. 255 and reduce rate base, must reduce its income tax expense by the amount of the Amortized Investment Tax Credit (Form 1, 266.8.f) multiplied by (1/1-T) (page 7, line 26).
 Inputs Required:

FIT =	35.00%
SIT =	0.00% (State Income Tax Rate or Composite SIT)
p =	0.00% (percent of federal income tax deductible for state purposes)
- H For the True-Up calculation only, Gross Plant, Accumulated Depreciation and Net Plant are based on the 13-monthly plant balances. All other rate base items are based on the average of the beginning of the year and end of year balances.
- I Depreciation rates, PBOP, ROE, and Capital Structure are fixed amounts that can be changed only through a Section 205 filing.

Capital True Up

Line
No.

1 The True-Up Adjustment component of the Formula Rate for each Rate Year beginning with rates effective January 1, 2010 shall be determined as follows:

2
3 (i) Beginning with 2009, no later than June 1 of each year, Black Hills Power shall recalculate an adjusted Annual
4 Transmission Revenue Requirement (ATRR) for the previous calendar year based on its actual costs as reflected
5 in its Form No. 1 and its books and records for that calendar year, consistent with FERC
6 accounting policies.

7
8 (ii) Black Hills Power shall determine the difference between the recalculated ATRR as determined in paragraph (i)
9 above, and ATRR based on projected costs for the previous calendar year (True-Up Adj before interest).

10 (iii) The True-Up Adjustment shall be determined as follows:

11 True-Up Adjustment equals the True-Up Adjustment before interest multiplied by $(1+i)^{18}$ months.

12
13 Where: $i =$ Sum of (the monthly rates for the 4 months ending April 30 of the current year and
14 the monthly rates for the 12 months ending December 31 of the preceding year)
15 divided by 16 months.

16
17
18
19 Summary of Formula Rate Process including True-Up Adjustment (Using 2009 as an example)

Month	Year	Action
True-Up Calculation:		
Step 1	May 2010	TO populate the formula with 2009 Actual data and calculates the 2009 True-up Adjustment before Interest
Step 2	May 2010	TO compares the revenue received during 2009 to the True-Up calculation done above
Step 3	May 2010	TO calculates the Interest to include in the 2009 True-Up Adjustment
Step 4	July 2010	TO either collects or pays the lump-sum adjustment calculated above
Annual Rate Calculation:		
Step 5	September 2010	TO populates the formula with 2009 Actual data plus known additions placed in service (over \$1,000,000) for 2010 (See WP 2 for an example)
Step 6	September 2010	TO estimates transmission Capital Additions (over \$1,000,000) for 2011 expected to be in service in 2011 (See WP 3 for an example)
Step 7	September 2010	TO adds weighted Capital Adds, Accumulated Depreciation and Depreciation Expense to plant in service in Formula
Step 8	September 2010	Post results of Step 7 on web site
Step 9	October 2010	TO to hold an open meeting for it's customers and representatives to explain the formula rate projections and cost details
Step 10	January 2011	Results of Step 7 go into effect

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29 Note 1: To the extent possible each input into the Formula Rate used to calculate the actual ATRR included in the True-Up
30 Adjustment either will be taken directly from the FERC Form No. 1 or will be reconcilable to the FERC Form No. 1
31 by the application of clearly identified and supported information. If the reconciliation is provided through a
32 worksheet included in the filed Formula Rate template, the inputs to the worksheet must meet this transparency
33 standard, and doing so will satisfy this transparency requirement for the amounts that are output from the
34 worksheet and input to the main body of the Formula Rate.

35 Complete for Each Calendar Year beginning in 2009

A	True-Up Amount (Transmission see pg 7 line 92 and Schedule 1 see pg 18 line 12)
B	Future Value Factor $(1+i)^{18}$
C	True-Up Amount to be (Refunded)/Paid based on 2009 Actual Load (A*B)

	1.00	1.00
	\$0.00	\$0.00

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37
38
39
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41
42
43
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48
49 Where: $i =$ average interest rate as calculated below

50 Interest on Amount of Refunds or Surcharges Interest 35.19a for Current Year

Month	Year	Interest 35.19a for Month
January	Year 1	0.0000%
February	Year 1	0.0000%
March	Year 1	0.0000%
April	Year 1	0.0000%
May	Year 1	0.0000%
June	Year 1	0.0000%
July	Year 1	0.0000%
August	Year 1	0.0000%
September	Year 1	0.0000%
October	Year 1	0.0000%
November	Year 1	0.0000%
December	Year 1	0.0000%
January	Year 2	0.0000%
February	Year 2	0.0000%
March	Year 2	0.0000%
April	Year 2	0.0000%
Average Interest Rate		0.0000%

Black Hills Power, Inc.
Formula Rate Protocols

Section I. Applicability

The following procedures shall apply to Black Hills Power, Inc.'s ("Black Hills Power") calculation of its projected net revenue requirement, actual net revenue requirement, and True-Up Adjustment (as that term is defined in Section VI.1 of these protocols) for a calendar year ("Service Year").

Section II. Annual True-Up and Projected Net Revenue Requirement

1. On or before June 1 of each year, Black Hills Power shall determine its actual net revenue requirement and True-Up Adjustment (collectively, "Annual True-Up") for the preceding Service Year in accordance with the Black Hills Power formula rate under Attachment H to the Joint Open Access Transmission Tariff of Black Hills Power, Basin Electric Power Cooperative, and Powder River Energy Corporation ("Joint Tariff") and Section VI of these protocols, and shall post its Annual True-Up on the Black Hills Power website and OASIS. Within ten (10) days of such posting, Black Hills Power shall provide notice to Interested Parties (as that term is defined in Section II.6 of these protocols) of such posting via an email exploder list for which Interested Parties may subscribe on the Black Hills Power website.

2. On or before September 30 of each year, Black Hills Power shall determine its projected net revenue requirement for the following Service Year in accordance with the Black Hills Power formula rate under the Joint Tariff, and shall post its projected net revenue requirement on the Black Hills Power website and OASIS. Within ten (10) days of posting the projected net revenue requirement, Black Hills Power shall provide notice to Interested Parties of such posting to an email exploder list for which Interested Parties may subscribe on the Black Hills Power website.

3. If the date for posting the Annual True-Up or the projected net revenue requirement falls on

a weekend or a holiday recognized by Federal Energy Regulatory Commission (“FERC”), then the posting shall be due on the next business day. The dates on which posting of the Annual True-Up and the projected net revenue requirement occur shall be that year’s “True-Up Publication Date” and “Projected Rate Publication Date,” respectively. Any delay in the True-Up Publication Date or Projected Rate Publication Date will result in an equivalent extension of time for the submission of information and document requests discussed in Section III of these protocols.

4. The Annual True-Up shall:
 - A. Include a workable data-populated formula rate template and underlying workpapers in native format with all formulas and links intact;
 - B. Be based on Black Hills Power’s FERC Form No. 1 for the prior calendar year;
 - C. Provide the formula rate calculations and all inputs thereto, as well as supporting documentation and workpapers for data that are used in the Annual True-Up that are not otherwise available in FERC Form No. 1;¹
 - D. Provide sufficient information to enable Interested Parties to replicate the calculation of the Annual True-Up results from FERC Form No. 1;
 - E. Identify any changes in the formula references (page and line numbers) to FERC Form No. 1;
 - F. Identify all material adjustments made to the FERC Form No. 1 data in determining formula inputs, including relevant footnotes to FERC Form No. 1 and any adjustments not shown in FERC Form No. 1;

¹ It is the intent of the formula rate, including the supporting explanations and allocations described therein, that each input to the formula rate will be either taken directly from FERC Form No. 1 or reconcilable to FERC Form No. 1 by the application of clearly identified and supported information. If the referenced form is superseded, the successor form(s) shall be utilized and supplemented as necessary to provide equivalent information as that provided in the superseded form. If the referenced form(s) is (are) discontinued, equivalent information as that provided in the discontinued form(s) shall be utilized.

- G. Provide underlying data for formula rate inputs that provide greater granularity than is required for FERC Form No. 1;
- H. With respect to any change in accounting that affects inputs to the formula rate or the resulting charges billed under the formula rate (“Accounting Change”):
- a. Identify any Accounting Changes, including:
 - i. the initial implementation of an accounting standard or policy,
 - ii. the initial implementation of accounting practices for unusual or unconventional items where FERC has not provided specific accounting direction,
 - iii. correction of errors and prior period adjustments that impact the True-Up Adjustment calculation,
 - iv. the implementation of new estimation methods or policies that change prior estimates, and
 - v. changes to income tax elections;
 - b. Identify items included in the Annual True-Up at an amount other than on a historic cost basis (*e.g.*, fair value adjustments);
 - c. Identify any reorganization or merger transaction during the previous year and explain the effect of the accounting for such transaction(s) on inputs to the Annual True-Up; and
 - d. Provide, for each item identified pursuant to Sections II.4.H.a – II.4.H.c of these protocols, a narrative explanation of the individual impact of such changes on the True-Up Adjustment.

5. The projected net revenue requirement shall:

- A. Include a workable data-populated formula rate template and underlying workpapers in native format with all formulas and links intact;
- B. Be based on Black Hills Power's most recent FERC Form No. 1;
- C. Provide the formula rate calculations and all inputs thereto, as well as supporting documentation and workpapers for data that are used in the projected net revenue requirement that are not otherwise available in FERC Form No. 1;
- D. Provide sufficient information to enable Interested Parties to replicate the calculation of the projected net revenue requirement;
- E. With respect to any Accounting Change:
 - a. Identify any Accounting Changes, including:
 - i. the initial implementation of an accounting standard or policy;
 - ii. the initial implementation of accounting practices for unusual or unconventional items where FERC has not provided specific accounting direction;
 - iii. correction of errors and prior period adjustments that impact the projected net revenue requirement calculation;
 - iv. the implementation of new estimation methods or policies that change prior estimates; and
 - v. changes to income tax elections;
 - b. Identify items included in the projected net revenue requirement at an amount other than on a historic cost basis (*e.g.*, fair value adjustments);

- c. Identify any reorganization or merger transaction during the previous year and explain the effect of the accounting for such transaction(s) on inputs to the projected net revenue requirement; and
- d. Provide, for each item identified pursuant to Sections II.5.D.a – II.5.D.c of these protocols, a narrative explanation of the individual impact of such changes on the projected net revenue requirement.

6. Black Hills Power shall hold an open meeting among Interested Parties between the True-Up Publication Date and July 1 each year (“Annual True-Up Meeting”). No less than seven (7) days prior to such Annual True-Up Meeting, Black Hills Power shall provide notice on its website and OASIS of the time, date, and location of the Annual True-Up Meeting, and shall provide notice of such meeting via an email exploder list. For purposes of these procedures, the term Interested Party includes, but is not limited to, customers under the Joint Tariff, state utility regulatory commissions, consumer advocacy agencies, and state attorneys general. The Annual True-Up Meeting shall: (i) permit Black Hills Power to explain and clarify its Annual True-Up; and (ii) provide Interested Parties an opportunity to seek information and clarifications from Black Hills Power about the Annual True-Up.

7. Black Hills Power shall hold an open meeting among Interested Parties between the Projected Rate Publication Date and October 30 each year (“Annual Projected Rate Meeting”). No less than seven (7) days prior to such Annual Projected Rate Meeting, Black Hills Power shall provide notice on its website and OASIS of the time, date, and location of the Annual Projected Rate Meeting, and shall provide notice of such meeting via an email exploder list. The Annual Projected Rate Meeting shall: (i) permit Black Hills Power to explain and clarify its projected net revenue requirement; and (ii) provide Interested Parties an opportunity to seek information and

clarifications from Black Hills Power about the projected net revenue requirement.

Section III. Information Exchange Procedures

Each Annual True-Up and projected net revenue requirement shall be subject to the following information exchange procedures ("Information Exchange Procedures"):

1. Interested Parties shall have until August 1 following the True-Up Publication Date (unless such period is extended with the written consent of Black Hills Power or by FERC order) to serve reasonable information and document requests on Black Hills Power ("True-Up Information Exchange Period"). If August 1 falls on a weekend or a holiday recognized by FERC, the deadline for submitting all information and document requests for the True-Up Information Exchange Period shall be extended to the next business day. Such information and document requests shall be limited to what is necessary to determine:

- A. the extent or effect of an Accounting Change;
- B. whether the Annual True-Up fails to include data properly recorded in accordance with these protocols;
- C. the proper application of the formula rate and procedures in these protocols;
- D. the accuracy of data and consistency with the formula rate of the calculations shown in the Annual True-Up;
- E. the prudence of actual costs and expenditures;
- F. the effect of any change to the underlying Uniform System of Accounts or FERC Form No. 1; or
- G. any other information that may reasonably have substantive effect on the calculation of the charge pursuant to the formula rate.

The information and document requests shall not otherwise be directed to ascertaining whether the

formula rate is just and reasonable.

2. Interested Parties shall have until November 30 following the Projected Rate Publication Date (unless such period is extended with the written consent of Black Hills Power or by FERC order) to serve reasonable information and document requests on Black Hills Power ("Projected Rate Information Exchange Period"). If November 30 falls on a weekend or a holiday recognized by FERC, the deadline for submitting all information and document requests for the Projected Rate Information Exchange Period shall be extended to the next business day. Such information and document requests shall be limited to what is necessary to determine:

- A. the extent or effect of an Accounting Change;
- B. whether the projected net revenue requirement fails to include data properly recorded in accordance with these protocols;
- C. the proper application of the formula rate and procedures in these protocols;
- D. the accuracy of data and consistency with the formula rate of the calculations shown in the projected net revenue requirement;
- E. the prudence of projected costs and expenditures;
- F. the effect of any change to the underlying Uniform System of Accounts or FERC Form No. 1; or
- G. any other information that may reasonably have substantive effect on the calculation of the charge pursuant to the formula rate.

The information and document requests shall not otherwise be directed to ascertaining whether the formula rate is just and reasonable.

3. Black Hills Power shall make a good faith effort to respond to information and document requests within fifteen (15) business days of receipt of such requests. Black Hills Power shall

respond to all information and document requests submitted during the True-Up Information Exchange Period by no later than September 1 following the True-Up Publication Date, unless the True-Up Information Exchange Period is extended by Black Hills Power or FERC. Further, Black Hills Power shall respond to all information and document requests submitted during the Projected Rate Information Exchange Period by no later than December 31 following the Projected Rate Publication Date, unless the Projected Rate Information Exchange Period is extended by Black Hills Power or FERC.

4. Black Hills Power will post on its website and OASIS all information and document requests from Interested Parties and Black Hills Power's response(s) to such requests; except, however, if responses to information and document requests include material deemed by Black Hills Power to be privileged and/or confidential, such information will not be publicly posted but confidential information will be made available to requesting parties provided that a confidentiality agreement is executed by Black Hills Power and the requesting party.

5. Black Hills Power shall not claim that responses to information and document requests provided pursuant to these protocols are subject to any settlement privilege, in any subsequent FERC proceeding addressing Black Hills Power's Annual True-Up or projected net revenue requirement.

Section IV. Challenge Procedures

1. Interested Parties shall have until September 15 following the True-Up Publication Date (unless such period is extended with the written consent of Black Hills Power or by FERC order) to review the inputs, supporting explanations, allocations and calculations and to notify Black Hills Power in writing, which may be made electronically, of any specific Informal Challenges to the Annual True-Up. The period of time from the True-Up Publication Date until September 15

shall be referred to as the "True-Up Review Period." If September 15 falls on a weekend or a holiday recognized by FERC, the deadline for submitting all Informal Challenges regarding the Annual True-Up shall be extended to the next business day.

2. Interested Parties shall have until January 15 following the Projected Rate Publication Date (unless such period is extended with the written consent of Black Hills Power or by FERC order) to review the inputs, supporting explanations, allocations and calculations and to notify Black Hills Power in writing, which may be made electronically, of any specific Informal Challenges to the projected net revenue requirement. The period of time from the Projected Rate Publication Date until January 15 shall be referred to as the "Projected Rate Review Period." If January 15 falls on a weekend or a holiday recognized by FERC, the deadline for submitting all Informal Challenges regarding the projected net revenue requirement shall be extended to the next business day.

3. Failure to pursue an issue through an Informal Challenge or to lodge a Formal Challenge within the timelines provided in these protocols regarding any issue as to a given Annual True-Up or projected net revenue requirement shall bar pursuit of such issue with respect to that Annual True-Up or projected net revenue requirement, but shall not bar pursuit of such issue or the lodging of a Formal Challenge as to such issue as it relates to a subsequent Annual True-Up or projected net revenue requirement.

4. A party submitting an Informal Challenge to Black Hills Power must specify the inputs, supporting explanations, allocations, calculations, or other information to which it objects, and provide an appropriate explanation and documents to support its challenge. Black Hills Power shall make a good faith effort to respond to any Informal Challenge within twenty (20) business days of notification of such challenge. Black Hills Power shall appoint a senior representative to

work with the party (or its representative) submitting the Informal Challenge toward a resolution of the dispute, and, where deemed necessary, may request the appointment of a FERC Administrative Law Judge that is mutually acceptable to the challenging party to facilitate discussions to attempt to resolve the dispute. If Black Hills Power disagrees with such challenge, Black Hills Power will provide the Interested Party(ies) with an explanation supporting the inputs, supporting explanations, allocations, calculations, or other information. No Informal Challenge of the Annual True-Up or projected net revenue requirement may be submitted after September 15 and January 15, respectively, following the True-Up Publication Date and Projected Rate Publication Date, unless September 15 or January 15 falls on a weekend or a holiday recognized by FERC, in which case the deadline for submitting all Informal Challenges shall be extended to the next business day. Black Hills Power must respond to: (1) all Informal Challenges of the Annual True-Up by no later than October 15 following the True-Up Publication Date, unless the True-Up Review Period is extended by Black Hills Power or FERC; and (2) all Informal Challenges of the projected net revenue requirement by February 15 following the Projected Rate Publication Date, unless the Projected Rate Review Period is extended by Black Hills Power or FERC.

5. Informal Challenges shall be subject to the resolution procedures and limitations in this Section IV. Formal Challenges shall be filed pursuant to these protocols and shall satisfy all of the following requirements:

A. A Formal Challenge shall:

- a. Clearly identify the action or inaction which is alleged to violate the formula rate or protocols;
- b. Explain how the action or inaction violates the formula rate or protocols;

- c. Set forth the business, commercial, economic or other issues presented by the action or inaction as such relate to or affect the party filing the Formal Challenge, including:
 - i. The extent or effect of an Accounting Change;
 - ii. Whether the Annual True-Up or projected net revenue requirement fails to include data properly recorded in accordance with these protocols;
 - iii. The proper application of the formula rate and procedures in these protocols;
 - iv. The accuracy of data and consistency with the formula rate of the charges shown in the Annual True-Up or projected net revenue requirement;
 - v. The prudence of actual or projected costs and expenditures;
 - vi. The effect of any change to the underlying Uniform System of Accounts or FERC Form No. 1; or
 - vii. Any other information that may reasonably have substantive effect on the calculation of the charge pursuant to the formula rate.
- d. Make a good faith effort to quantify the financial impact or burden (if any) created for the party filing the Formal Challenge as a result of the action or inaction;
- e. State whether the issues presented are pending in an existing FERC proceeding or a proceeding in any other forum in which the filing party is a party, and if so, provide an explanation why timely resolution cannot be achieved in that forum;
- f. State the specific relief or remedy requested, including any request for stay or extension of time, and the basis for that relief;

- g. Include all documents that support the facts in the Formal Challenge in possession of, or otherwise attainable by, the filing party, including, but not limited to, contracts and affidavits; and
- h. State whether the filing party utilized the Informal Challenge procedures described these protocols to dispute the action or inaction raised by the Formal Challenge, and, if not, describe why not.

B. Service. Any person filing a Formal Challenge must serve a copy of the Formal Challenge on Black Hills Power. Service to Black Hills Power must be simultaneous with filing at FERC. Simultaneous service can be accomplished by electronic mail in accordance with Section 385.2010(f)(3) of FERC's Rules of Practice and Procedure, facsimile, express delivery, or messenger. 18 C.F.R. § 385.2010(f)(3). The party filing the Formal Challenge shall serve the individual listed as the contact person on Black Hills Power's Informational Filing required under Section V of these protocols.

6. Informal and Formal Challenges shall be limited to all issues that may be necessary to determine: (1) the extent or effect of an Accounting Change; (2) whether the Annual True-Up or projected net revenue requirement fails to include data properly recorded in accordance with these protocols; (3) the proper application of the formula rate and procedures in these protocols; (4) the accuracy of data and consistency with the formula rate of the calculations shown in the Annual True-Up and projected net revenue requirement; (5) the prudence of actual or projected costs and expenditures; (6) the effect of any change to the underlying Uniform System of Accounts or FERC Form No. 1; or (7) any other information that may reasonably have substantive effect on the calculation of the charge pursuant to the formula rate.

7. Black Hills Power will post on its website and OASIS all Informal Challenges from

Interested Parties and Black Hills Power's response(s) to such Informal Challenges; except, however, if Informal Challenges or responses to Informal Challenges include material deemed by Black Hills Power to be privileged and/or confidential, such information will not be publicly posted but confidential information will be made available to requesting parties provided that a confidentiality agreement is executed by Black Hills Power and the requesting party.

8. An Interested Party shall have until March 15 following the True-Up Review Period and Projected Rate Review Period (unless such date is extended with the written consent of Black Hills Power to continue efforts to resolve the Informal Challenge) to make a Formal Challenge with FERC, which shall be served on Black Hills Power on the date of such filing as specified in Section IV.5.B of these protocols. A Formal Challenge shall be filed in the same docket as Black Hills Power's Informational Filing discussed in Section V of these protocols. Black Hills Power shall respond to the Formal Challenge by the deadline established by FERC. A party may not pursue a Formal Challenge if that party did not submit an Informal Challenge during the applicable True-Up Review Period or Projected Rate Review Period.

9. In any proceeding initiated by FERC concerning the Annual True-Up or projected net revenue requirement or in response to a Formal Challenge, Black Hills Power shall bear the burden, consistent with Section 205 of the Federal Power Act, of proving that it has correctly applied the terms of the formula rate consistent with these protocols, and that it followed the applicable requirements and procedures in Attachment H of the Joint Tariff and these protocols. Nothing herein is intended to alter the burdens applied by FERC with respect to prudence challenges.

10. Except as specifically provided herein, nothing herein shall be deemed to limit in any way the right of Black Hills Power to file unilaterally, pursuant to Federal Power Act Section 205 and

the regulations thereunder, to change the formula rate or any of its inputs (including, but not limited to, rate of return and transmission incentive rate treatment), or to replace the formula rate with a stated rate, or the right of any other party to request such changes pursuant to Section 206 of the Federal Power Act and the regulations thereunder.

11. No party shall seek to modify the formula rate under the Challenge Procedures set forth in these protocols, and the Annual True-Up and projected net revenue requirement shall not be subject to challenge by anyone for the purpose of modifying the formula rate. Any modifications to the formula rate will require, as applicable, a Federal Power Act Section 205 or Section 206 filing.

12. Any Interested Party seeking changes to the application of the formula rate due to a change in the Uniform System of Accounts or FERC Form No. 1, shall first raise the matter with Black Hills Power in accordance with this Section IV before pursuing a Formal Challenge.

Section V. Informational Filings

1. By March 1 of each year, Black Hills Power shall submit to FERC an informational filing ("Informational Filing") of its projected net revenue requirement and Annual True-Up in connection with the postings performed in accordance with Section II of these protocols during the prior year. This Informational Filing must include the information that is reasonably necessary to determine: (1) that input data under the formula rate are properly recorded in any underlying workpapers; (2) that Black Hills Power has properly applied the formula rate and these procedures; (3) the accuracy of data and the consistency with the formula rate of the net revenue requirement and rates under review; (4) the extent of accounting changes that affect formula rate inputs; and (5) the reasonableness of projected costs. The Informational Filing shall include the formula rate template and underlying workpapers in native format fully populated and with formulas intact.

The Informational Filing also must describe any corrections or adjustments made during that period, and must describe all aspects of the formula rate or its inputs that are the subject of an ongoing dispute under the Informal or Formal Challenge procedures. Within five (5) days of such Informational Filing, Black Hills Power shall provide notice of the Informational Filing via an email exploder list and by posting the docket number assigned to Black Hills Power's Informational Filing on its website and OASIS.

2. Any challenges to the implementation of the Black Hills Power formula rate under Attachment H of the Joint Tariff must be made through the Challenge Procedures described in Section IV of these protocols or in a separate complaint proceeding, and not in response to the Informational Filing.

Section VI. Calculation of True-Up Adjustment

The True-Up Adjustment will be determined in the following manner:

1. The projected net revenue requirement on the Annual Transmission Revenue Requirement Formula Estimate template, line 95, column 5 of Attachment H for the Service Year will be compared to the True-Up net revenue requirement for the same Service Year (Annual Transmission Revenue Requirement True Up template, line 88, column 5 of Attachment H of the Joint Tariff) calculated in accordance with Attachment H of the Joint Tariff using Black Hills Power's FERC Form No. 1 for the same Service Year to determine any over or under recovery. The sum of the excess or shortfall due to the actual versus projected net revenue requirement shall constitute the "True-Up Adjustment" amount. The True-Up Adjustment and related calculations shall be posted to Black Hills Power's website and OASIS no later than June 1 (or if that day falls on a weekend or a holiday recognized by FERC, then the posting shall be due on the next business

day) following the issuance of the FERC Form No. 1 for the previous year, as set forth in Section II of these protocols.

2. The True-Up Adjustment amount to be refunded or paid, as calculated on line 47 of the Annual Transmission Revenue Requirement Capital True Up in Attachment H of the Joint Tariff, shall be paid in full in July of each year. The amount on any over or under recovery shall be allocated to the customers based on actual billing determinants for the preceding year.

3. Interest on any over recovery of the net revenue requirement shall be determined based on Section 35.19a of FERC's regulations. 18 C.F.R. § 35.19a. Interest on any under recovery of the net revenue requirement shall be determined using the interest rate equal to Black Hills Power's actual short-term debt costs capped at the applicable FERC refund interest rate. In either case, the interest payable shall be calculated using an average interest rate for the sixteen (16) months during which the over or under recovery in the net revenue requirement exists (*i.e.*, January of the year prior through April of the year in which the true-up occurs). That interest rate will be applied, with quarterly compounding, to the principal amount (*i.e.*, the over or under recovery in the net revenue requirement) for the eighteen (18) months during which that over or under recovery exists.

Section VII. Changes to True-Up Adjustment or Projected Net Revenue Requirement

1. Any changes or adjustments made to the True-Up Adjustment after the True-Up Publication Date, including but not limited to changes or adjustments to the data inputs in Black Hills Power's FERC Form No. 1, or as the result of any FERC proceeding to consider the Annual True-Up, or as a result of the procedures set forth herein, resulting in a change to Black Hills Power's True-Up Adjustment, shall be: (1) posted on the Black Hills Power website and OASIS, and, within ten (10) days of such posting, Black Hills Power shall provide notice to Interested

Parties of such posting via an email exploder; and (2) paid in full within thirty (30) calendar days of the date that any such change or adjustment to the True-Up Adjustment is posted to Black Hills Power's website and OASIS, or in accordance with any FERC order. Interest on any refund or surcharge shall be calculated in accordance with the procedures outlined in Section VI.3 of these protocols or as FERC may otherwise order.

2. Any changes or adjustments made to the projected net revenue requirement after the Projected Rate Publication Date, including but not limited to changes to the data inputs, or as the result of any FERC proceeding to consider the projected net revenue requirement, resulting in a change to Black Hills Power's projected net revenue requirement, shall be posted on the Black Hills Power website and OASIS, and, within ten (10) days of such posting, Black Hills Power shall provide notice to Interested Parties of such posting via an email exploder. Any such changes or adjustments to the projected net revenue requirement agreed to by Black Hills Power on or before January 15 following the Projected Rate Publication Date will be reflected in the projected net revenue requirement for that Service Year. Any changes or adjustments made to the projected net revenue requirement after January 15 following the Projected Rate Publication Date, including but not limited to changes or adjustments as a result of any FERC proceeding to consider the projected net revenue requirement, shall be reflected in Black Hills Power's projected net revenue requirement invoices to be delivered no later than thirty (30) days from the date of posting such change or adjustment to Black Hills Power's website and OASIS, or in accordance with any FERC order. Invoices delivered prior to any such changes or adjustments being made shall be re-invoiced to reflect such changes or adjustments. Interest on any refund or surcharge shall be calculated in accordance with the procedures outlined in Section VI.3 of these protocols or as FERC may otherwise order.

Attachment B

ATTACHMENT H

MONTHLY NETWORK TRANSMISSION REVENUE REQUIREMENT FOR TRANSMISSION SERVICE ON THE AC TRANSMISSION SYSTEM

1. The Annual Transmission Cost for Transmission Service on the AC Transmission System is:
 - a. Black Hills Component: Annual Transmission Revenue Requirement as determined pursuant to the formula set forth in this Attachment H
 - b. Basin Electric Component: \$16,482,130
 - c. PRECorp Component: \$1,297,602
 - d. Annual Transmission Cost: $\$(a + b + c)$

The amounts in (a) (b) and (c) shall be effective until amended by the Transmission Provider or until modified by the Commission. Each of Black Hills, Basin Electric and PRECorp ("Party") may unilaterally modify its component of the Annual Transmission Cost pursuant to a filing with the FERC; provided that it must notify the other two Parties in writing not less than thirty (30) days prior to making such filing.

2. The Monthly Network Transmission Revenue Requirement shall be computed each month as follows:

$$x = (y \div 12) - z$$

- x = Monthly Network Transmission Revenue Requirement
y = Annual Transmission Cost (item 1(d))
z = Revenues from all Point-to-Point Transmission Service on the AC Transmission System in the month.

Black Hills Power, Inc.
Annual Transmission Revenue Requirement Formula

Estimate

Service Year 2009

Cost of Service Utilizing FERC Form 1 Data

Black Hills Power, Inc.

Line No.	(1) RATE BASE:	(2) Form No. 1 Page, Line, Col.	(3) Company Total	(4) Allocator (page 4)	(5) Transmission (Col 3 times Col 4)
GROSS PLANT IN SERVICE					
1	Production	205.46.g	329,718,108	NA	
2	Transmission	207.58.g	70,930,677	TP 0.73987	52,479,764
3	New Construction CUS Assets	See Workpaper 2 (line 9)	17,247,000	TP 0.73987	12,760,607
4	New Construction CUS Assets	See Workpaper 3 (line 19 col D)	2,974,250	TP 0.73987	2,200,570
5	Distribution	207.75.g	239,729,489	NA	
6	General & Intangible	See Workpaper 4 (line 5 col 1)	31,450,235	W/S 0.07016	2,206,407
7	Allocated Plant	See Workpaper 5 (line 5)	5,054,792	W/S 0.07016	354,621
8	Communication System	207.94.g	6,874,999	T&D 0.21360	1,468,503
9	Common	356.1	0	CE 0.00000	0
10	TOTAL GROSS PLANT	(sum lines 1 - 9)	703,979,550	GP= 10.152%	71,470,473
ACCUMULATED DEPRECIATION					
13	Production	219.20-24.c	159,696,980	NA	
14	Transmission	219.25.c	23,826,360	TPA 0.88176	21,009,226
15	Additional Transmission Depr	See Workpaper 2 (line 48)	2,090,423	TPA 0.88176	1,843,259
16	Distribution	219.26.c	79,001,766	NA	
17	General & Intangible	See Workpaper 4 (line 24 col 1)	15,050,577	W/S 0.07016	1,055,881
18	Allocated Plant	See Workpaper 5 (line 11)	2,073,154	W/S 0.07016	145,443
19	Communication System	See Workpaper 4 (line 22 col 2)	2,136,253	T&D 0.21360	456,305
20	Common	356.1	0	CE 0.00000	0
21	TOTAL ACCUM. DEPRECIATION	(sum lines 13 - 20)	283,875,513		24,510,115
NET PLANT IN SERVICE					
24	Production	(line 1 - line 13)	170,021,128	Auto	
25	Transmission	(line 2 - line 14)	47,104,317	Auto	31,470,537
26	New Construction CUS Assets	(line 3 - line 15)	15,156,577	Auto	10,917,347
27	New Construction CUS Assets	(line 4)	2,974,250	Auto	2,200,570
28	Distribution	(line 5 - line 16)	160,727,723	Auto	
29	General & Intangible	(line 6 - line 17)	16,399,658	Auto	1,150,526
30	Allocated Plant	(line 7 - line 18)	2,981,638	Auto	209,178
31	Communication System	(line 8 - line 19)	4,738,746	Auto	1,012,199
32	Common	(line 9 - line 20)	0	Auto	0
33	TOTAL NET PLANT	(sum lines 24 - 32)	420,104,037	NP= 11.178%	46,960,358
ADJUSTMENTS TO RATE BASE (Note A)					
36	Account No. 281 (enter negative)	273.8.k	(4,343)	NA zero	-
37	Account No. 282 (enter negative)	275.2.k	(68,245,483)	NP 0.11178	(7,628,663)
38	Account No. 283 (enter negative)	277.9.k	(8,788,261)	NP 0.11178	(982,375)
39	Account No. 190	234.8.c	7,258,863	NP 0.11178	811,415
40	Account No. 255 (enter negative)	267.8.h	(307,159)	NP 0.11178	(34,335)
41	FAS 109 Adjustment	(232.1.f - 278.1.f - 278.3.f)*.35	806,475	NP 0.11178	90,150
42	TOTAL ADJUSTMENTS	(sum lines 36 - 41)			(7,743,809)
44	LAND HELD FOR FUTURE USE	214.x.d (Note B)	0	DA 0.00000	0
WORKING CAPITAL (Notes C & H)					
47	CWC	(1/8 * line 63)	2,437,258	Auto	232,223
48	Materials & Supplies	227.5.c	4,668,225	T&D 0.21360	997,135
49	Materials & Supplies	227.8.c	94,372	TP 0.73987	69,823
50	Prepayments (Account 165)	111.57.c	6,173,396	GP 0.10152	626,745
51	TOTAL WORKING CAPITAL	(sum lines 47 - 50)			1,925,927
53	TRANSMISSION RATE BASE	(sum lines 33, 42, 44, & 51)			41,142,476

Cost of Service
Utilizing FERC Form 1 Data

Black Hills Power, Inc.

Line No.	(1)	(2)	(3)	(4)	(5)
	Form No. 1		Company Total	Allocator	Transmission
	Page, Line, Col.			(page 4)	(Col 3 times Col 4)
O&M					
54	Transmission	321.112.b	9,746,087	TP 0.73987	7,210,876
55	Less: Account 565 and 561	321.84-92.b & 96.b	9,091,266	TP 0.73987	6,726,391
56	A&G	323.194.b	19,414,837	W/S 0.07016	1,362,058
57	Less FERC Annual Fees (Note D)	350.1.b	201,513	W/S 0.07016	14,137
58	Plus: Fixed PBOP expense (Note I)		227,200	W/S 0.07016	15,939
59	Less: Actual PBOP expense (Company Records)		224,882	W/S 0.07016	15,777
60	Less: EPRI & Reg. Comm. Exp. & Non-safety Ad. (Note E)		449,068	W/S 0.07016	31,505
61	Plus Trans Related Reg. Comm. Exp. (Note E) (Workpaper 1 line 11)		76,667	TP 0.73987	56,724
62	Common	356.1	0	CE 0.00000	0
63	TOTAL O&M (sum lines 54, 56, 58, 61, 62 less lines 55, 57, 59, 60)		19,498,062		1,857,787
DEPRECIATION EXPENSE (Note I)					
66	Transmission	336.7.b	1,650,459	TP 0.73987	1,221,132
67	New Construction CUS Assets	See Workpaper 2 (line 13)	400,130	TP 0.73987	296,046
68	New Construction CUS Assets	See Workpaper 3 (line 23)	69,003	TP 0.73987	51,053
69	General & intangible	336.10.b & 336.1.d&e	2,389,067	W/S 0.07016	167,606
70	Common	336.11.b	0	CE 0.00000	0
71	TOTAL DEPRECIATION (Sum lines 66 - 70)		4,508,659		1,735,837
TAXES OTHER THAN INCOME TAXES (Note F)					
LABOR RELATED					
75	Payroll	263.3i, 263.4i, 263.12i	1,667,209	W/S 0.07016	116,964
76	Highway and vehicle	263.i	0	W/S 0.07016	0
PLANT RELATED					
78	Property	263.23i	4,341,000	GP 0.10152	440,714
79	Gross Receipts	263.i	0	NA zero	0
80	Other	263.i	0	GP 0.10152	0
81	TOTAL OTHER TAXES (sum lines 75 - 80)		6,008,209		557,677
INCOME TAXES (Note G)					
85	$T=1 - \frac{((1 - SIT) * (1 - FIT))}{(1 - SIT * FIT * p)}$		35.00%		
86	$CIT=(T/1-T) * (1-(WCLTD/R))$		34.99%		
87	where WCLTD=(line 156) and R=(line 159)				
88	and FIT, SIT & p are as given in footnote G.				
90	Total Income Taxes	(line 86 * line 93)			1,363,778
RETURN					
93	[Rate Base (line 53) * R (line 159)]			Auto	3,897,187
94					
95	ESTIMATED REVENUE REQUIREMENT (sum lines 63, 71, 81, 90, 93)		30,014,930		9,412,267

Cost of Service
Utilizing FERC Form 1 Data

Black Hills Power, Inc.

SUPPORTING CALCULATIONS AND NOTES

Line No.	TRANSMISSION PLANT INCLUDED IN JOINT TARIFF RATES	Form 1 Reference			
96	Total transmission plant	Column (3) sum lines 2 - 4			91,151,927
97	Less transmission plant excluded from Common Use Facilities	Company Records			25,310,952
98	Less transmission plant included in Ancillary Services				0
99	Transmission plant included in Common Use Facilities (line 96 less lines 97 and 98)				65,840,975
100	Plus Common Use AC Facilities (line 110)				6,150,861
101	Total Gross Plant for the CUS System (line 99 plus line 100)				71,991,836
102	Total CUS Plant (line 96 plus line 110)				97,302,788
103					
104	Percentage of transmission plant included in Common Use Facilities (line 101 divided by line 102)		TP=		0.739874
105					
106	DISTRIBUTION PLANT INCLUDED IN JOINT TARIFF RATES	Form 1 Reference			
107	Total distribution plant	Column (3) line 5			239,729,489
108	Less distribution plant excluded from Common Use Facilities	Company Records			233,578,628
109	Less distribution plant included in Ancillary Services				0
110	Common Use AC Facilities (line 107 less lines 108 & 109)				6,150,861
111					
112	Percentage of distribution plant included in Common Use Facilities (line 107 divided by line 110)		DP=		0.025658
113					
114	ACCUMULATED DEPRECIATION	Form 1 Reference			
115	Total Transmission Accumulated Depreciation	Column (3), sum lines 14 - 15			25,916,783
116	Less transmission plant excluded from Common Use Facilities	Company Records			3,428,179
117	Total Transmission Accumulated Depreciation included in Common Use Facilities (line 115 - line 116)				22,488,604
118	Plus Common Use AC Facilities Accumulated Depreciation (line 127)				3,077,649
119	Total Accumulated Depreciation for the CUS System (line 117 plus line 118)				25,566,253
120	Total CUS Accumulated Depreciation (line 115 plus line 118)				28,994,432
121					
122	Percentage of transmission plant accumulated depreciation included in Common Use Facilities (line 119 divided by line 120)		TPA=		0.881764
123					
124		Form 1 Reference			
125	Total Distribution Accumulated Depreciation	219.26.c			79,001,766
126	Less distribution accumulated depreciation excluded from Common Use Facilities (Company Records)				75,924,117
127	Common Use AC Facilities (line 125 less line 126)				3,077,649
128					
129	Percentage of distribution plant accumulated depreciation included in Common Use Facilities (line 127 divided by line 125)		DPA=		0.038957
130					
131	WAGES & SALARY ALLOCATOR (W&S)				
132		Form 1 Reference	\$	TP	Allocation
133	Transmission	354.21.b	1,171,648	0.74	866,872
134	Total Wages Expense	354.28.b	14,244,451	0.00	0
135	Less: A&G Wages	354.27.b	1,888,017	0.00	0
136	Adjusted Total (sum lines 134-135)		12,356,434		866,872 WS=
137					0.07016
138	TRANSMISSION & DISTRIBUTION ALLOCATOR (T&D)		\$	% TP	T&D
139	Transmission Net Plant	lines 25, 26 & 27	65,235,144	28.87%	74% 21.36%
140	Distribution Net Plant	line 28	160,727,723	71.13%	
141	Total (sum lines 139 - 140)		225,962,867	100%	T&D =
142					21.36%
143	RETURN (R)	Form 1 Reference			\$
144	Long Term Interest	117, sum of 62.c through 66.c			11,817,050
145					
146	Preferred Dividends	118.29.c (positive number)			
147					
148	Development of Common Stock:	Form 1 Reference			
149	Proprietary Capital	112.16.c			232,419,703
150	Less: Preferred Stock	112.3.c			
151	Less: Undistributed Earnings	112.12.c (enter negative)			
152	Less: Accum Other Comp Inc	112.15.c (enter negative)			1,277,097
153	Adjusted Common Stock	(sum lines 149-152)			233,696,800
154					
155		Form 1 Reference	\$	%	Cost
156	Long Term Debt	112.24.c	153,217,473	43.00%	7.71%
157	Preferred Stock	112.3.c	0	0.00%	0.00%
158	Adjusted Common Stock	(see above line 153)	233,696,800	57.00% (Note I)	10.80% (Note I)
159	Total (sum lines 156-158)		386,914,273		R = 9.47%

Cost of Service
Utilizing FERC Form 1 Data

Black Hills Power, Inc.

Note
Letter

- A The balances in Accounts 281, 282, 283 and 190, as adjusted by any amounts in contra accounts identified as regulatory assets or liabilities related to FASB 109. Balance of Account 255 is reduced by prior flow through and excluded if the utility chose to utilize amortization of tax credits against taxable income. Account 281 is not allocated.
- B Identified in Form 1 as being only transmission related.
- C Cash Working Capital assigned to transmission is one-eighth of O&M allocated to transmission at line 47, column 5.
- D The FERC's annual charges for the year assessed the Transmission Owner for service since annual charges assessed directly under this tariff.
- E Line 1 - EPRI Annual Membership Dues listed in Form 1 at 335.1.b, all Regulatory Commission Expenses itemized at 351.1.h, and non-safety related advertising included in Account 930.1.
- F Includes only FICA, unemployment, highway, property, gross receipts, and other assessments charged in the current year. Taxes related to income are excluded. Gross receipts taxes are not included in transmission revenue requirement in rates, since they are recovered elsewhere.
- G The currently effective income tax rate, where FIT is the Federal income tax rate; SIT is the State income tax rate, and p = "the percentage of federal income tax deductible for state income taxes". If the utility is taxed in more than one state it must attach a work paper showing the name of each state and how the blended or composite SIT was developed. Furthermore, a utility that elected to utilize amortization of tax credits against taxable income, rather than book tax credits to Account No. 255 and reduce rate base, must reduce its income tax expense by the amount of the Amortized Investment Tax Credit (Form 1, 266.8.f) multiplied by (1/1-T) (page 7, line 26).

Inputs Required:	FIT =	35.00%	
	SIT =	0.00%	(State Income Tax Rate or Composite SIT)
	p =	0.00%	(percent of federal income tax deductible for state purposes)
- H See Note H for the True-Up calculation.
- I Depreciation rates, PBOP, ROE, and Capital Structure are fixed amounts that can be changed only through a Section 205 filing.

True Up

Service Year: 2009

Cost of Service Utilizing FERC Form 1 Data

Black Hills Power, Inc.

Line No.	(1) RATE BASE:	(2) Form No. 1 Page, Line, Col.	(3) Company Total	(4) Allocator (page 4)	(5) Transmission (Col 3 times Col 4)
1	GROSS PLANT IN SERVICE	(Note H)			
1	Production	205.46.g		NA	
2	Transmission	207.58.g		TP	0.00000
3	Distribution	207.75.g		NA	0
4	General & Intangible	See Workpaper 4		W/S	0.00000
5	Allocated Plant	See Workpaper 5		W/S	0.00000
6	Communication System	See Workpaper 4		T&D	0.00000
7	Common	356.1		CE	0.00000
8	TOTAL GROSS PLANT	(sum lines 1 - 7)	0	GP=	0.000%
9					
10	ACCUMULATED DEPRECIATION	(Note H)			
11	Production	219.20-24.c		NA	
12	Transmission	219.25.c		TPA	0.00000
13	Distribution	219.26.c		NA	0
14	General & Intangible	219.28.c		W/S	0.00000
15	Allocated Plant	See Workpaper 5		W/S	0.00000
16	Communication System	See Workpaper 4		T&D	0.00000
17	Common	356.1		CE	0.00000
18	TOTAL ACCUM. DEPRECIATION	(sum lines 11 - 17)	0		0
19					
20	NET PLANT IN SERVICE	(Note H)			
21	Production	(line 1 - line 11)	0	Auto	
22	Transmission	(line 2 - line 12)	0	Auto	0
23	Distribution	(line 3 - line 13)	0	Auto	
24	General & Intangible	(line 4 - line 14)	0	Auto	0
25	Allocated Plant	(line 5 - line 15)	0	Auto	0
26	Communication System	(line 6 - line 16)	0	Auto	0
27	Common	(line 7 - line 17)	0	Auto	0
28	TOTAL NET PLANT	(sum lines 21 - 27)	0	NP=	0.000%
29					
30	ADJUSTMENTS TO RATE BASE	(Notes A & H)			
31	Account No. 281 (enter negative)	273.8.k		NA	zero
32	Account No. 282 (enter negative)	275.2.k		NP	0.00000
33	Account No. 283 (enter negative)	277.9.k		NP	0.00000
34	Account No. 190	234.8.c		NP	0.00000
35	Account No. 255 (enter negative)	267.8.h		NP	0.00000
36	FAS 109 Adjustment	(232.1.f - 278.1.f - 278.3.f)*.35		NP	0.00000
37	TOTAL ADJUSTMENTS	(sum lines 31 - 36)			-
38					
39	LAND HELD FOR FUTURE USE	214.x.d (Notes B & H)	0	DA	0.00000
40					
41	WORKING CAPITAL (Notes C & H)				
42	CWC	(1/8 * line 58)	0	Auto	0
43	Materials & Supplies	227.5.c		T&D	0.00000
44	Materials & Supplies	227.8.c		TP	0.00000
45	Prepayments (Account 165)	111.57.d		GP	0.00000
46	TOTAL WORKING CAPITAL	(sum lines 42 - 45)			0
47					
48	TRANSMISSION RATE BASE	(sum lines 28, 37, 39, & 46)			0

Cost of Service
Utilizing FERC Form 1 Data

Black Hills Power, Inc.

Line No.	(1)	(2)	(3)	(4)	(5)
	Form No. 1 Page, Line, Col.	Company Total	Allocator (page 4)	Transmission (Col 3 times Col 4)	
O&M					
49	Transmission	321.112.b	TP	0.00000	0
50	Less: Account 565 and 561	321.84-92.b & 96.b	TP	0.00000	0
51	A&G	323.194.b	W/S	0.00000	0
52	Less FERC Annual Fees (Note D)	350.1.b	W/S	0.00000	0
53	Plus: Fixed PBOP expense (Note I)		W/S	0.00000	0
54	Less: Actual PBOP expense (Company Records)		W/S	0.00000	0
55	Less: EPRI & Reg. Comm. Exp. & Non-safety Ad. (Note E)		W/S	0.00000	0
56	Plus Transmission Related Reg. Comm. Exp. (Note E)		TP	0.00000	0
57	Common	356.1	CE	0.00000	0
58	TOTAL O&M (sum lines 49, 51, 53, 56, 57 less lines 50, 52, 54, 55)	0			0
59					
DEPRECIATION EXPENSE (Note I)					
61	Transmission	336.7.b	TP	0.00000	0
62	General & intangible	336.10.b & 336.1.d&e	W/S	0.00000	0
63	Common	336.11.b	CE	0.00000	0
64	TOTAL DEPRECIATION (Sum lines 61 - 63)	0			0
65					
TAXES OTHER THAN INCOME TAXES (Note F)					
LABOR RELATED					
68	Payroll	263.3i, 263.4i, 263.12i	W/S	0.00000	0
69	Highway and vehicle	263.i	W/S	0.00000	0
PLANT RELATED					
71	Property	263.23i	GP	0.00000	0
72	Gross Receipts	263.i	NA	zero	0
73	Other	263.i	GP	0.00000	0
74	TOTAL OTHER TAXES (sum lines 68 - 73)	0			0
75					
76					
INCOME TAXES (Note G)					
78	$T = 1 - \{(1 - \text{SIT}) * (1 - \text{FIT})\} / \{(1 - \text{SIT} * \text{FIT} * p)\} =$	35.00%			
79	$\text{CIT} = (T / (1 - T)) * (1 - (\text{WCLTD} / \text{R})) =$	53.85%			
80	where WCLTD=(line 154) and R=(line 157)				
81	and FIT, SIT & p are as given in footnote G.				
82					
83	Total Income Taxes	(line 79 * line 86)			0
84					
RETURN					
86	[Rate Base (line 48) * R (line 157)]		Auto		0
87					
88	REVENUE REQUIREMENT (sum lines 58, 64, 74, 83, 85)	0			0
89					
90	ESTIMATED REVENUE REQUIREMENT (pg. 3 line 95)				
91					
92	TRUE-UP AMOUNT TO BE (REFUNDED)/PAID (line 88 - line 90)				0

Cost of Service
Utilizing FERC Form 1 Data

Black Hills Power, Inc.

SUPPORTING CALCULATIONS AND NOTES

Line No.	TRANSMISSION PLANT INCLUDED IN JOINT TARIFF RATES		Form 1 Reference		
93	Total transmission plant		Column (3) line 2		0
94	Less transmission plant excluded from Common Use Facilities		Company Records		
95	Less transmission plant included in Ancillary Services		Company Records		
96	Transmission plant included in Common Use Facilities (line 93 less lines 94 and 95)				0
97	Plus Common Use AC Facilities (line 107)				0
98	Total Gross Plant for the CUS System (line 96 plus line 97)				0
99	Total CUS Plant (line 93 plus line 107)				0
100					
101	Percentage of transmission plant included in Common Use Facilities (line 98 divided by line 99)			TP=	0.000000
102					
103	DISTRIBUTION PLANT INCLUDED IN JOINT TARIFF RATES		Form 1 Reference		
104	Total distribution plant		Column (3) line 3		0
105	Less distribution plant excluded from Common Use Facilities		Company Records		
106	Less distribution plant included in Ancillary Services		Company Records		
107	Common Use AC Facilities (line 104 less lines 105 & 106)				0
108					
109	Percentage of distribution plant included in Common Use Facilities (line 104 divided by line 107)			DP=	0.000000
110					
111	ACCUMULATED DEPRECIATION		Form 1 Reference		
112	Total Transmission Accumulated Depreciation		Column (3) line 12		0
113	Less transmission plant excluded from Common Use Facilities		Company Records		
114	Total Transmission Accumulated Depreciation included in Common Use Facilities (line 112 - line 113)				0
115	Plus Common Use AC Facilities Accumulated Depreciation (line 124)				0
116	Total Accumulated Depreciation for the CUS System (line 114 plus line 115)				0
117	Total CUS Accumulated Depreciation (line 112 plus line 115)				0
118					
119	Percentage of transmission plant accumulated depreciation included in Common Use Facilities (line 116 divided by line 117)			TPA=	0.000000
120					
121			Form 1 Reference		
122	Total Distribution Accumulated Depreciation		Column (3) line 13		0
123	Less distribution accumulated depreciation excluded from Common Use Facilities (Company Records)				
124	Common Use AC Facilities (line 122 less line 123)				0
125					
126	Percentage of distribution plant accumulated depreciation included in Common Use Facilities (line 124 divided by line 122)			DPA=	0.000000
127					
128	WAGES & SALARY ALLOCATOR (W&S)				
129		Form 1 Reference	\$	TP	Allocation
130	Transmission	354.21.b		0.00	0
131	Total Wages Expense	354.28.b		0.00	0
132	Less: A&G Wages	354.27.b		0.00	0
133	Adjusted Total (sum lines 131-132)	0		0	0 WS= 0.000000
134					
135	TRANSMISSION & DISTRIBUTION ALLOCATOR (T&D)				
136			\$	% TP	T&D
137	Transmission Net Plant	line 22	0	0.00%	0% 0.00%
138	Distribution Net Plant	line 23	0	0.00%	
139	Total (sum lines 137 - 138)		0	0%	T&D = 0.00%
140					
141	RETURN (R)		Form 1 Reference		\$
142	Long Term Interest	117, sum of 62.c through 66.c			
143	Preferred Dividends	118.29.c (positive number)			
144					
145					
146	Development of Common Stock:		Form 1 Reference		
147	Proprietary Capital	112.16.c			
148	Less: Preferred Stock	112.3.c			
149	Less: Undistributed Earnings	112.12.c (enter negative)			
150	Less: Accum Other Comp Inc	112.15.c (enter negative)			
151	Adjusted Common Stock	(sum lines 147-150)			
152					
153		Form 1 Reference	\$	%	Cost
154	Long Term Debt	112.24.c		43.00%	0.00%
155	Preferred Stock	112.3.c		0.00%	0.00%
156	Adjusted Common Stock	(see above line 151)		0 57.00% (Note I)	10.80% (Note I)
157	Total (sum lines 154-156)	0			R = 6.16%

**Cost of Service
Utilizing FERC Form 1 Data**

Black Hills Power, Inc.

Note
Letter

- A The balances in Accounts 281, 282, 283 and 190, as adjusted by any amounts in contra accounts identified as regulatory assets or liabilities related to FASB 109. Balance of Account 255 is reduced by prior flow through and excluded if the utility chose to utilize amortization of tax credits against taxable income. Account 281 is not allocated.
- B Identified in Form 1 as being only transmission related.
- C Cash Working Capital assigned to transmission is one-eighth of O&M allocated to transmission at line 42, column 5.
- D The FERC's annual charges for the year assessed the Transmission Owner for service since annual charges assessed directly under this tariff.
- E Line 1 - EPRI Annual Membership Dues listed in Form 1 at 335.b, all Regulatory Commission Expenses itemized at 351.h, and non-safety related advertising included in Account 930.1.
- F Includes only FICA, unemployment, highway, property, gross receipts, and other assessments charged in the current year. Taxes related to income are excluded. Gross receipts taxes are not included in transmission revenue requirement in rates, since they are recovered elsewhere.
- G The currently effective income tax rate, where FIT is the Federal income tax rate; SIT is the State income tax rate, and p = "the percentage of federal income tax deductible for state income taxes". If the utility is taxed in more than one state it must attach a work paper showing the name of each state and how the blended or composite SIT was developed. Furthermore, a utility that elected to utilize amortization of tax credits against taxable income, rather than book tax credits to Account No. 255 and reduce rate base, must reduce its income tax expense by the amount of the Amortized Investment Tax Credit (Form 1, 266.8.f) multiplied by (1/1-T) (page 7, line 26).

Inputs Required:	FIT =	35.00%	
	SIT =	0.00%	(State Income Tax Rate or Composite SIT)
	p =	0.00%	(percent of federal income tax deductible for state purposes)
- H For the True-Up calculation only, Gross Plant, Accumulated Depreciation and Net Plant are based on the 13-monthly plant balances. All other rate base items are based on the average of the beginning of the year and end of year balances.
- I Depreciation rates, PBOP, ROE, and Capital Structure are fixed amounts that can be changed only through a Section 205 filing.

Capital True Up

Line
No.

1 The True-Up Adjustment component of the Formula Rate for each Rate Year beginning with rates effective January 1, 2010 shall be determined as follows:

2
3 (i) Beginning with 2009, no later than June 1 of each year, Black Hills Power shall recalculate an adjusted Annual
4 Transmission Revenue Requirement (ATRR) for the previous calendar year based on its actual costs as reflected
5 in its Form No. 1 and its books and records for that calendar year, consistent with FERC
6 accounting policies.

7
8 (ii) Black Hills Power shall determine the difference between the recalculated ATRR as determined in paragraph (i)
9 above, and ATRR based on projected costs for the previous calendar year (True-Up Adj before Interest).

10 (iii) The True-Up Adjustment shall be determined as follows:

11 True-Up Adjustment equals the True-Up Adjustment before Interest multiplied by $(1+i)^{18}$ months.

12
13
14
15 Where: i = Sum of (the monthly rates for the 4 months ending April 30 of the current year and
16 the monthly rates for the 12 months ending December 31 of the preceding year)
17 divided by 16 months.

18
19 Summary of Formula Rate Process including True-Up Adjustment (Using 2009 as an example)

20	Month	Year	Action
21			
22	True-Up Calculation:		
23	Step 1	May 2010	TO populate the formula with 2009 Actual data and calculates the 2009 True-up Adjustment before Interest
24	Step 2	May 2010	TO compares the revenue received during 2009 to the True-Up calculation done above
25	Step 3	May 2010	TO calculates the interest to include in the 2009 True-Up Adjustment
26	Step 4	July 2010	TO either collects or pays the lump-sum adjustment calculated above
27			
28	Annual Rate Calculation:		
29	Step 5	September 2010	TO populates the formula with 2009 Actual data plus known additions placed in service (over \$1,000,000) for 2010 (See WP 2 for an example)
30	Step 6	September 2010	TO estimates transmission Capital Additions (over \$1,000,000) for 2011 expected to be in service in 2011 (See WP 3 for an example)
31	Step 7	September 2010	TO adds weighted Capital Adds, Accumulated Depreciation and Depreciation Expense to plant in service in Formula
32	Step 8	September 2010	Post results of Step 7 on web site
33	Step 9	October 2010	TO to hold an open meeting for it's customers and representatives to explain the formula rate projections and cost details
34	Step 10	January 2011	Results of Step 7 go into effect

35
36 Note 1: To the extent possible each input into the Formula Rate used to calculate the actual ATRR included in the True-Up
37 Adjustment either will be taken directly from the FERC Form No. 1 or will be reconcilable to the FERC Form No. 1
38 by the application of clearly identified and supported information. If the reconciliation is provided through a
39 worksheet included in the filed Formula Rate template, the inputs to the worksheet must meet this transparency
40 standard, and doing so will satisfy this transparency requirement for the amounts that are output from the
41 worksheet and input to the main body of the Formula Rate.

42 Complete for Each Calendar Year beginning in 2009

43		Transmission Schedule 1
44	A. True-Up Amount (Transmission see pg 7 line 92 and Schedule 1 see pg 18 line 12)	
45	B. Future Value Factor $(1+i)^{18}$	1.00 1.00
46	C. True-Up Amount to be (Refunded)/Paid based on 2009 Actual Load (A*B)	\$0.00 \$0.00

47
48
49 Where: i = average interest rate as calculated below

50
51 Interest on Amount of Refunds or Surcharges Interest 35.19a for Current Year

52	Month	Year	Interest 35.19a for Month
53	January	Year 1	0.0000%
54	February	Year 1	0.0000%
55	March	Year 1	0.0000%
56	April	Year 1	0.0000%
57	May	Year 1	0.0000%
58	June	Year 1	0.0000%
59	July	Year 1	0.0000%
60	August	Year 1	0.0000%
61	September	Year 1	0.0000%
62	October	Year 1	0.0000%
63	November	Year 1	0.0000%
64	December	Year 1	0.0000%
65	January	Year 2	0.0000%
66	February	Year 2	0.0000%
67	March	Year 2	0.0000%
68	April	Year 2	0.0000%
69	Average Interest Rate		0.0000%

Black Hills Power, Inc.
Annual Rate Calculation and True-Up Procedures

~~Not later than September 30 of each year, Black Hills Power, Inc. (“Formula Rate~~
Protocols

Section I. Applicability

The following procedures shall apply to Black Hills Power”) shall determine its, Inc.’s (“Black Hills Power”) calculation of its projected net revenue requirement and load, actual net revenue requirement, and True-Up Adjustment (as that term is defined in Section VI.1 of these protocols) for a calendar year (“Service Year”).

Section II. Annual True-Up and Projected Net Revenue Requirement

1. On or before June 1 of each year, Black Hills Power shall determine its actual net revenue requirement and True-Up Adjustment (collectively, “Annual True-Up”) for the following year preceding Service Year in accordance with the Black Hills Power rate-formula rate under Attachment H to the Joint Open Access Transmission Tariff of Black Hills Power, Basin Electric Power Cooperative, and Powder River Energy Corporation (“Joint Tariff”).) and Section VI of these protocols, and shall post its Annual True-Up on the Black Hills Power website and OASIS. Within ten (10) days of such posting, Black Hills Power shall provide notice to Interested Parties (as that term is defined in Section II.6 of these protocols) of such posting via an email exploder list for which Interested Parties may subscribe on the Black Hills Power website.
2. On or before September 30 of each year, Black Hills Power shall determine its projected net revenue requirement for the following Service Year in accordance with the Black Hills Power formula rate under the Joint Tariff, and shall post its projected net revenue requirement on the Black Hills Power website and OASIS. Within ten (10) days of posting the projected net revenue requirement, Black Hills Power shall provide notice to Interested Parties of such posting to an

email exploder list for which Interested Parties may subscribe on the Black Hills Power website.

3. If the date for posting the Annual True-Up or the projected net revenue requirement falls on a weekend or a holiday recognized by Federal Energy Regulatory Commission ("FERC"), then the posting shall be due on the next business day. The dates on which posting of the Annual True-Up and the projected net revenue requirement occur shall be that year's "True-Up Publication Date" and "Projected Rate Publication Date," respectively. Any delay in the True-Up Publication Date or Projected Rate Publication Date will result in an equivalent extension of time for the submission of information and document requests discussed in Section III of these protocols.

4. The Annual True-Up shall:

- A. Include a workable data-populated formula rate template and underlying workpapers in native format with all formulas and links intact;
- B. Be based on Black Hills Power's FERC Form No. 1 for the prior calendar year;
- C. Provide the formula rate calculations and all inputs thereto, as well as supporting documentation and workpapers for data that are used in the Annual True-Up that are not otherwise available in FERC Form No. 1;¹
- D. Provide sufficient information to enable Interested Parties to replicate the calculation of the Annual True-Up results from FERC Form No. 1;
- E. Identify any changes in the formula references (page and line numbers) to FERC Form No. 1;

¹ It is the intent of the formula rate, including the supporting explanations and allocations described therein, that each input to the formula rate will be either taken directly from FERC Form No. 1 or reconcilable to FERC Form No. 1 by the application of clearly identified and supported information. If the referenced form is superseded, the successor form(s) shall be utilized and supplemented as necessary to provide equivalent information as that provided in the superseded form. If the referenced form(s) is (are) discontinued, equivalent information as that provided in the discontinued form(s) shall be utilized.

- F. Identify all material adjustments made to the FERC Form No. 1 data in determining formula inputs, including relevant footnotes to FERC Form No. 1 and any adjustments not shown in FERC Form No. 1;
- G. Provide underlying data for formula rate inputs that provide greater granularity than is required for FERC Form No. 1;
- H. With respect to any change in accounting that affects inputs to the formula rate or the resulting charges billed under the formula rate (“Accounting Change”):
- a. Identify any Accounting Changes, including:
 - i. the initial implementation of an accounting standard or policy,
 - ii. the initial implementation of accounting practices for unusual or unconventional items where FERC has not provided specific accounting direction,
 - iii. correction of errors and prior period adjustments that impact the True-Up Adjustment calculation,
 - iv. the implementation of new estimation methods or policies that change prior estimates, and
 - v. changes to income tax elections;
 - b. Identify items included in the Annual True-Up at an amount other than on a historic cost basis (e.g., fair value adjustments);
 - c. Identify any reorganization or merger transaction during the previous year and explain the effect of the accounting for such transaction(s) on inputs to the Annual True-Up; and

d. Provide, for each item identified pursuant to Sections II.4.H.a – II.4.H.c of these protocols, a narrative explanation of the individual impact of such changes on the True-Up Adjustment.

5. The projected net revenue requirement shall:

A. Include a workable data-populated formula rate template and underlying workpapers in native format with all formulas and links intact;

B. Be based on Black Hills Power's most recent FERC Form No. 1;

C. Provide the formula rate calculations and all inputs thereto, as well as supporting documentation and workpapers for data that are used in the projected net revenue requirement that are not otherwise available in FERC Form No. 1;

D. Provide sufficient information to enable Interested Parties to replicate the calculation of the projected net revenue requirement;

E. With respect to any Accounting Change:

a. Identify any Accounting Changes, including:

i. the initial implementation of an accounting standard or policy;

ii. the initial implementation of accounting practices for unusual or unconventional items where FERC has not provided specific accounting direction;

iii. correction of errors and prior period adjustments that impact the projected net revenue requirement calculation;

iv. the implementation of new estimation methods or policies that change prior estimates; and

v. changes to income tax elections;

- b. Identify items included in the projected net revenue requirement at an amount other than on a historic cost basis (e.g., fair value adjustments);
- c. Identify any reorganization or merger transaction during the previous year and explain the effect of the accounting for such transaction(s) on inputs to the projected net revenue requirement; and
- d. Provide, for each item identified pursuant to Sections II.5.D.a – II.5.D.c of these protocols, a narrative explanation of the individual impact of such changes on the projected net revenue requirement.

6. Black Hills Power shall hold an open meeting among Interested Parties between the True-Up Publication Date and July 1 each year (“Annual True-Up Meeting”). No less than seven (7) days prior to such Annual True-Up Meeting, Black Hills Power shall provide notice on its website and OASIS of the time, date, and location of the Annual True-Up Meeting, and shall provide notice of such meeting via an email exploder list. For purposes of these procedures, the term Interested Party includes, but is not limited to, customers under the Joint Tariff, state utility regulatory commissions, consumer advocacy agencies, and state attorneys general. The Annual True-Up Meeting shall: (i) permit Black Hills Power to explain and clarify its Annual True-Up; and (ii) provide Interested Parties an opportunity to seek information and clarifications from Black Hills Power about the Annual True-Up.

7. Black Hills Power shall hold an open meeting among Interested Parties between the Projected Rate Publication Date and October 30 each year (“Annual Projected Rate Meeting”). No less than seven (7) days prior to such Annual Projected Rate Meeting, Black Hills Power shall provide notice on its website and OASIS of the time, date, and location of the Annual Projected Rate Meeting, and shall provide notice of such meeting via an email exploder list. The Annual

Projected Rate Meeting shall: (i) permit Black Hills Power to explain and clarify its projected net revenue requirement; and (ii) provide Interested Parties an opportunity to seek information and clarifications from Black Hills Power about the projected net revenue requirement.

Section III. Information Exchange Procedures

Each Annual True-Up and projected net revenue requirement shall be subject to the following information exchange procedures ("Information Exchange Procedures"):

1. Interested Parties shall have until August 1 following the True-Up Publication Date (unless such period is extended with the written consent of Black Hills Power or by FERC order) to serve reasonable information and document requests on Black Hills Power ("True-Up Information Exchange Period"). If August 1 falls on a weekend or a holiday recognized by FERC, the deadline for submitting all information and document requests for the True-Up Information Exchange Period shall be extended to the next business day. Such information and document requests shall be limited to what is necessary to determine:

- A. the extent or effect of an Accounting Change;
- B. whether the Annual True-Up fails to include data properly recorded in accordance with these protocols;
- C. the proper application of the formula rate and procedures in these protocols;
- D. the accuracy of data and consistency with the formula rate of the calculations shown in the Annual True-Up;
- E. the prudence of actual costs and expenditures;
- F. the effect of any change to the underlying Uniform System of Accounts or FERC Form

No. 1; or

G. any other information that may reasonably have substantive effect on the calculation of the charge pursuant to the formula rate.

The information and document requests shall not otherwise be directed to ascertaining whether the formula rate is just and reasonable.

2. Interested Parties shall have until November 30 following the Projected Rate Publication Date (unless such period is extended with the written consent of Black Hills Power or by FERC order) to serve reasonable information and document requests on Black Hills Power ("Projected Rate Information Exchange Period"). If November 30 falls on a weekend or a holiday recognized by FERC, the deadline for submitting all information and document requests for the Projected Rate Information Exchange Period shall be extended to the next business day. Such information and document requests shall be limited to what is necessary to determine:

- A. the extent or effect of an Accounting Change;
- B. whether the projected net revenue requirement fails to include data properly recorded in accordance with these protocols;
- C. the proper application of the formula rate and procedures in these protocols;
- D. the accuracy of data and consistency with the formula rate of the calculations shown in the projected net revenue requirement;
- E. the prudence of projected costs and expenditures;
- F. the effect of any change to the underlying Uniform System of Accounts or FERC Form No. 1; or
- G. any other information that may reasonably have substantive effect on the calculation of the charge pursuant to the formula rate.

The information and document requests shall not otherwise be directed to ascertaining whether the

formula rate is just and reasonable.

3. Black Hills Power shall make available to customers, the South Dakota Public Utilities Commission ("SDPUC"), and the Wyoming Public Service Commission ("WPSC") its projected net revenue requirement, including information a good faith effort to respond to information and document requests within fifteen (15) business days of receipt of such requests. Black Hills Power shall respond to all information and document requests submitted during the True-Up Information Exchange Period by no later than September 1 following the True-Up Publication Date, unless the True-Up Information Exchange Period is extended by Black Hills Power or FERC. Further, Black Hills Power shall respond to all information and document requests submitted during the Projected Rate Information Exchange Period by no later than December 31 following the Projected Rate Publication Date, unless the Projected Rate Information Exchange Period is extended by Black Hills Power or FERC.

4. Black Hills Power will post on its website and OASIS all information and document requests from Interested Parties and Black Hills Power's response(s) to such requests; except, however, if responses to information and document requests include material deemed by Black Hills Power to be privileged and/or confidential, such information will not be publicly posted but confidential information will be made available to requesting parties provided that a confidentiality agreement is executed by Black Hills Power and the requesting party.

5. Black Hills Power shall not claim that responses to information and document requests provided pursuant to these protocols are subject to any settlement privilege, in any subsequent FERC proceeding addressing Black Hills Power's Annual True-Up or projected net revenue requirement.

Section IV. Challenge Procedures

1. Interested Parties shall have until September 15 following the True-Up Publication Date (unless such period is extended with the written consent of Black Hills Power or by FERC order) to review the inputs, supporting explanations, allocations and calculations and to notify Black Hills Power in writing, which may be made electronically, of any specific Informal Challenges to the Annual True-Up. The period of time from the True-Up Publication Date until September 15 shall be referred to as the "True-Up Review Period." If September 15 falls on a weekend or a holiday recognized by FERC, the deadline for submitting all Informal Challenges regarding the Annual True-Up shall be extended to the next business day.

2. Interested Parties shall have until January 15 following the Projected Rate Publication Date (unless such period is extended with the written consent of Black Hills Power or by FERC order) to review the inputs, supporting explanations, allocations and calculations and to notify Black Hills Power in writing, which may be made electronically, of any specific Informal Challenges to the projected net revenue requirement. The period of time from the Projected Rate Publication Date until January 15 shall be referred to as the "Projected Rate Review Period." If January 15 falls on a weekend or a holiday recognized by FERC, the deadline for submitting all Informal Challenges regarding the projected net revenue requirement shall be extended to the next business day.

3. Failure to pursue an issue through an Informal Challenge or to lodge a Formal Challenge within the timelines provided in these protocols regarding any issue as to a given Annual True-Up or projected net revenue requirement shall bar pursuit of such issue with respect to that Annual True-Up or projected net revenue requirement, but shall not bar pursuit of such issue or the lodging of a Formal Challenge as to such issue as it relates to a subsequent Annual True-Up or projected net revenue requirement.

4. A party submitting an Informal Challenge to Black Hills Power must specify the inputs, supporting explanations, allocations, calculations, or other information to which it objects, and provide an appropriate explanation and documents to support its challenge. Black Hills Power shall make a good faith effort to respond to any Informal Challenge within twenty (20) business days of notification of such challenge. Black Hills Power shall appoint a senior representative to work with the party (or its representative) submitting the Informal Challenge toward a resolution of the dispute, and, where deemed necessary, may request the appointment of a FERC Administrative Law Judge that is mutually acceptable to the challenging party to facilitate discussions to attempt to resolve the dispute. If Black Hills Power disagrees with such challenge, Black Hills Power will provide the Interested Party(ies) with an explanation supporting the inputs, supporting explanations, allocations, calculations, or other information. No Informal Challenge of the Annual True-Up or projected net revenue requirement may be submitted after September 15 and January 15, respectively, following the True-Up Publication Date and Projected Rate Publication Date, unless September 15 or January 15 falls on a weekend or a holiday recognized by FERC, in which case the deadline for submitting all Informal Challenges shall be extended to the next business day. Black Hills Power must respond to: (1) all Informal Challenges of the Annual True-Up by no later than October 15 following the True-Up Publication Date, unless the True-Up Review Period is extended by Black Hills Power or FERC; and (2) all Informal Challenges of the projected net revenue requirement by February 15 following the Projected Rate Publication Date, unless the Projected Rate Review Period is extended by Black Hills Power or FERC.

5. Informal Challenges shall be subject to the resolution procedures and limitations in this Section IV. Formal Challenges shall be filed pursuant to these protocols and shall satisfy all of

the following requirements:

A. A Formal Challenge shall:

- a. Clearly identify the action or inaction which is alleged to violate the formula rate or protocols;
- b. Explain how the action or inaction violates the formula rate or protocols;
- c. Set forth the business, commercial, economic or other issues presented by the action or inaction as such relate to or affect the party filing the Formal Challenge, including:
 - i. The extent or effect of an Accounting Change;
 - ii. Whether the Annual True-Up or projected net revenue requirement fails to include data properly recorded in accordance with these protocols;
 - iii. The proper application of the formula rate and procedures in these protocols;
 - iv. The accuracy of data and consistency with the formula rate of the charges shown in the Annual True-Up or projected net revenue requirement;
 - v. The prudence of actual or projected costs of plant in forecasted rate base (only and expenditures);
 - vi. The effect of any change to the underlying Uniform System of Accounts or FERC Form No. 1; or
 - vii. Any other information that may reasonably have substantive effect on the calculation of the charge pursuant to the formula rate.

- d. Make a good faith effort to quantify the financial impact or burden (if any) created for the party filing the Formal Challenge as a result of the action or inaction;
- e. State whether the issues presented are pending in an existing FERC proceeding or a proceeding in any other forum in which the filing party is a party, and if so, provide an explanation why timely resolution cannot be achieved in that forum;
- f. State the specific relief or remedy requested, including any request for stay or extension of time, and the basis for that relief;
- g. Include all documents that support the facts in the Formal Challenge in possession of, or otherwise attainable by, the filing party, including, but not limited to, contracts and affidavits; and
- h. State whether the filing party utilized the Informal Challenge procedures described these protocols to dispute the action or inaction raised by the Formal Challenge, and, if not, describe why not.

B. Service. Any person filing a Formal Challenge must serve a copy of the Formal Challenge on Black Hills Power. Service to Black Hills Power must be simultaneous with filing at FERC. Simultaneous service can be accomplished by electronic mail in accordance with Section 385.2010(f)(3) of FERC's Rules of Practice and Procedure, facsimile, express delivery, or messenger. 18 C.F.R. § 385.2010(f)(3). The party filing the Formal Challenge shall serve the individual listed as the contact person on Black Hills Power's Informational Filing required under Section V of these protocols.

6. Informal and Formal Challenges shall be limited to all issues that may be necessary to determine: (1) the extent or effect of an Accounting Change; (2) whether the Annual True-Up or

projected net revenue requirement fails to include data properly recorded in accordance with these protocols; (3) the proper application of the formula rate and procedures in these protocols; (4) the accuracy of data and consistency with the formula rate of the calculations shown in the Annual True-Up and projected net revenue requirement; (5) the prudence of actual or projected costs and expenditures; (6) the effect of any change to the underlying Uniform System of Accounts or FERC Form No. 1; or (7) any other information that may reasonably have substantive effect on the calculation of the charge pursuant to the formula rate.

7. Black Hills Power will post on its website and OASIS all Informal Challenges from Interested Parties and Black Hills Power's response(s) to such Informal Challenges; except, however, if Informal Challenges or responses to Informal Challenges include material deemed by Black Hills Power to be privileged and/or confidential, such information will not be publicly posted but confidential information will be made available to requesting parties provided that a confidentiality agreement is executed by Black Hills Power and the requesting party.

8. An Interested Party shall have until March 15 following the True-Up Review Period and Projected Rate Review Period (unless such date is extended with the written consent of Black Hills Power to continue efforts to resolve the Informal Challenge) to make a Formal Challenge with FERC, which shall be served on Black Hills Power on the date of such filing as specified in Section IV.5.B of these protocols. A Formal Challenge shall be filed in the same docket as Black Hills Power's Informational Filing discussed in Section V of these protocols. Black Hills Power shall respond to the Formal Challenge by the deadline established by FERC. A party may not pursue a Formal Challenge if that party did not submit an Informal Challenge during the applicable True-Up Review Period or Projected Rate Review Period.

9. In any proceeding initiated by FERC concerning the Annual True-Up or projected net

revenue requirement or in response to a Formal Challenge, Black Hills Power shall bear the burden, consistent with Section 205 of the Federal Power Act, of proving that it has correctly applied the terms of the formula rate consistent with these protocols, and that it followed the applicable requirements and procedures in Attachment H of the Joint Tariff and these protocols. Nothing herein is intended to alter the burdens applied by FERC with respect to prudence challenges.

10. Except as specifically provided herein, nothing herein shall be deemed to limit in any way the right of Black Hills Power to file unilaterally, pursuant to Federal Power Act Section 205 and the regulations thereunder, to change the formula rate or any of its inputs (including, but not limited to, rate of return and transmission plant 13-month balances are projected—the balance is the most recent Form No. 1 data), expected construction schedules and in-service dates, load, and resulting unit charges for transmission service. All inputs shall be provided in sufficient detail to identify the components of Black Hills Power's net revenue requirement. Upon request, Black Hills Power will provide a description of the basis on which projects were planned. By October 30 of each year, Black Hills Power will hold a meeting, to which its customers and representatives of the SDPUC, and WPSC will be invited, to explain the formula rate input projections and cost detail—incentive rate treatment), or to replace the formula rate with a stated rate, or the right of any other party to request such changes pursuant to Section 206 of the Federal Power Act and the regulations thereunder.

—The True-up Adjustment 11. No party shall seek to modify the formula rate under the Challenge Procedures set forth in these protocols, and the Annual True-Up and projected net revenue requirement shall not be subject to challenge by anyone for the purpose of modifying the formula rate. Any modifications to the formula rate will require, as applicable, a Federal Power

Act Section 205 or Section 206 filing.

12. Any Interested Party seeking changes to the application of the formula rate due to a change in the Uniform System of Accounts or FERC Form No. 1, shall first raise the matter with Black Hills Power in accordance with this Section IV before pursuing a Formal Challenge.

Section V. Informational Filings

1. By March 1 of each year, Black Hills Power shall submit to FERC an informational filing (“Informational Filing”) of its projected net revenue requirement and Annual True-Up in connection with the postings performed in accordance with Section II of these protocols during the prior year. This Informational Filing must include the information that is reasonably necessary to determine: (1) that input data under the formula rate are properly recorded in any underlying workpapers; (2) that Black Hills Power has properly applied the formula rate and these procedures; (3) the accuracy of data and the consistency with the formula rate of the net revenue requirement and rates under review; (4) the extent of accounting changes that affect formula rate inputs; and (5) the reasonableness of projected costs. The Informational Filing shall include the formula rate template and underlying workpapers in native format fully populated and with formulas intact. The Informational Filing also must describe any corrections or adjustments made during that period, and must describe all aspects of the formula rate or its inputs that are the subject of an ongoing dispute under the Informal or Formal Challenge procedures. Within five (5) days of such Informational Filing, Black Hills Power shall provide notice of the Informational Filing via an email exploder list and by posting the docket number assigned to Black Hills Power’s Informational Filing on its website and OASIS.

2. Any challenges to the implementation of the Black Hills Power formula rate under Attachment H of the Joint Tariff must be made through the Challenge Procedures described in

Section IV of these protocols or in a separate complaint proceeding, and not in response to the Informational Filing.

Section VI. Calculation of True-Up Adjustment

The True-Up Adjustment will be determined in the following manner:-

1. 1. — Estimated The projected net revenue requirement on the Annual Transmission revenues on page 160b Revenue Requirement Formula Estimate template, line 95, column 5 of Attachment H for the Service Year will be compared to the True-up Net Revenue Requirement Up net revenue requirement for the same Service Year (page 160f Annual Transmission Revenue Requirement True Up template, line 88, column 5 of Attachment H of the Joint Tariff) calculated in accordance with Black Hills Power's Attachment H of the Joint Tariff using Black Hills Power's Power's FERC Form No. 1 for the same Service Year to determine any over or under recovery (“The sum of the excess or shortfall due to the actual versus projected net revenue requirement shall constitute the “True-up Up Adjustment”.”) amount. The True-up Up Adjustment and related calculations shall be posted to the Transmission Provider's OASIS no later than June 1. Black Hills Power will post, on the OASIS, information regarding frequently asked questions explaining the True-up Adjustment and responses to customer inquiries. Black Hills Power's website and OASIS no later than June 1 (or if that day falls on a weekend or a holiday recognized by FERC, then the posting shall be due on the next business day) following the issuance of the FERC Form No. 1 for the previous year, as set forth in Section II of these protocols.
2. The True-Up Adjustment amount to be refunded or paid, as calculated on line 47 of the Annual Transmission Revenue Requirement Capital True Up in Attachment H of the Joint Tariff, shall be paid in full in July of each year. The amount on any over or under recovery shall be allocated to the customers based on actual billing determinants for the preceding year.

3. ~~2.~~—Interest on any over-recovery of the net revenue requirement shall be determined based on ~~FERC's regulations at 18 C.F.R. §Section~~ Section 35.19a of FERC's regulations. 18 C.F.R. § 35.19a. Interest on any under-recovery of the net revenue requirement shall be determined using the interest rate equal to Black Hills ~~Power's~~Power's actual short-term debt costs capped at the applicable FERC refund interest rate. In either case, the interest payable shall be calculated as follows. ~~The using an average interest rate will be determined using the applicable rate averaged across~~ for the sixteen (16) months, during which the over or under recovery in the net revenue requirement exists (i.e., January of the year prior through the April of the year in which the true-up occurs). That interest rate will be applied, with quarterly compounding, to the principal amount (i.e., the over or under recovery in the net revenue requirement) for the eighteen (18) months during which that over or under recovery exists.—

3. ~~The True-up Amount as calculated on page 160i, line 47, shall be paid in full in July.~~**Section VII. Changes to True-Up Adjustment or Projected Net Revenue**

Requirement

1. Any changes or adjustments made to the True-Up Adjustment after the True-Up Publication Date, including but not limited to changes or adjustments to the data inputs in Black Hills Power's FERC Form No. 1, or as the result of any FERC proceeding to consider the Annual True-Up, or as a result of the procedures set forth herein, resulting in a change to Black Hills Power's True-Up Adjustment, shall be: (1) posted on the Black Hills Power website and OASIS, and, within ten (10) days of such posting, Black Hills Power shall provide notice to Interested Parties of such posting via an email exploder; and (2) paid in full within thirty (30) calendar days of the date that any such change or adjustment to the True-Up Adjustment is posted to Black Hills

Power's website and OASIS, or in accordance with any FERC order. Interest on any refund or surcharge shall be calculated in accordance with the procedures outlined in Section VI.3 of these protocols or as FERC may otherwise order.

2. Any changes or adjustments made to the projected net revenue requirement after the Projected Rate Publication Date, including but not limited to changes to the data inputs, or as the result of any FERC proceeding to consider the projected net revenue requirement, resulting in a change to Black Hills Power's projected net revenue requirement, shall be posted on the Black Hills Power website and OASIS, and, within ten (10) days of such posting, Black Hills Power shall provide notice to Interested Parties of such posting via an email exploder. Any such changes or adjustments to the projected net revenue requirement agreed to by Black Hills Power on or before January 15 following the Projected Rate Publication Date will be reflected in the projected net revenue requirement for that Service Year. Any changes or adjustments made to the projected net revenue requirement after January 15 following the Projected Rate Publication Date, including but not limited to changes or adjustments as a result of any FERC proceeding to consider the projected net revenue requirement, shall be reflected in Black Hills Power's projected net revenue requirement invoices to be delivered no later than thirty (30) days from the date of posting such change or adjustment to Black Hills Power's website and OASIS, or in accordance with any FERC order. Invoices delivered prior to any such changes or adjustments being made shall be re-invoiced to reflect such changes or adjustments. Interest on any refund or surcharge shall be calculated in accordance with the procedures outlined in Section VI.3 of these protocols or as FERC may otherwise order. —The amount on any over or under recovery shall be allocated to the customers based on actual billing determinants for the preceding year.

Example for Net Revenue Requirement

~~— In September 2009, the 2010 net revenue requirement and load will be projected (again, only transmission plant 13 month balances are projected — the balance is the most recent Form No. 1 data) for the purpose of deriving projected 2010 rates that will take effect January 1, 2010. In May 2010, actual transmission revenues will be compared to the Net Revenue Requirement calculated using Black Hills Power's 2009 FERC Form No. 1. If there is a difference, interest will be applied for the period January 1, 2009 until June 30, 2010. For any over recovery, the interest rate to be applied will be the average monthly FERC rate of return on refunds in effect from January 1, 2009 through April 30, 2010. For any under recovery, the interest rate to be applied will be equal to Black Hills Power's actual short term debt costs capped at the applicable FERC refund interest rate in effect from January 1, 2009 through June 30, 2010. Black Hills Power will post all information relating to the True up Adjustment for the 2009 net revenue requirement no later than June 1, 2010.—~~

CERTIFICATE OF SERVICE

Pursuant to Rule 2010 of the Commission's Rules of Practice and Procedure, 18 C.F.R. § 385.2010 (2014), I hereby certify that I have this day served a copy of the foregoing on all persons designated on the official service list compiled by the Secretary in this proceeding.

Dated at Washington, D.C. this 12th day of September, 2014.

/s/ Blake R. Urban
Blake R. Urban

Counsel to Black Hills Corporation